



# 2019 SBA Fact Sheet

## TURKEY

### Key points

**Past SME performance<sup>1</sup>:** SMEs in Turkey account for 73.9 % of employment and 53.9 % of value added. SMEs and large firms played a similar role in the Turkish 'non-financial business economy'. In 2016-2017, SME value added decreased by 2.1 % while SME employment increased by 3.4 %.

### Implementing the Small Business Act for Europe (SBA):

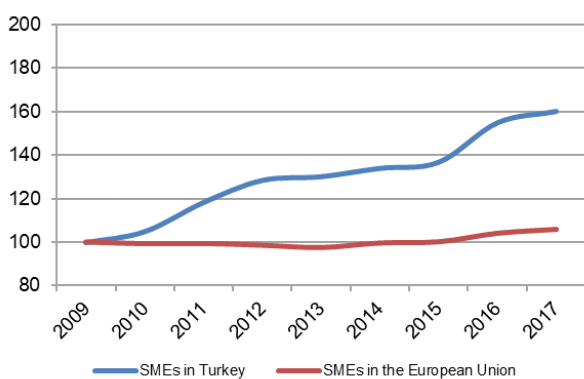
Turkey has a mixed SBA profile. Its performance is above the EU average in skills & innovation. However, in 'second chance', access to finance and internationalisation the country performs below the EU average. Its scores in entrepreneurship, 'responsive administration' and environment are within the EU average.

### SME policy priorities:

Although it is acknowledged that restarters usually grow faster than newly established companies and show higher economic viability, the conditions to give entrepreneurs a second chance are not in place in Turkey. While the strength of the insolvency framework has improved recently, the time to resolve insolvency should be reduced, the recovery rate should be increased and automatic discharge should be promoted for honest entrepreneurs after liquidation. The commercialisation of R&D remains hindered by the relative low capacity of Turkish SMEs to adopt innovative means of production and related organisational measures. Turkey should therefore consider further financial and legislative initiatives to support the capacity of SMEs to implement innovative production processes.

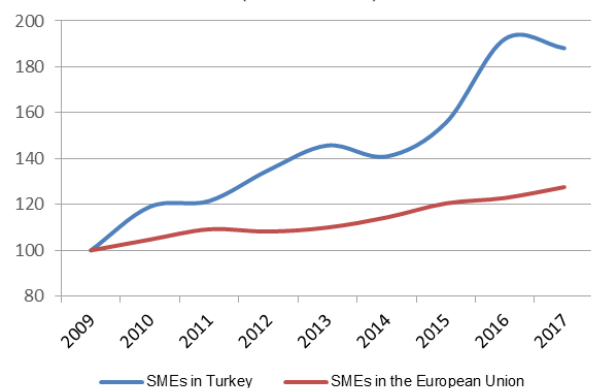
**Number of persons employed in SMEs**

(index: 2009=100)



**Value added of SMEs**

(index: 2009=100)



### **About the SBA fact sheets:**

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs.

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## 1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Turkey		EU-28	Turkey		EU-28	Turkey		EU-28
	Number	Share	Share	Number	Share	Share	Million €	Share	Share
Micro + Small	2 810 257	98.9 %	98.9 %	8 362 377	55.9 %	49.6 %	73 182	32.8 %	38.1 %
Medium-sized	26 895	0.9 %	1.0 %	2 694 575	18.0 %	16.9 %	46 952	21.1 %	18.1 %
<b>SMEs</b>	<b>2 837 152</b>	<b>99.8 %</b>	<b>99.8 %</b>	<b>11 056 952</b>	<b>73.9 %</b>	<b>66.5 %</b>	<b>120 135</b>	<b>53.9 %</b>	<b>56.3 %</b>
Large	5 017	0.2 %	0.2 %	3 895 124	26.1 %	33.5 %	102 676	46.1 %	43.8 %
Total	<b>2 842 169</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>14 952 076</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>222 811</b>	<b>100.0 %</b>	<b>100.0 %</b>

These are data for 2017 provided by the Turkish Statistical Institute and Eurostat (Structural Business Statistics Database) and were processed by DIW Econ. The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE REV. 2 Sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities. Please note that until 2015 the Turkish data were based on a different size classification, thus a break in the time series occurs. In order to visualise developments in Turkey micro and small firms are combined. The size-class definition of the Turkish data until 2015 differs from the Eurostat data, as micro enterprises are defined as enterprises with 1-19 persons employed (Eurostat: 0-9) and small enterprises as enterprises with 20-49 persons employed (Eurostat: 10-49). Therefore, comparability between Turkish and European data is limited regarding micro and small enterprises. However, the comparison between SMEs as a group and large enterprises has informational value. From 2016 onwards, size classification only differs for micro firms with 1 to 9 persons employed (Eurostat: 0-9).

SMEs made an important contribution to the Turkish 'non-financial business economy' in 2017. They accounted for a considerable share (73.9%) of overall employment, providing almost three out of four Turkish jobs, exceeding the EU SME average employment share of 66.5% by a large margin.<sup>2</sup> However, their value added share of 53.9% was slightly lower than the EU SME average share of 56.4%.

In 2017, the most important sectors for SMEs in Turkey were *wholesale and retail trade* and *manufacturing*. They accounted for identical shares of 28.6% of total SME value added, and for respective shares of 28.6% and 24.1% of total SME employment. These two sectors were not quite as important for

EU SMEs, whose average shares in *wholesale and retail trade* were a much lower 22.1% in total SME value added and 24.6% in total SME employment. With regard to *manufacturing*, EU SMEs generated significantly lower shares of 18.9% in total SME value added and 18.4% in total SME employment. This difference in sector importance between Turkish and EU SMEs becomes also apparent when comparing the share of SMEs operating within the *wholesale and retail trade* sector. In Turkey, the share was 40.0% of all SMEs, whereas the EU SME average was much lower, at only 26.0%.

The average number of people employed by Turkish SMEs and EU SMEs was identical (3.9), but there was a significant

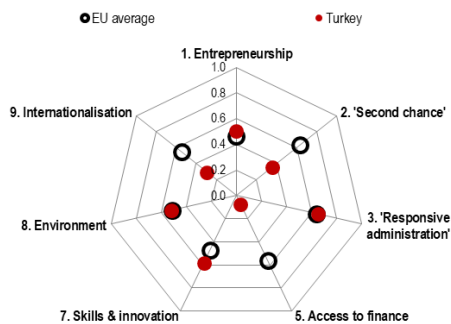
difference in terms of their productivity. On average, every person employed by a Turkish SME generated only about one quarter of value added, amounting to EUR 10 700, whereas the average for EU SME's was over four times higher, at EUR 43 600.

In 2012-2017, SMEs in the Turkish 'non-financial business economy' generated strong but volatile value added growth of 39.4 %. This increase was accompanied by SME employment growth of 24.6 % and a productivity increase of 11.9 %. In

comparison, SME value added growth in the EU was, on average, only about half the size of Turkish growth, increasing by just 17.9 % in the same period.

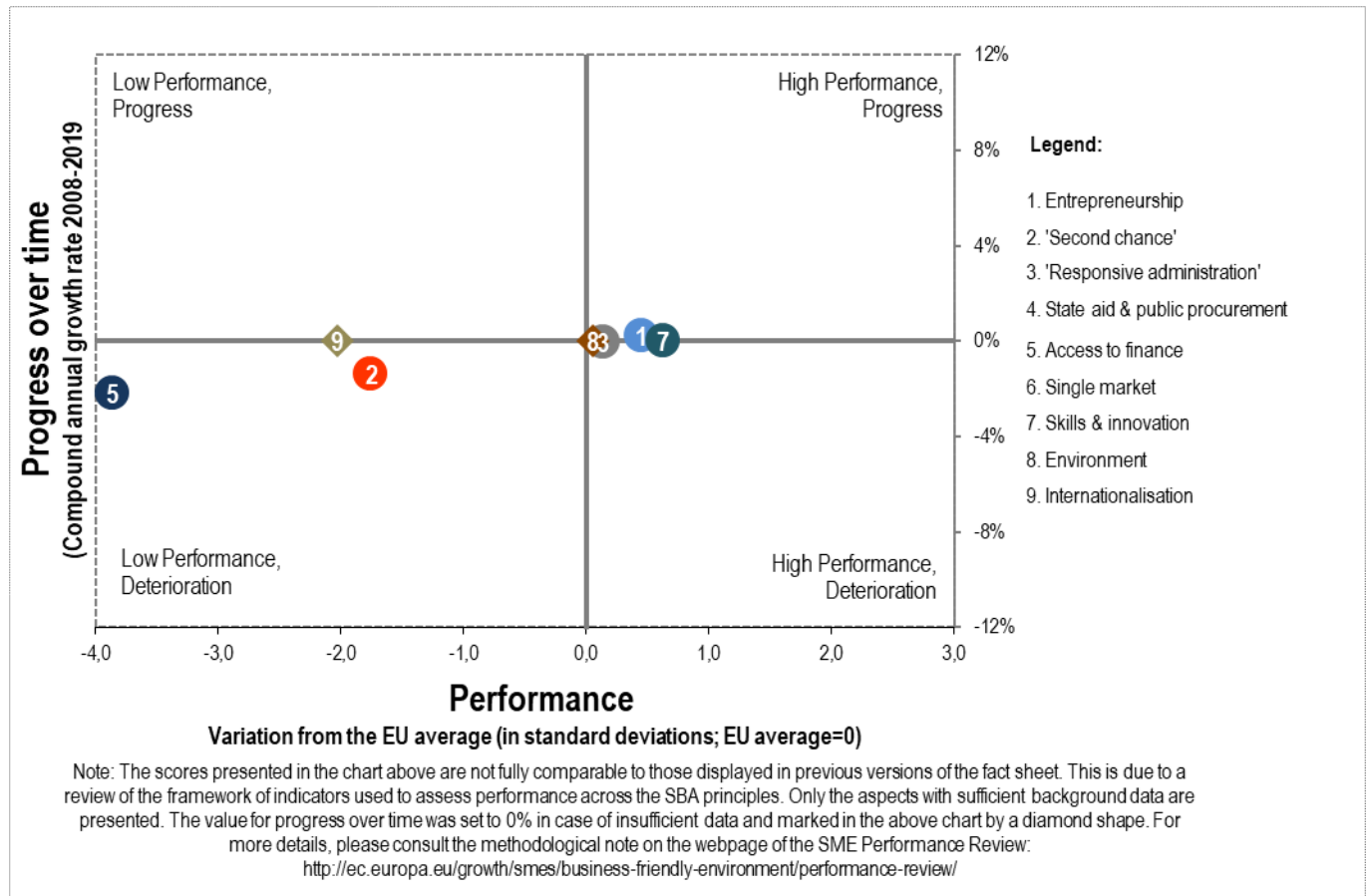
Most recently, in 2016-2017, the value added growth of SMEs in the Turkish 'non-financial business economy' fell by 2.1 %, although SME employment increased by 3.4 %. In contrast, EU SME value added grew by an average of 3.8 %, while EU SME employment increased, on average, by 1.7 %.

## 2. SBA profile<sup>3</sup>



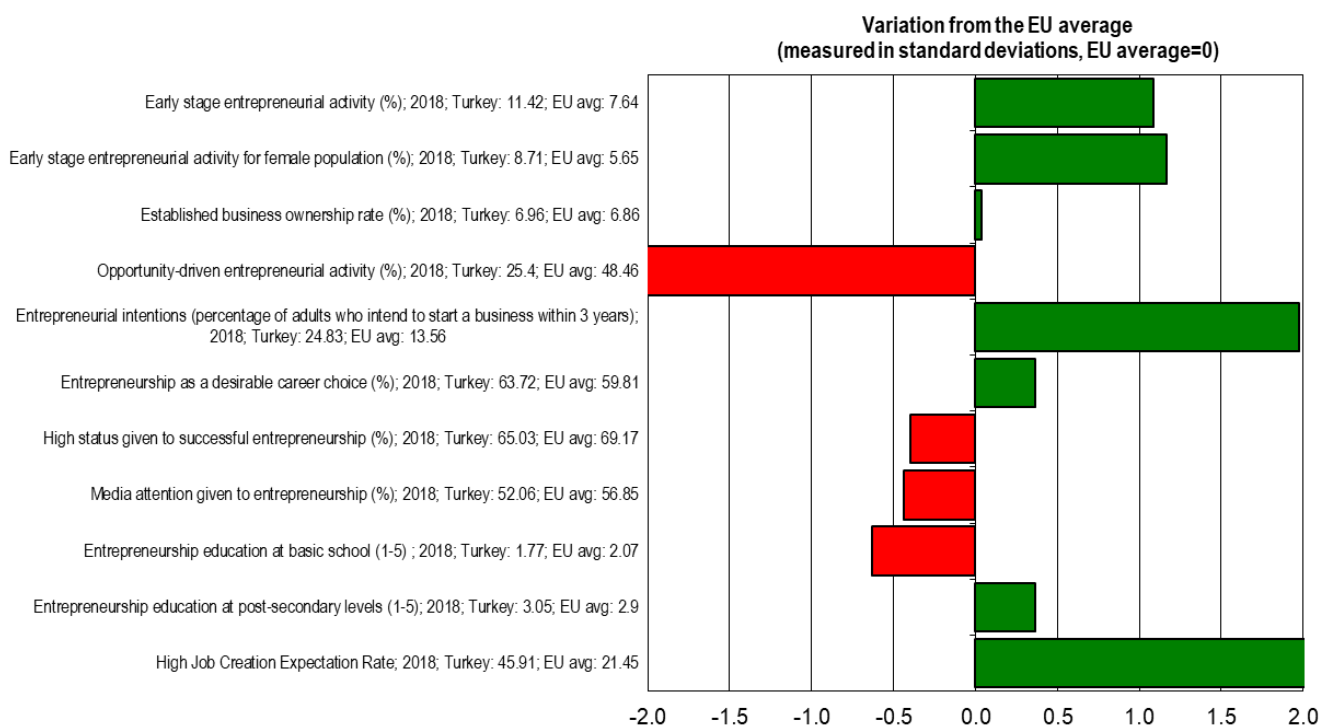
Turkey's performance is above the EU average on skills & innovation and comparable to the EU average in entrepreneurship, 'responsive administration' and environment. By contrast, Turkey lags behind the EU in 'second chance', access to finance and internationalisation.

## SBA performance of Turkey: state of play and development from 2008 to 2019<sup>4</sup>



### 3. SBA principles<sup>5</sup>

#### 3.1 Entrepreneurship

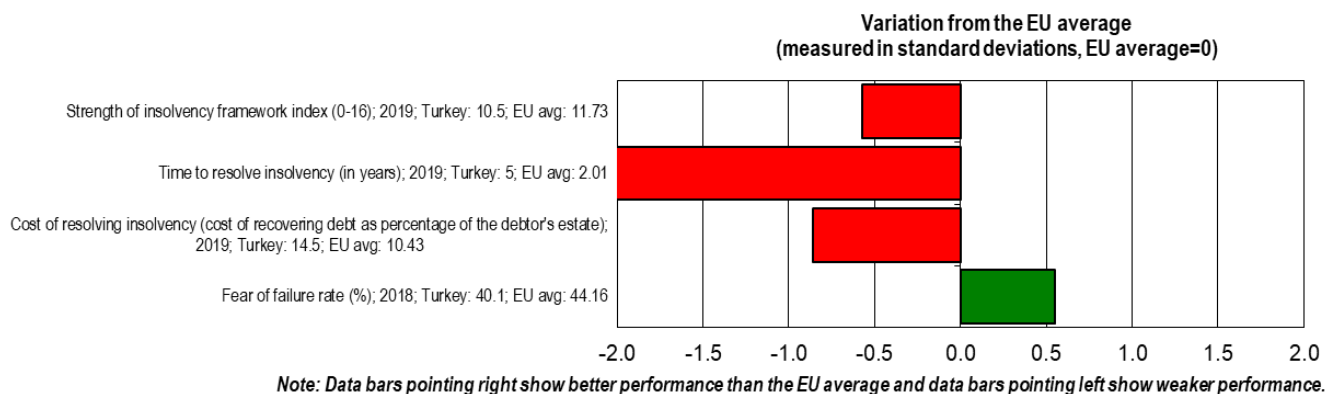


*Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.*

Turkey performs in line with the EU average in entrepreneurship but is well above EU average in a few dimensions. The country's performance since last year's fact sheet deteriorated. Entrepreneurship is seen as a less desirable career choice (from 80.8% in 2016 to 63.7% in 2018), though still scoring within the EU average. Early stage entrepreneurial activity also decreased

from 16.4% to 11.4% over the same period. Furthermore, the high status given to successful entrepreneurship decreased from 72.1% in 2016 to 65.0% in 2018. On a positive note, entrepreneurship education at post-secondary level improved in 2018, compared to 2016.

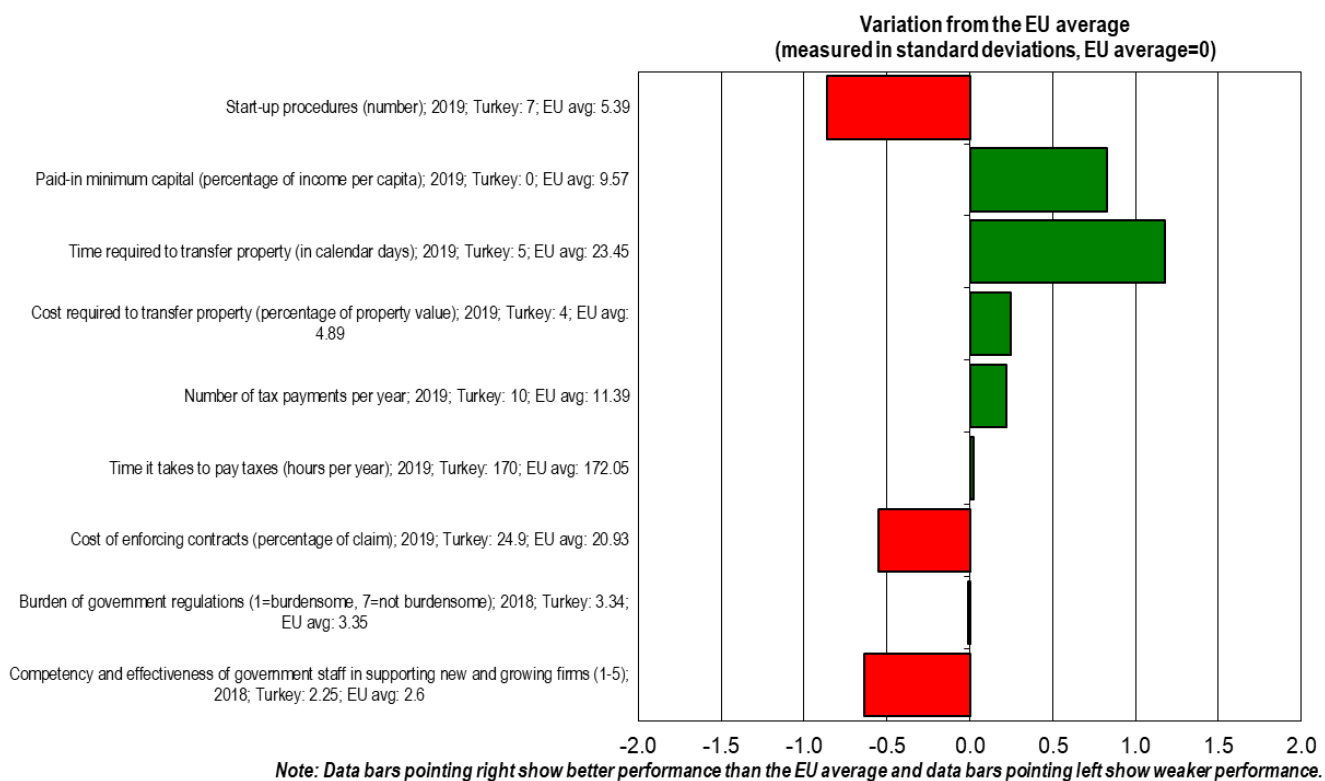
### 3.2 ‘Second chance’



‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Turkey performs below the EU average in this SBA principle. The strength of insolvency framework index increased from 8 in

2018 to 10.5 in 2019. Conversely, the fear of failure rate grew from 30.9% in 2016 to 40.1% in 2018. The time and cost of resolving insolvency remained unchanged from previous years.

### 3.3 ‘Think Small First’ and ‘Responsive administration’



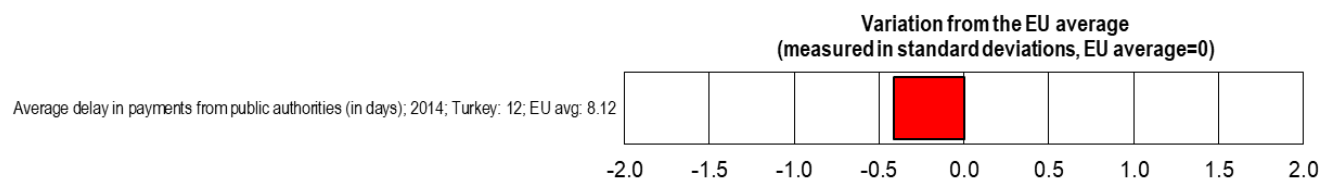
The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SMEs’ interests into account at the early stages of the policy-making process. The principle also calls for newly

designed legislation, administrative rules and procedures to be made simple and easy to apply. ‘Responsive administration’ refers to public administration being responsive to the needs of SMEs.

Turkey performs in line with EU average. The country showed improvements compared to last year's fact sheet. The paid-in minimum capital decreased from 7.8% in 2018 to 0% in 2019. It now takes 5 days to transfer a property (compared to 7 days in 2014). The time required to pay taxes largely decreased from

215.5 hours in 2018 to 170 hours in 2019. The country's performance in 'responsive administration' is impacted mainly by lower score on start-up procedures, and competency and effectiveness of government staff to support growing firms.

### 3.4 State aid & public procurement

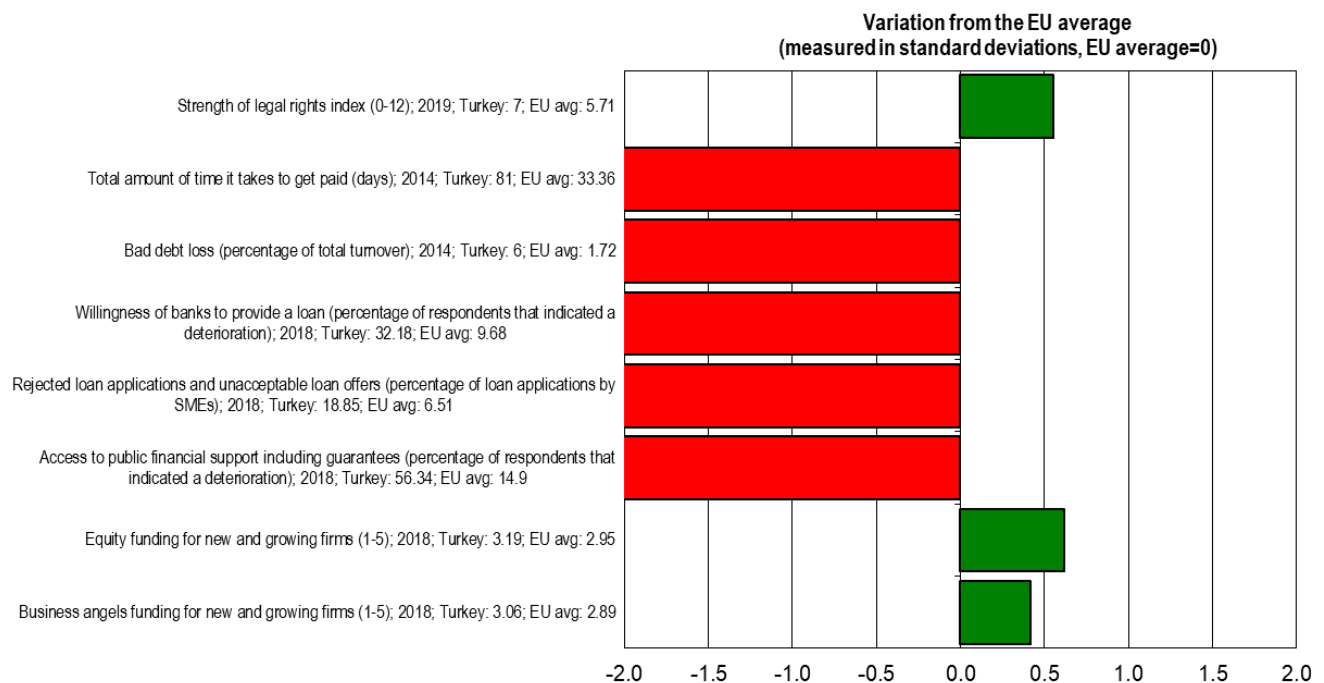


*Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.*

As there is no sufficient data available for Turkey in this principle, no general conclusions can be drawn on the country's performance. In terms of payment delays, the average delay

from public authorities in 2014 (the most recent year with available data) was within the EU average with 12 days, comparing to 8.1 in the EU.

### 3.5 Access to finance

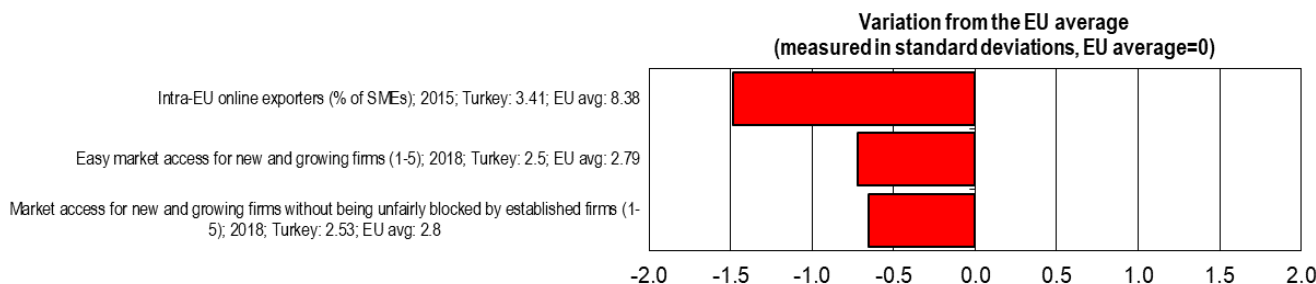


*Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.*

Overall, Turkey scores far below the EU average in access to finance. Furthermore, performance in this SBA area has been weak since 2008. The share of respondents indicating a deterioration in the willingness of banks to provide a loan and in the access to public financial support increased heavily between 2017 and 2018. Additionally, the share of rejected loan applications increased more than four-fold, from 4.3% in 2017

to 18.9% in 2018. On a positive note, the strength of legal rights index score improved from 4 in 2018 to 7 in 2019, performing above the EU average. Such was the case for equity funding for new and growing firms, with scores increasing from 2.9 in 2015 to 3.2 in 2018.

### 3.6 Single market

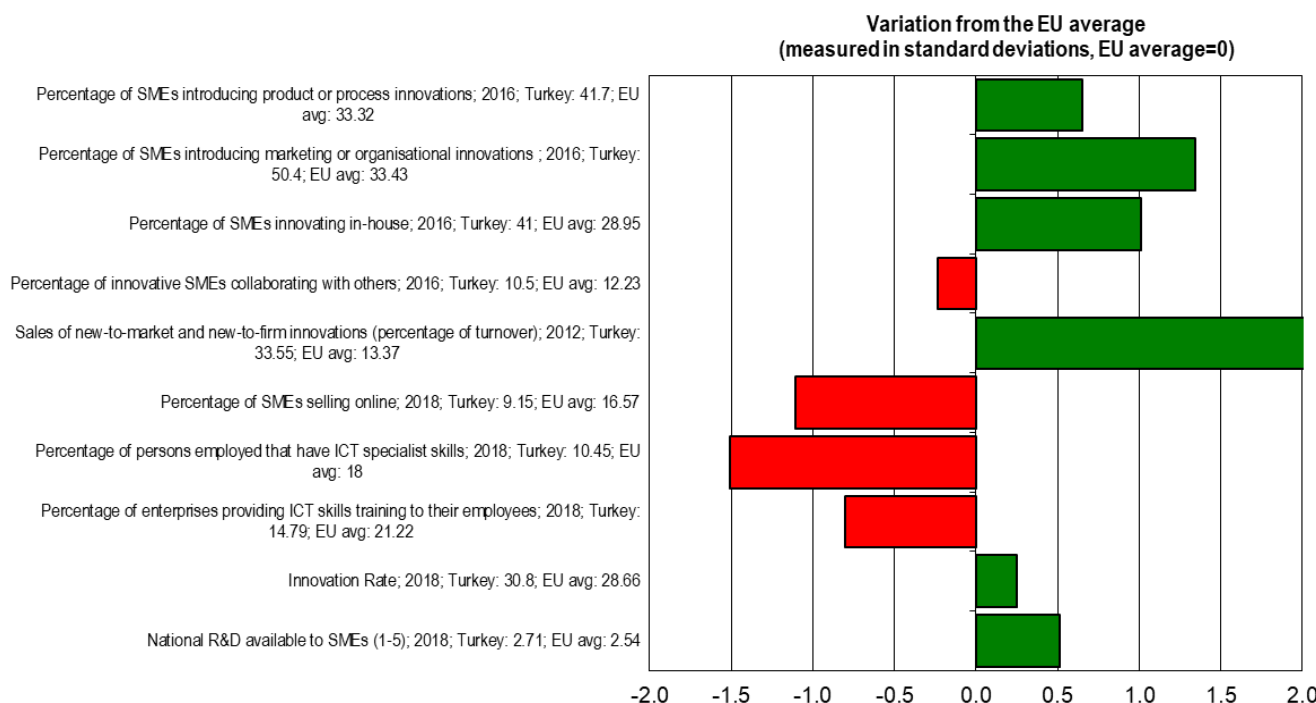


*Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.*

As Turkey is not an EU member state, no relevant comparable data on EU legislation transposition and trade within the single market is available. Turkey performs below the EU average when it comes to intra-EU online exporters (as a percentage of all

SMEs), easy market access for new and growing firms, and market access for new and growing firms without being blocked by established firms.

### 3.7 Skills & innovation



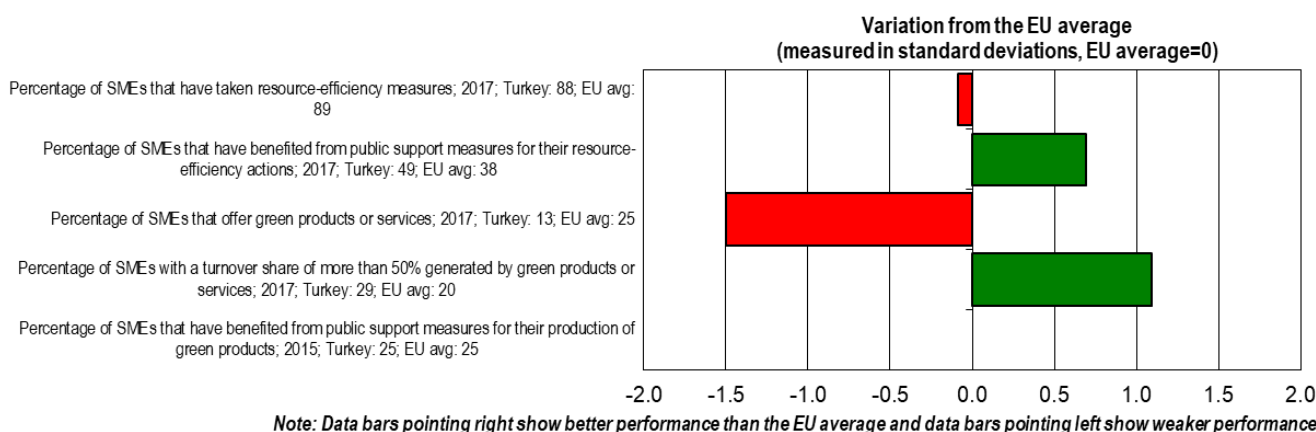
*Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.*

Turkey's performance in skills and innovation is above the EU average in terms of SME related indicators while in general Turkey remains a moderate innovator. Turkey faces difficulties when it comes to skills-related indicators: the proportion of persons employed that have ICT specialist skills (10.5% in 2018), as well as the proportion of enterprises providing ICT

skills training to their employees (14.8% in 2018) are below the EU average. On a positive note, Turkey performs above the EU average in the proportion of SMEs introducing products or process innovation (from 24% in 2012 to 41.7% in 2016) and introducing marketing and organisational innovations (from 43.2% in 2012 to 50.4% in 2016).



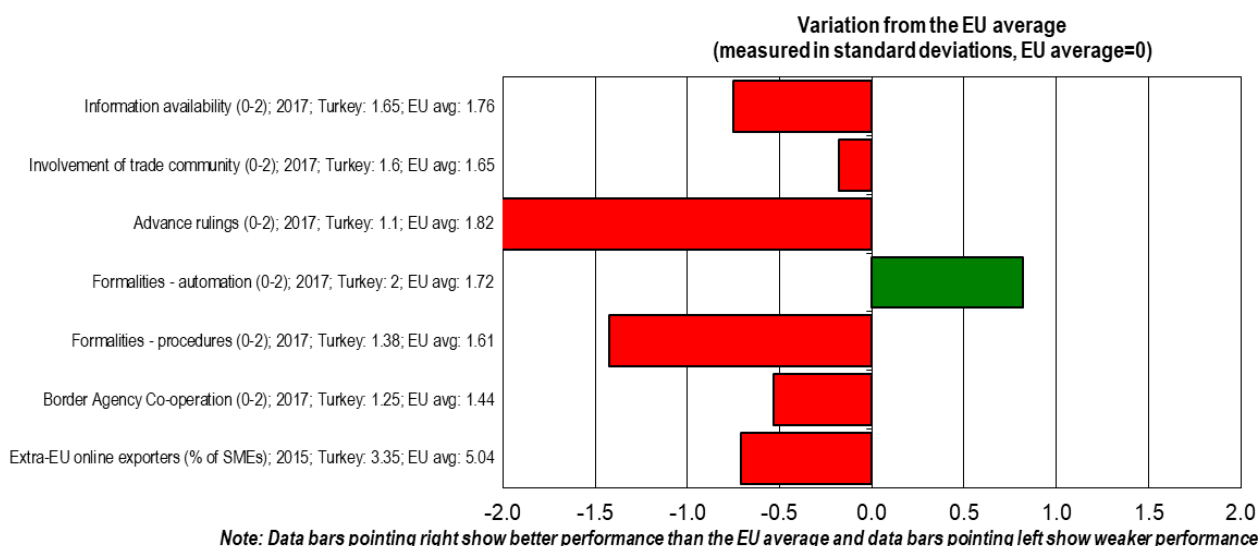
### 3.8 Environment



No updates have been made since last year’s fact sheet. Turkey performs in line with the EU average in environment. There was a decline in the share of SMEs that took resource-efficiency measures (from 91% in 2015 to 88% in 2017), while still being within the average. Similarly, there were less SMEs receiving public support in 2017 (from 61% to 49% over the same period,

though being above the EU average). In addition, the proportion of SMEs offering ‘green’ products or services decreased from 18% to 13% over the same period. In contrast, the share of SMEs, which generated more than half of their turnover from green products or services more than doubled from 2015 to 2017.

### 3.9 Internationalisation



No updates have been made since last year’s fact sheet. Turkey scores below the EU average in internationalisation. Turkey’s only indicator in this SBA principle, performing above the average is formalities – automation. Compared to 2015, Turkey

improved on most indicators (availability of information, involvement of trade community, formalities-procedures). However, the performance on advance rulings worsened, deteriorating to 1.1 in 2017 from 1.7 in 2015.

## 4. Interesting initiative

Below is an example of an initiative from Turkey to show what governments can do to support SMEs.

### Increasing resource efficiency: Turkey Materials Marketplace

The circular economy concept aims at eliminating waste by decoupling the extraction of natural resources and their use for economic output, resulting in a continual use of resources. The concept is gaining momentum in OECD and EU countries. Turkey has recognised the potential of changing the linear economic model of “take, make, dispose” to a circular one to improve its country-wide resource efficiency and increase its material productivity. The Turkey Materials Marketplace (TMM) project was established by the Turkish Ministry of Environment and Spatial Planning and the Ministry of Science, Industry and Technology, with financial support from the European Bank for Reconstruction and Development (EBRD) and the European Union (EU).

The TMM is a secure online marketplace platform through which project members are invited to share data on materials used for or left over from their operations. With support from the TMM project team, companies work together to identify, evaluate and carry out material reuse opportunities. There are significant economic benefits for buyers in the platform in purchasing industrial by-products, waste or alternative raw materials at moderate prices. Similarly, those selling by-products and production outputs can charge a higher fee than for traditional recycling and disposal, since the materials will be used by another member of the platform and therefore become an upcycled product. Another benefit is the reduced costs of storage. The total social benefits are better waste management and environmental performance.

TMM membership is free of charge while the EBRD funds the project. The TMM team provides technical assistance to members; reviews innovative best practices in materials management from around the world and Turkey; explores the potential use of the members’ materials across different sectors; and identifies potential synergy opportunities among platform members. In June 2018, the EBRD also launched the Circular Vouchers Scheme. Members can apply for these vouchers, which are grants (worth up to EUR 25 000) to help companies purchase consultancy services to assess the feasibility of material exchanges.

This good practice could serve as a model for the rest of the Western Balkans and Turkey (WBT) region to improve their waste management and enhance material flows. The model is also important in the context of the region’s planned EU accession. The EU’s Circular Economy Initiative and the related waste management directives point to a growing emphasis on this topic in the EU and potential projects and funds that could foster the adoption of circular economy practices in the WBT region.

References: <http://turkey.materialsmarketplace.org/>

## Important remarks

The European Commission produces the SBA fact sheets, which combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of national policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. They do not and cannot reflect all measures the government has taken over the reference period. This SBA fact sheet is not related to other SBA assessments carried out with a different methodology.

SME Performance Review:

[https://ec.europa.eu/neighbourhood-enlargement/policy/policy-highlights/sme-performance-review\\_en](https://ec.europa.eu/neighbourhood-enlargement/policy/policy-highlights/sme-performance-review_en)

Small Business Act:

[http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm)

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

## Endnotes

<sup>1</sup> The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>2</sup> The size-class definition of the Turkish data until 2015 differs from the Eurostat data, as micro enterprises are defined as enterprises with 1-19 persons employed (Eurostat: 0-9) and small enterprises as enterprises with 20-49 persons employed (Eurostat: 10-49). Therefore, comparability between Turkish and European data is limited regarding micro and small enterprises. However, the comparison between SMEs as a group and large enterprises has informational value. From 2016 onwards, size classification only differs for micro firms with 1 to 9 persons employed (Eurostat: 0-9).

<sup>3</sup> The 2019 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

<sup>4</sup> The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2019. All SBA principles, with the exception of the 'think small first' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>5</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. Only those measures were selected which are expected to have the highest impact in the SBA area in question.