




## The Validity of the Real Interest Rate Parity Hypothesis in the Organization of Turkic States Members

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### Abstract

This study investigates the empirical validity of the real interest rate parity hypothesis for the Organization of Turkic States' members with regard to Türkiye and the USA to assess the degree of global and regional integration of these countries' financial markets. The real interest parity hypothesis is based on the uncovered interest parity and purchasing power parity hypotheses. Data on the consumer price index and quarterly interest rates for the years 2000 to 2022 was compiled from the International Financial Statistics (IMF) database. The Quantile Autoregressive Distributed Lag (QARDL) approach and Quantile Unit Root Test were applied for estimation purposes. The validity of this hypothesis in a country is accepted as an indication that the country is integrated with international financial markets. On the other hand, there will be a limit to the extent to which the country's central bank can influence macroeconomic variables through the interest rate channel.

Based on the empirical findings, it is concluded that there is a cointegrated relationship between the USA as reserve money representative and Turkic Countries, i.e., Azerbaijan, Kazakhstan, Kyrgyzstan, and Türkiye, except Uzbekistan. The validity of this hypothesis provides insight into the deepening of countries' integration, as it shows the level of financial integration among these tested countries. Since a reserve currency is used by these countries, convergence is expected between the cointegrating countries within the framework of international financial reporting standards and corporate governance principles.