



TÜRKİYE CUMHURİYET
MERKEZ BANKASI

3. GLOBAL ISLAMIC ECONOMY SUMMIT

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Governor

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İSTANBUL



Key Discussion Points

Macro: Capital Formation

- What determines how effectively capital is transformed into productive investment and long-term value rather than remaining idle or underutilized?

Micro: Financial Intermediation

- How can central banks and financial institutions strengthen financial intermediation to support capital formation and productivity growth?

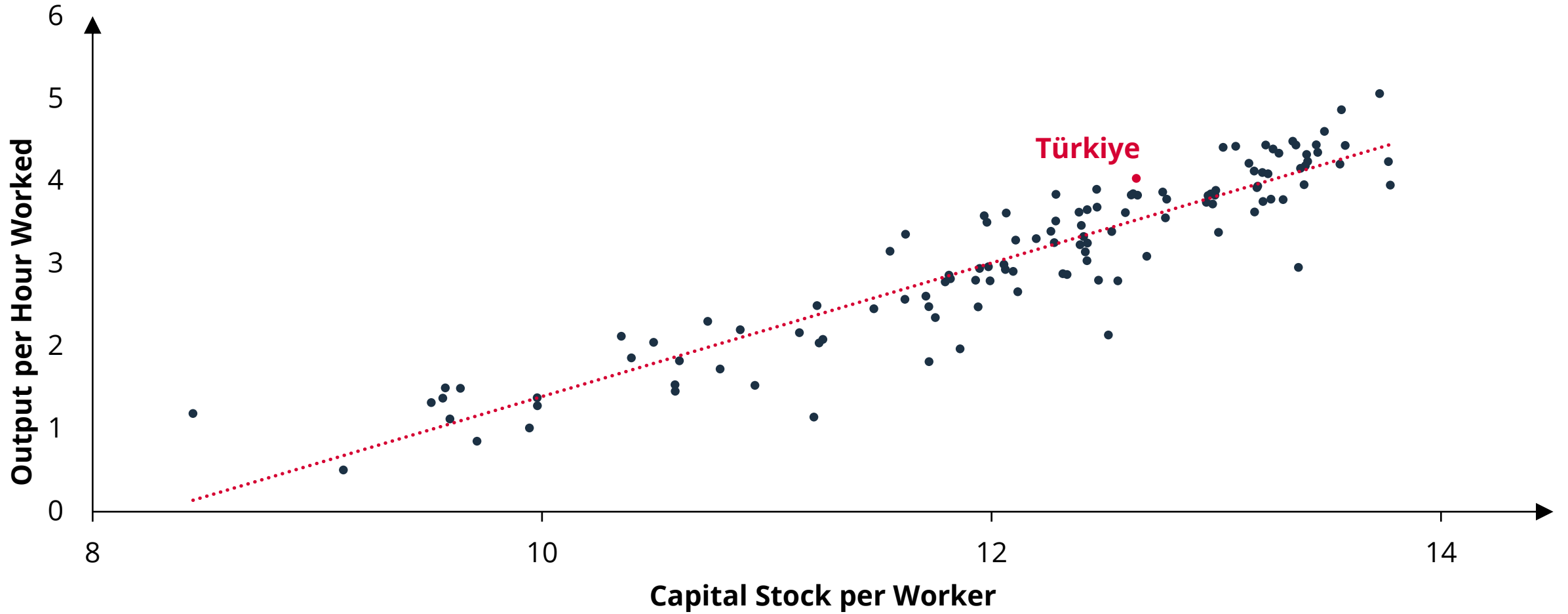
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Macro: What drives capital formation?

- Investment environment and confidence
- Price stability
 - ▶ Lower risk premia
 - ▶ Predictability

Economies with higher capital per worker tend to have higher labor productivity.

Productivity and Real Capital Stock per Worker (international-\$ in 2021 prices, logarithmic scale)



Wealth and capital: A conceptual framework.

WEALTH

A stock of assets that stores value

Purpose:

- Preservation
- Security
- Consumption

CAPITAL

Wealth mobilized for productive use by combining with labor and technology.

Purpose:

- Output
- Income
- Innovation

- **Societies may become wealthier without a corresponding increase in productive capacity, innovation, or employment creation.**
- **The central economic challenge is not wealth accumulation alone, but the transformation of wealth into productive capital.**

Capital takes many forms, each supporting prosperity through different channels.



Physical Capital

Machinery, buildings, infrastructure



Financial Capital

Savings, deposits, securities, financial institutions



Human Capital

Skills, knowledge, health



Intellectual Capital

Patents, technology, R&D



Social Capital

Trust, networks, institutions



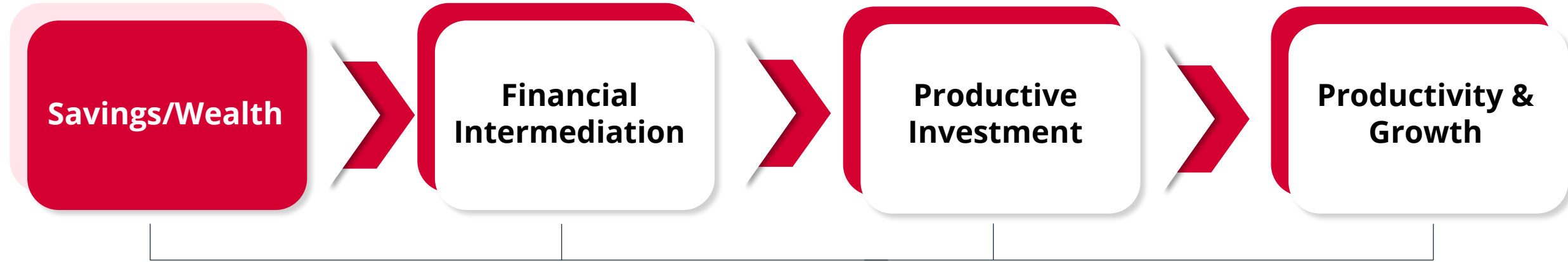
Natural Capital

Land, water, minerals

All capital is wealth. Not all wealth is capital.

Wealth	Capital
Machinery in a factory	✓
Infrastructure	✓
Idle land or building	✗
Gold under mattress	✗

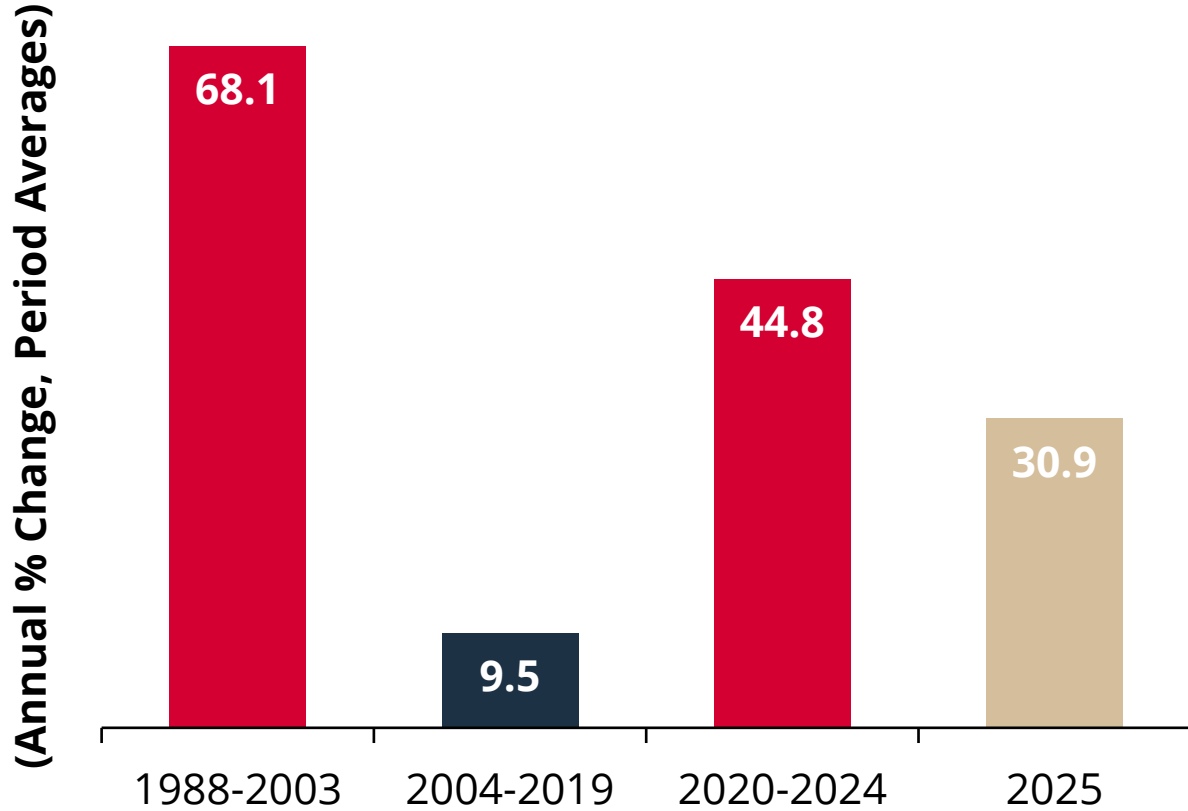
Mobilizing savings and financing investment.



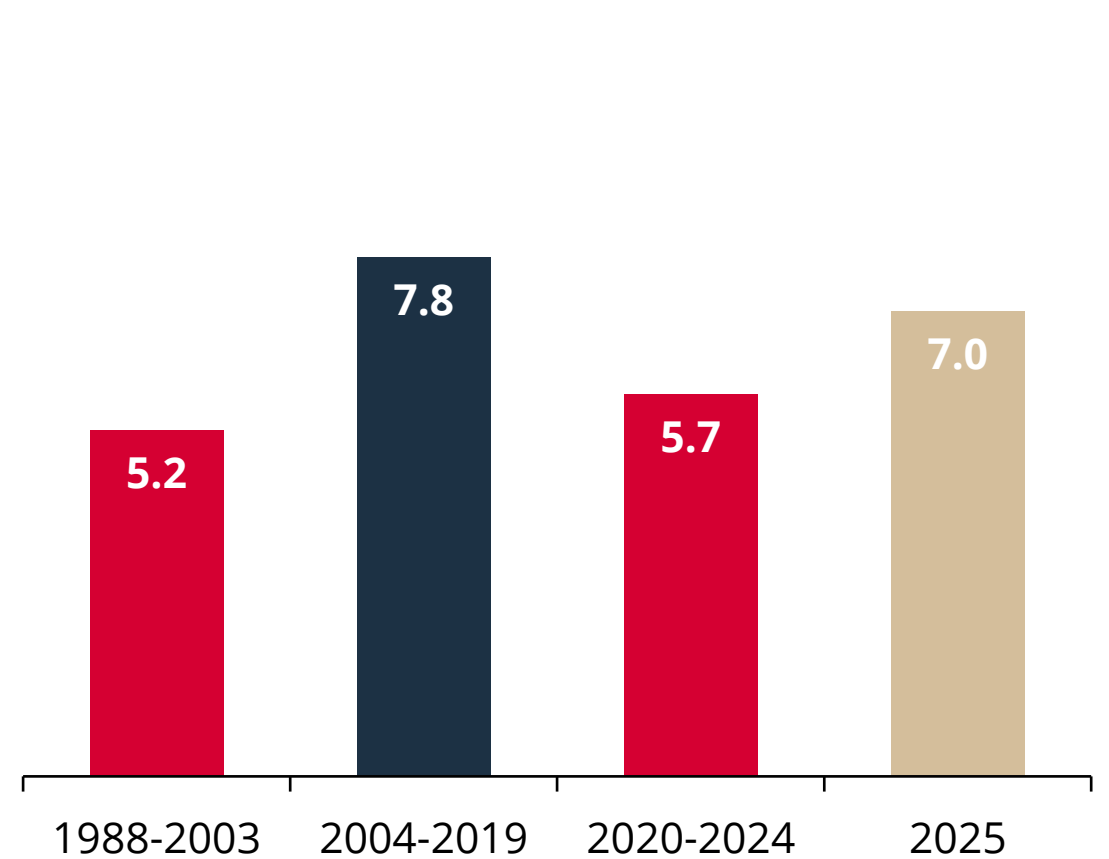
- Price stability
- Financial stability
- Investment environment
- Confidence

Price stability improves the investment and production environment.

Inflation

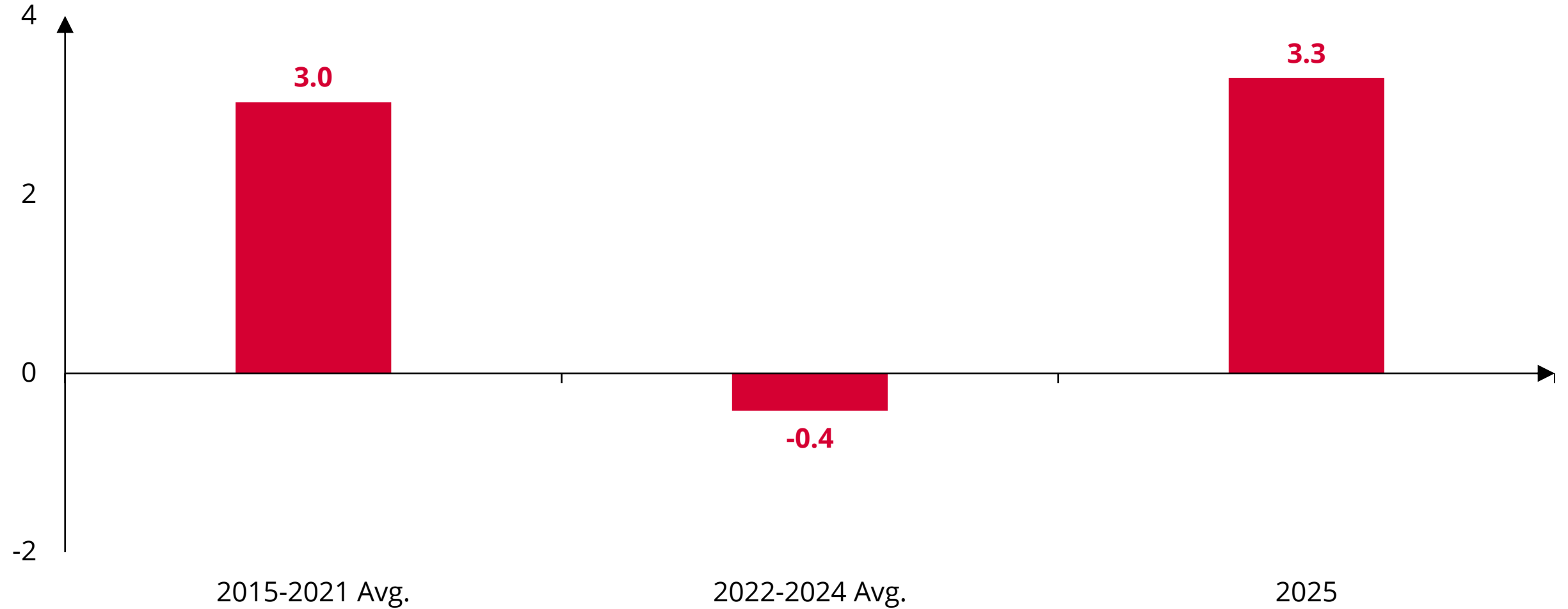


Growth of Investment



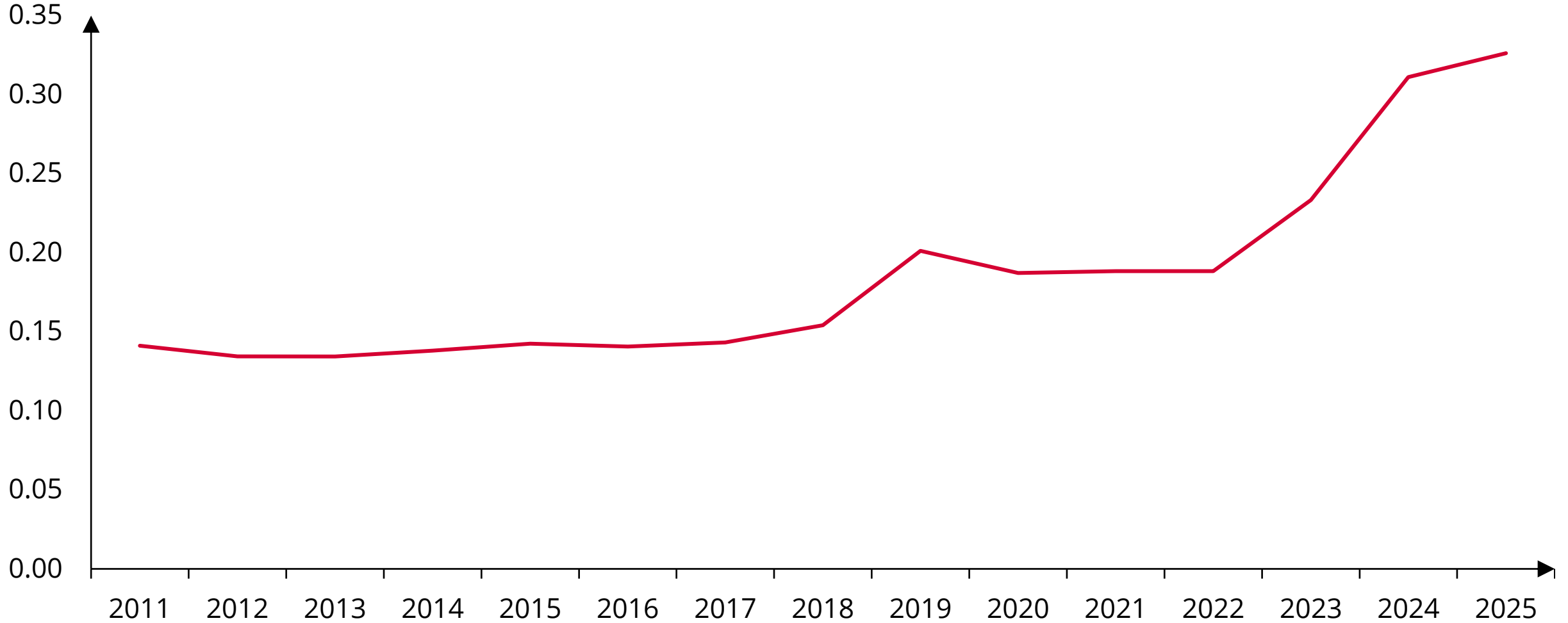
Productivity growth is key to increase living standards.

Output per Worker* (Non-Agricultural, Annual % Change)



Rising R&D investment supports innovation and future productivity growth.

R&D Expenditures/Net Sales (%)



2

Micro: How can financial intermediation facilitate capital formation?

- Financial deepening and inclusion
- Macroprudential tools

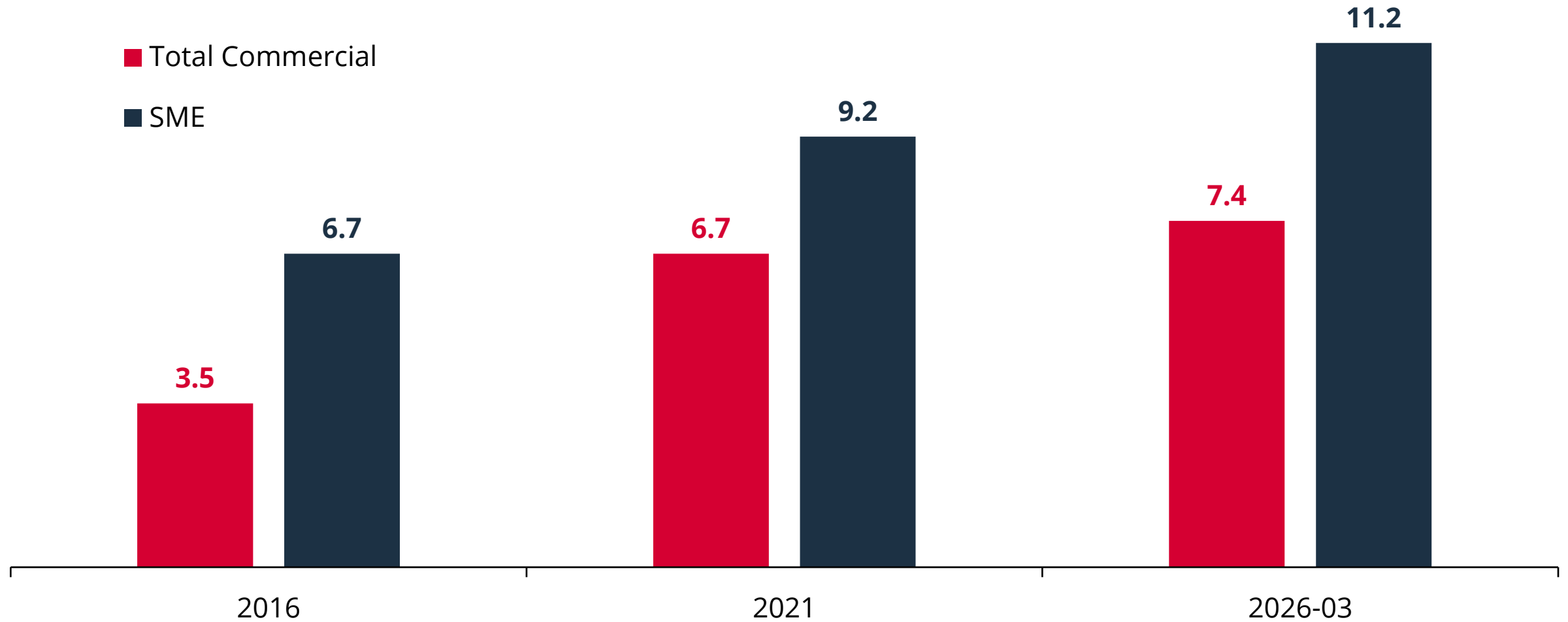
Mobilizing savings and financing investment.



- Price stability
- Financial stability
- Investment environment
- Confidence

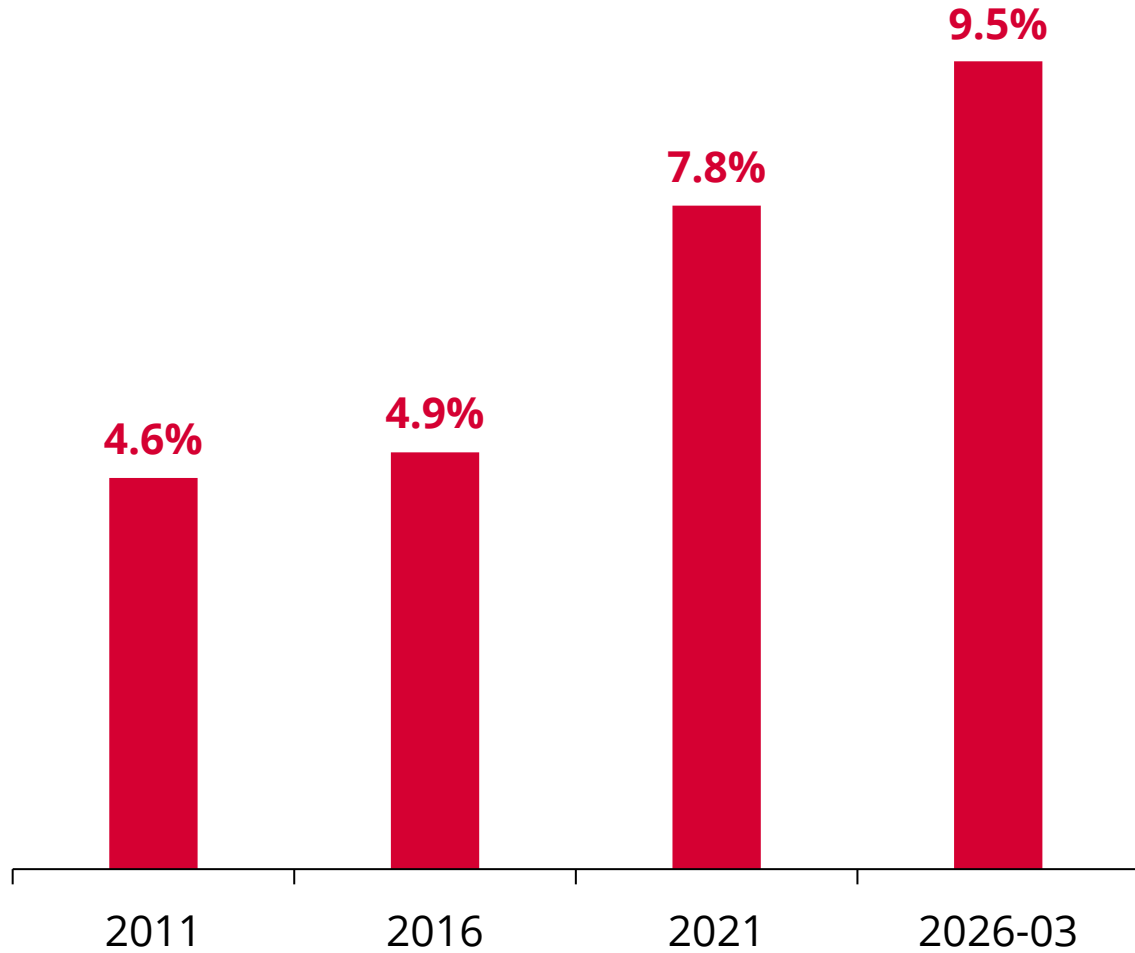
Participation finance broadens financial inclusion and mobilizes untapped savings.

Participation Finance Share in Lending (%)

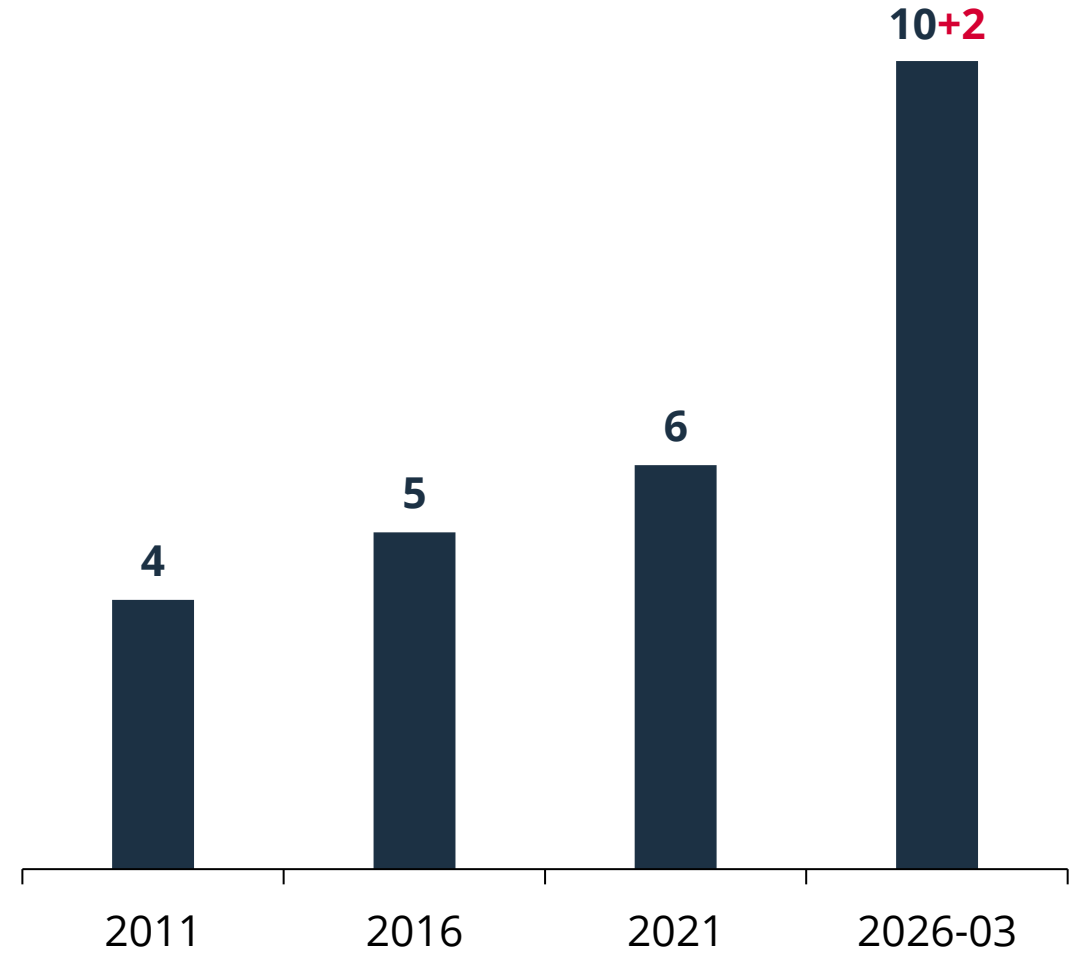


The participation finance ecosystem has expanded steadily over the past decade.

Asset Share of Participation Finance

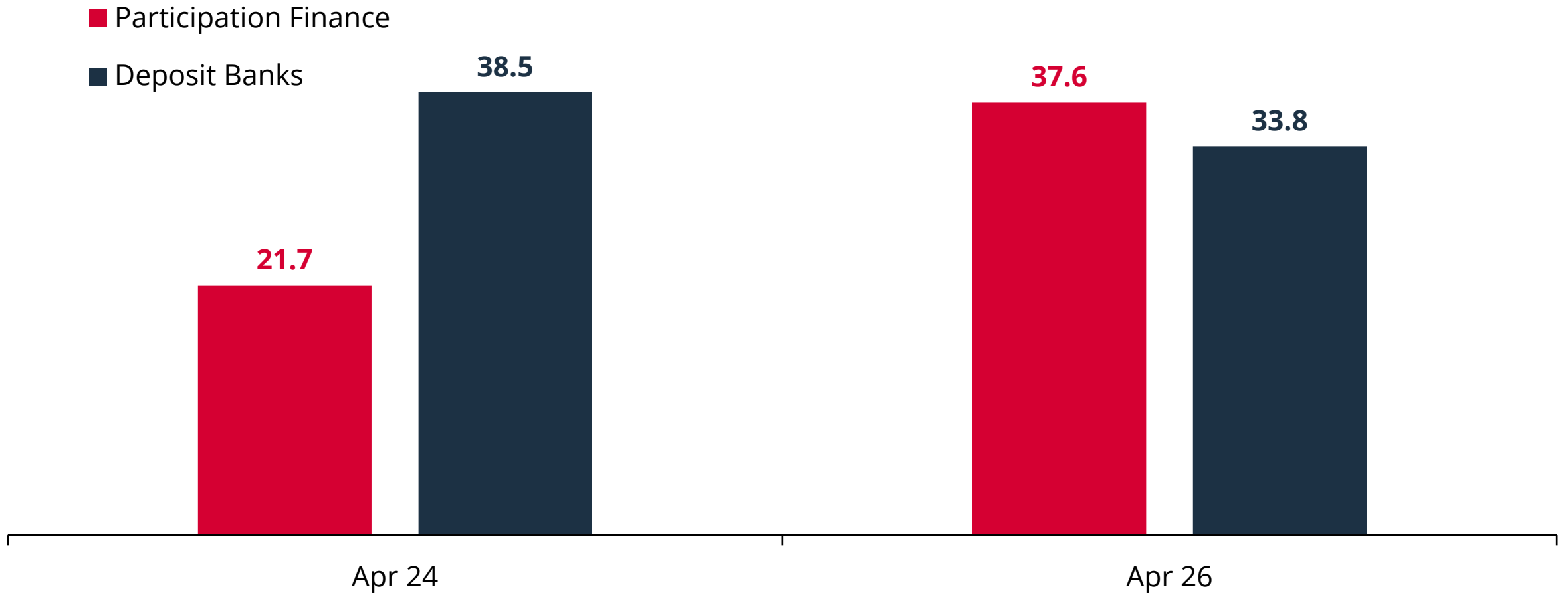


Number of Participation Finance Institutions

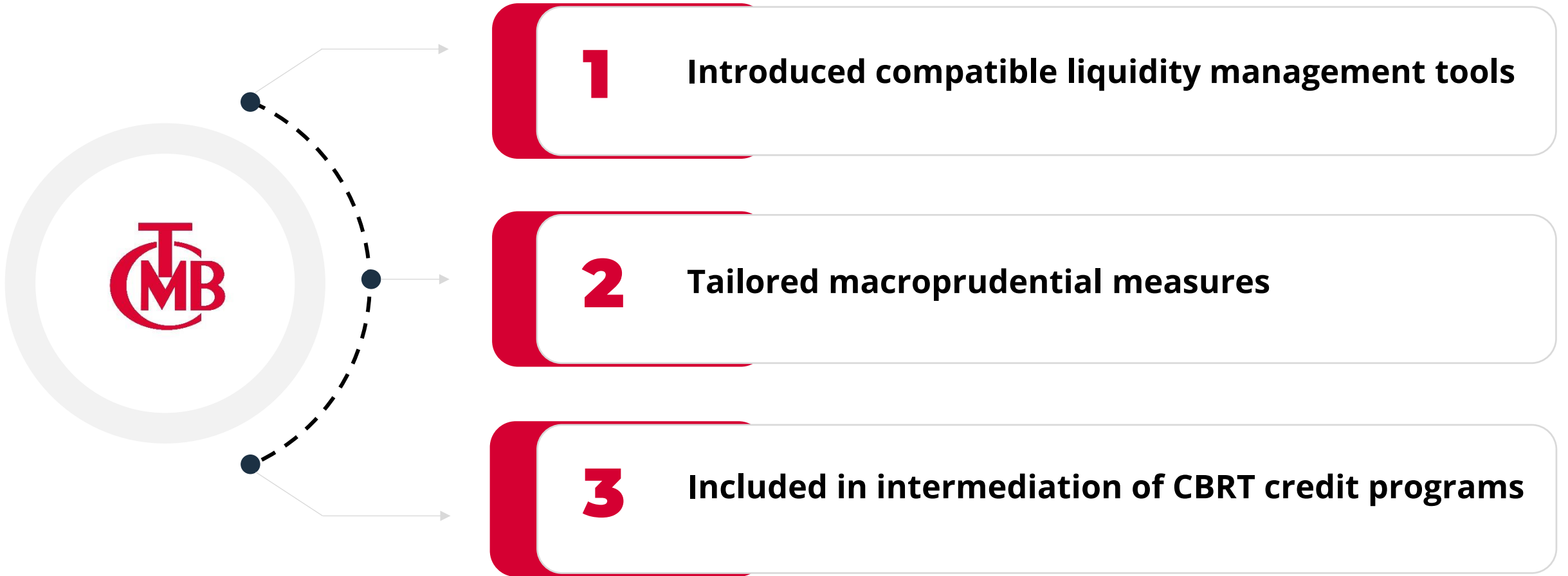


Participation banks have strengthened their position within the banking sector.

Loan Growth Rate* (13-Week, Annualized, %, 5-Day Moving Average)



The CBRT's toolkit for participation finance is being expanded.



Conclusions

1

The key challenge for sustainable prosperity is not merely the accumulation of wealth, but its **transformation into productive capital**.

2

Price stability, confidence, and effective financial intermediation are essential for this transformation.

3

Participation finance can play an important role in **mobilizing savings and supporting productive investment**.



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