

## 2021 SME COUNTRY FACT SHEET

# TURKEY

### Brief introduction

- Small and medium-sized enterprises (SMEs) in Turkey have been significantly affected by the COVID-19 pandemic. All sectors except *information and communication*, which grew by 0.8%, decreased in SME value added. The contraction in value added was particularly noticeable in the *wholesale and retail trade* sector, falling by 10%, and in the *accommodation and food services* sector, falling by 9.1%. SME value added also declined by 6.3% in the *manufacturing* sector.
- In 2019, SMEs generated 52.6% of overall value added in the Turkish 'non-financial business economy', a slightly lower share than the EU average of 53.2%. The contribution of SMEs to total employment was 73.5%, significantly higher than the EU average of 65%. However, SME productivity, measured as value added per person employed, amounted to approximately EUR 10 100, only around one quarter of the EU average of EUR 42 600.

### SME RECENT DEVELOPMENTS



The data for 2020 are estimates produced by DIW Econ, based on 2008-2019 data from national and Eurostat databases. Due to data constraints, for 2020, only value added data can be estimated (data for employment and number of enterprises are only available up until 2019).

	ENTERPRISES		PERSONS EMPLOYED		VALUE ADDED	
	NUMBER	SHARE	NUMBER	SHARE	€ BILLION	SHARE
<b>SMEs</b> (0 -249 persons employed)	2 948 457	99.8%	10 425 133	71.9%	54 819	53.2%
<b>LARGE ENTERPRISES</b> (250+ persons employed)	6 799	0.2%	4 065 519	28.1%	72 985	46.8%

Data for 2019. The data are based on data provided by the Turkish Statistical Institute.

## SME-RELATED STRENGTHS AND CHALLENGES






### KEY STRENGTHS

- The entrepreneurship ecosystem is improving in the country. Between 2010 and 2019, the number of start-up accelerators increased from 6 to 57, the number of co-working spaces from 1 to 44, the number of techno-parks from 27 to 61 and the number of corporate venture capital funds from 2 to 26 (Presidency of the Republic of Turkey Investment Office).
- As reported by the Competitive Industrial Performance Index, in 2018, Turkey ranked 29th out of 152 countries in terms of its 'Manufacturing Competitive Industrial Performance', ranking above the 'World and Emerging Industrial Economies' average. SMEs account for 42% of the production value in the manufacturing industry (Turkish Statistical Institute).
- In 2018, only 28.1% of 18–64 year olds agreed that they saw good opportunities but would not start a business for fear it might fail. This fear of failure rate is low compared to the global average (36.23%) (Global Entrepreneurship Monitor).

### KEY CHALLENGES

- Besides the need to improve the regulatory environment for business, access to finance constitutes a major hurdle. Venture capital availability and market capitalization scores have stagnated in recent years, with Turkey ranking 88th and 73rd out of 141 countries in 2019, respectively, compared to 86th and 73rd in 2018 out of 140 countries (Global Competitiveness Report 2019). Moreover, and as reported by the OECD, the share of SME loans in total business loans decreased from 40.14% in 2007 to 32.34% in 2018.
- Turkish employers have difficulties finding skilled employees (ranking 99th out of 141 countries on the 'Ease of finding skilled employees' dimension in the World Economic Forum (WEF) 2019 Global Competitiveness Report). The proportion of people who have a tertiary education and work in a science and technology position is only 11.8%, significantly below the EU average of 21.9% in 2019 (Eurostat).
- The share of high and middle-high technology manufacturing SMEs is minimal, with most SMEs in the manufacturing industry being active in low technology (56.9%).

## OTHER KEY SME-RELATED BRIEF INSIGHTS

 <p><b>IMPACT OF COVID-19 CRISIS ON SMES</b></p>	<p>According to a survey conducted in December 2020 by KOSGEB, 87.8% of SMEs saw their revenues decrease; 86.9% of SMEs highlighted a decrease in demand between January and November 2020; 50.6% of SMEs faced problems in receivables; and 91.5% of SMEs suffered from shortages of cash flow.</p>	 <p><b>REGULATORY BURDEN</b></p>	<p>Government regulations generate a large burden for SMEs; Turkey ranked 60<sup>th</sup> out of 141 countries in this area in the WEF 2019 Global Competitiveness report. In the amendment made to the value added tax code in 2020, paying taxes has become easier in Turkey, as certain capital investments are exempted from value added tax (World Bank).</p>
 <p><b>SOCIAL ASPECTS OF SUSTAINABILITY</b></p>	<p>According to public official sources: in 2019, only 23.6% of women earned wages that were equal to or higher than those for men working in similar jobs; in 2020, average informal employment rate was 30.6%; and, in January 2021, only 14.4% of workers were affiliated to a trade union.</p>	 <p><b>DIGITALISATION OF SMES</b></p>	<p>In 2020, only 3.9% of small businesses and 9.4% of medium-sized businesses were using robot technology, compared to 19.6% for large businesses (Turkish Statistics Institute).</p>
 <p><b>GREEN TRANSITION OF SMES</b></p>	<p>The ratio of electrical energy production from renewable energy and waste increased from 1.9% in 2010 to 12.7% in 2018 (Turkish Statistics Institute).</p>		<p>In 2018, the Digital roadmap 2023 for the Transformation of Manufacturing Industry was prepared (Minister of Industry). Several model factories have been established to train SMEs for digitalisation through on the job training.</p>