

Growth of the Economy and Financial Infrastructure for SMEs and Microenterprises in Turkey

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ABSTRACT

Small and medium-sized enterprises (SMEs) play a very important role in Turkish economy owing to their large share in total number of enterprises and in total employment. But, they have some weaknesses such as lack of consciousness of technology, R&D and innovation, low level usage of bank credits, insufficient access to finance, insufficient credit guarantee system, lack of usage of modern marketing techniques, lack of consciousness of quality and trademark concepts, insufficient education level, lack of capital for high technology investments, lack of institutionalization, low level of cooperation, lack of harmonization to global standards, etc. Access to finance is one of the most important factors for the growth of SMEs. Increased access to finance can help firms fund the necessary investments and improve their innovative capacities. According to the preliminary findings of World Bank Investment Climate Study 2009 Turkey has improved its ability to finance the SMEs in the last few years. Depending on the results of the World Bank enterprise surveys conducted by 1152 firms in April 2008- January 2009, for the Investment Climate Study, the ratio of using bank finance for investment has increased from 18.7% in 2005 to 35.8% in 2008. Also, a larger share of loans requires collateral while the value of collateral itself has decreased. However, in economic literature there is substantial evidence that SMEs have less access to formal sources of external finance and this fact is given as one of the causes of the lack of SMEs' contribution to economic growth. In this context the aim of the paper is to analyze the relationship between the nature of financial services for SMEs and microenterprises and the growth of the economy in Turkey during 1990-2012 period. Moreover, it is also aimed to make a sector wise analysis by using the data on city wise total credits given to each sector.

KEYWORDS Small and Medium-Sized Enterprises

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