

Cross-Border Relationships and Network Analysis

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Abstract:

In this paper, we study network relations between Turkish banks and foreign-domiciled banks via grouping banks according to their business models (Islamic vs. conventional) and ownership structure (related vs. unrelated). We find that Islamic domestic banks prefer Islamic counterparties in on-balance sheet transactions; however they also work with conventional banks in the derivative transactions. Additionally, we show that the share of funding from foreign domiciled banks is higher in their subsidiaries in Turkey and these relations are more stable during the analysis period. Finally, we find that the currency shock in 2018 changed some of the cross-border relations.

Keywords: Cross-border bank lending, Network analysis, Financial interconnectedness

JEL Codes: F34, G15, G21, L14