Erdoğan announces merger of Türkiye's state participation banks

BY DAILY SABAH | ISTANBUL | JUN 05, 2026 - 3:34 PM GMT+3 |

President Recep Tayyip Erdoğan speaks at the 3rd Global Islamic Economy Summit, Istanbul, Türkiye, June 6, 2026. (AA Photo)

President Recep Tayyip Erdoğan on Friday said participation finance, often known as interest-free or Shariah-compliant finance, represents a "fairer" model for the whole world, while announcing plans to merge Türkiye's three state-owned Islamic banks.

"Participation finance is a fairer and safer model not just for Muslims, but for the entire world," Erdoğan told the 3rd Global Islamic Economy Summit.

Erdoğan said Ziraat Katılım, Vakıf Katılım and Halk Katılım banks would be consolidated, stressing that the move would create "significant synergy" and initiate a new era in the sector.

"Combining the strengths of these three participation banks will create significant synergy. God willing, the sector will gain new momentum," the president noted.

Erdoğan also outlined plans for an initial public offering (IPO) of another participation bank, Emlak Katılım, which he said would allow citizens to become partners in the growth.

The institution was restructured in 2018 from Emlak Bank and has since become a key player in the system, he said.

Erdoğan did not provide a timeline or further details on either move.

Eroding security climate

The president also used his speech to refer to the multiple simultaneous crises the Islamic world is facing, citing Israeli atrocities in Gaza, the West Bank and East Jerusalem, as well as instability linked to the Iran war and disruptions in the Strait of Hormuz.

He said the Middle East conflict and its fallout are "negatively affecting not only our brotherly nations in the Gulf but the entire world."

"The climate of security in our region is being increasingly eroded by the effects of war, crisis, fratricidal conflict and uncertainty," Erdoğan said.

He went on to repeat his frequent saying that "a fairer world is possible," which he said means humanity is "not condemned to a single system in the economy or in international relations."

He described Islamic finance as being based on justice, ethics, risk-sharing, sustainability and social welfare.

Participation finance and related capital market instruments have gained ground in Türkiye's financial system over the years.

In the first quarter of 2026, the market value of companies included in the participation index reached 36% of the total market value of companies traded on Borsa Istanbul, Erdoğan said.

The active asset size of 10 Turkish participation banks, three of which are digital, currently stands at more than TL 4.7 trillion (over $100 billion), he noted.

Their market share within the banking sector has reached 9.5%, he added.

Temporary fixes not a solution

Referring to global financial risks, Erdoğan cited Institute of International Finance data showing that global debt reached $350 trillion in the first quarter of 2026.

"How sustainable this debt burden is remains a serious question that must be answered for the future of the global economy," he noted.

He stressed structural problems cannot be solved with temporary fixes.

"You cannot treat conditions that require surgery with a simple bandage," Erdoğan said.

He argued that recurring financial imbalances would persist unless deeper reforms are implemented.

"Financial crises cannot be prevented without transitioning to an economic and financial paradigm centered on the principles of justice, ethics, production and equitable distribution," Erdoğan noted.

He called for increased criticism and objections toward the current global financial architecture and said more effort should be exerted to bring concrete alternatives to life.

"The more we embrace the principles set forth by Islamic economy, and the more we make this model our focal and starting point, the faster we will reach our goals," said Erdoğan.

He also reiterated his long-standing criticism of interest-based finance, saying: "Where there is interest, there is no blessing."

Source: https://www.dailysabah.com/business/economy/erdogan-announces-merger-of-turkiyes-state-participation-banks