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

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

<table>
<thead>
<tr>
<th>ENTERPRISES</th>
<th>NUMBER</th>
<th>SHARE</th>
<th>PERSONS EMPLOYED</th>
<th>NUMBER</th>
<th>SHARE</th>
<th>VALUE ADDED</th>
<th>SHARE</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMEs (0-249 persons employed)</td>
<td>2,948,457</td>
<td>99.8%</td>
<td>10,425,133</td>
<td>71.9%</td>
<td>54,819</td>
<td>53.2%</td>
<td></td>
</tr>
<tr>
<td>LARGE ENTERPRISES (250+ persons employed)</td>
<td>6,799</td>
<td>0.2%</td>
<td>40,655,19</td>
<td>28.1%</td>
<td>72,985</td>
<td>46.8%</td>
<td></td>
</tr>
</tbody>
</table>

The data for 2020 are estimates produced by DWH 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).

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 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).

- 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 sectors.

OTHER KEY SME-RELATED BRIEF INSIGHTS

- 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.

- 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.