PORTFOLIO IN TURKISH ECONOMY, AND A LONG TERMED RELATION BETWEEN FOREIGN DIRECT INVESTMENTS AND THE GROWTH, AND THE STRUCTURAL BREAKAGE ANALYSIS (1980-2012)

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Abstract

This article remarks that the activities of the international capital flows and the foreign direct investment increase, influence the growth process of countries. The economies attach more importance to these two factors in each passing day. On the other hand, the exposure degrees of host countries increase through the fluctuations. Especially, markets can fluctuate on a short notice because of the high speed of the capital movements. Therefore, countries mostly prefer to host the foreign direct investments. Thus, it is thought that countries can gain stability in a long term. However, this time, the damaging natural environment becomes a current issue with the labor force and natural sources that may be adapted to the technology transferred by direct foreign capital. This study empirically researched the actions of the foreign direct investments and portfolio investments on the growth that is theoretically presented for the finance of growth. The long term relation is researched by using the annual data of 1980-2012 in the Turkish economy. Especially, the structural breakage analysis is applied to put forward the effects of the crisis in 1994, 2001 and 2008. The most distinct finding according to the structural breakage tests cannot be confirmed in relation between the foreign investments and growth in the Turkish economy. In addition, it has been concluded that there is a long term relation between growth and foreign capital investments (the direct and portfolio).

Keywords: Foreign direct investment, Portfolio investment, economic growth.
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