

# ENTREPRENEURSHIP AND SMEs in TURKEY

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# SME DEFINITION IN TURKEY AND IN THE EU

| SME DEFINITION |  | micro | small | medium |
|----------------|--|-------|-------|--------|
| Turkey         | #of employees                              | <=9   | 10-49 | 50-249 |
|                | Annual net sales (million TL)              | <=1   | <=5   | <=25   |
|                | Annual balance sheet                       | <=1   | <=5   | <=25   |
| EU             | #of employees                              | <=9   | 10-49 | 50-249 |
|                | Annual turnover (million Euros)            | <=2   | <=10  | <=50   |
|                | Annual balance sheet total (million Euros) | <=2   | <=10  | <=43   |

Source: KSEP 2011-2013

# THE PLACE OF SMEs IN TURKISH ECONOMY

| SIZE        | # of enterprises |         | Employment |         | Added value<br>(Billion Euro) |         |
|-------------|------------------|---------|------------|---------|-------------------------------|---------|
|             | Number           | % Share | Number     | % Share | Number                        | % Share |
| Micro/small | 2 392 928        | 99,3    | 6 018 131  | 63,5    | 49                            | 35,9    |
| Medium      | 13 290           | 0,6     | 1 368 608  | 14,4    | 26                            | 19,1    |
| SME         | 2 406 218        | 99,9    | 7 386 510  | 78      | 75                            | 55,1    |
| Large       | 2 796            | 0,1     | 2 086 733  | 22      | 61                            | 44,9    |
| Total       | 2 409 014        | 100     | 9 473 243  | 100     | 136                           | 100     |

Source: SME Policy Index  
Western Balkans and  
Turkey, 2012

# THE PLACE OF SMEs IN TURKISH ECONOMY

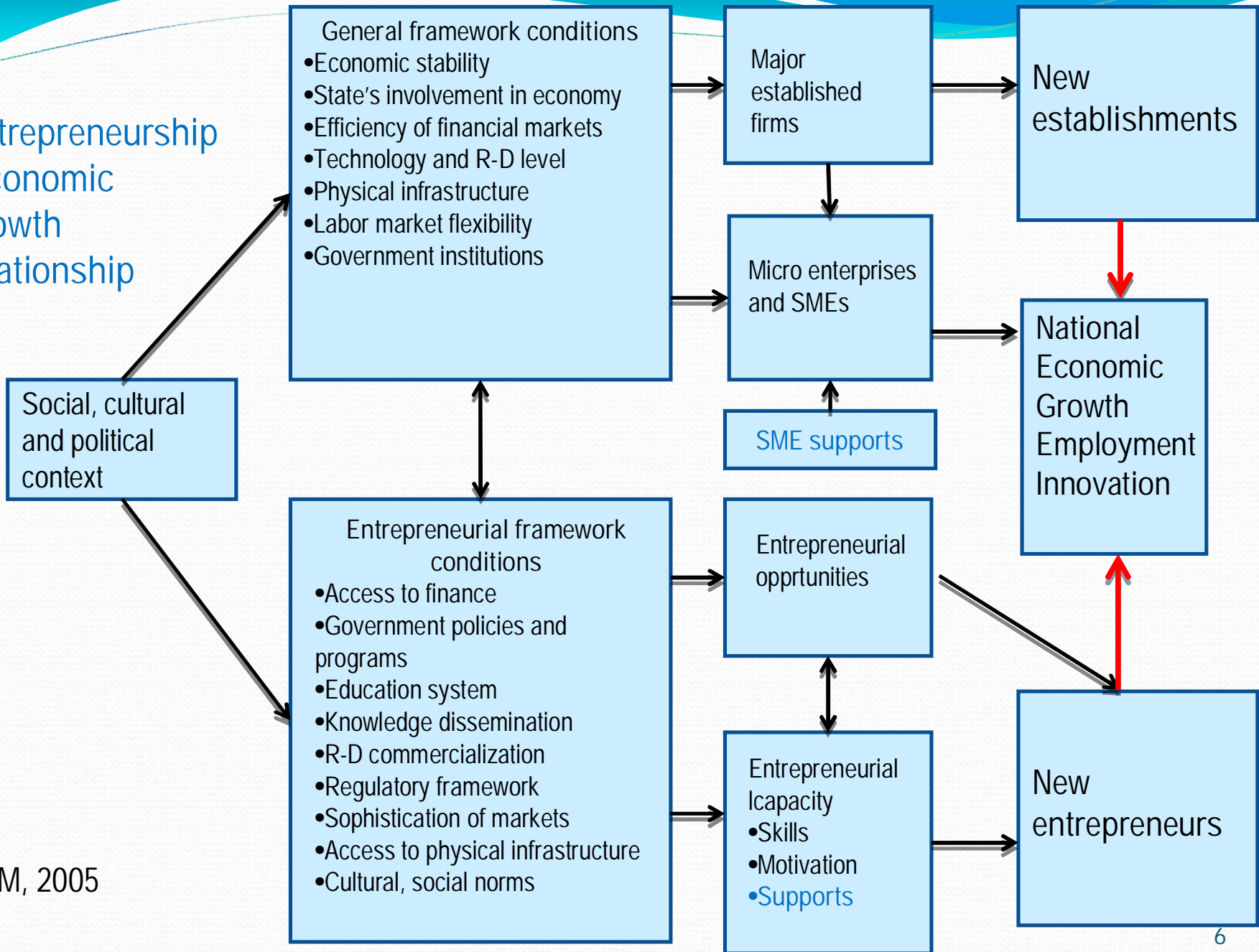
| The share of SMEs |        |
|-------------------|--------|
| in sales          | % 65.5 |
| in investments    | % 50   |
| in exports        | % 59   |
| in loans          | % 24   |

Source: X<sup>th</sup> Development  
Plan Commission Report  
2012

# ENTREPRENEURSHIP and SMEs in TURKEY

Regulatory and support environment

# Entrepreneurship -economic growth relationship



GEM, 2005

Turnover and  
employment

Growth and export firms

Established firms

Young  
entrepreneur

Start-ups

candidates

time

## Social, cultural and political context in Turkey

- Social attitudes towards entrepreneurship
- Media attention
- Policy makers' approach
- Life-long learning
- Commercial banks



# General framework conditions in Turkey

- Economic stability
- State's role in economy
- Physical infrastructure
  - Small industry estates
  - Organized industry zones
  - Free zones
- Labor markets
- Government institutions (Rule of Law)

# Entrepreneurial framework conditions in Turkey

- Trade and legal system
  - Turkish Trade Law
  - Law of Obligations
  - Bankruptcy Law
  - Tax Law
  - Law No 4691, 6170, 5746 (Technology/ R and D)
- Regulatory environment

# Entrepreneurial framework conditions in Turkey

- Access to finance
  - Banks
  - KGF
  - KOBİ A.Ş.
  - İVCI
  - Angel investors/incubators
  - Emerging enterprises market
  
- New/sophisticated markets

# Entrepreneurial framework conditions in Turkey

- Government programmes and policy documents:
  - 2023 vision
  - Science and technology policy, Science and Technology Board
  - Medium term programme
  - 5-year development plans
  - SME Strategy and Action Plan
  - Industrial Strategy
  - EU Small Business act
  - Input supply strategy
  - Public procurement strategy
  - Entrepreneurial Council/public-private consultation

# Entrepreneurial framework conditions in Turkey

- Education System
  - Primary
  - Secondary
  - University
  - Non-formal training
- R and D commercialization
  - Technology zones
  - Incubators
  - TÜBİTAK supports
  - KOSGEB supports

# Entrepreneurial framework conditions in Turkey

- Incentives
- Supports
  - KOSGEB
  - TÜBİTAK
  - Ministry of Economy
  - Development agencies
  - EU IPA funds
  - Other supports

# ENTREPRENEURSHIP and SMEs in TURKEY

## INTERNATIONAL INDEXES

## International Indexes

- GEDI Global Entrepreneurship and Development Index
- Global Competitiveness Index
- World Bank Doing Business Index
- Global Entrepreneurship Monitor Index



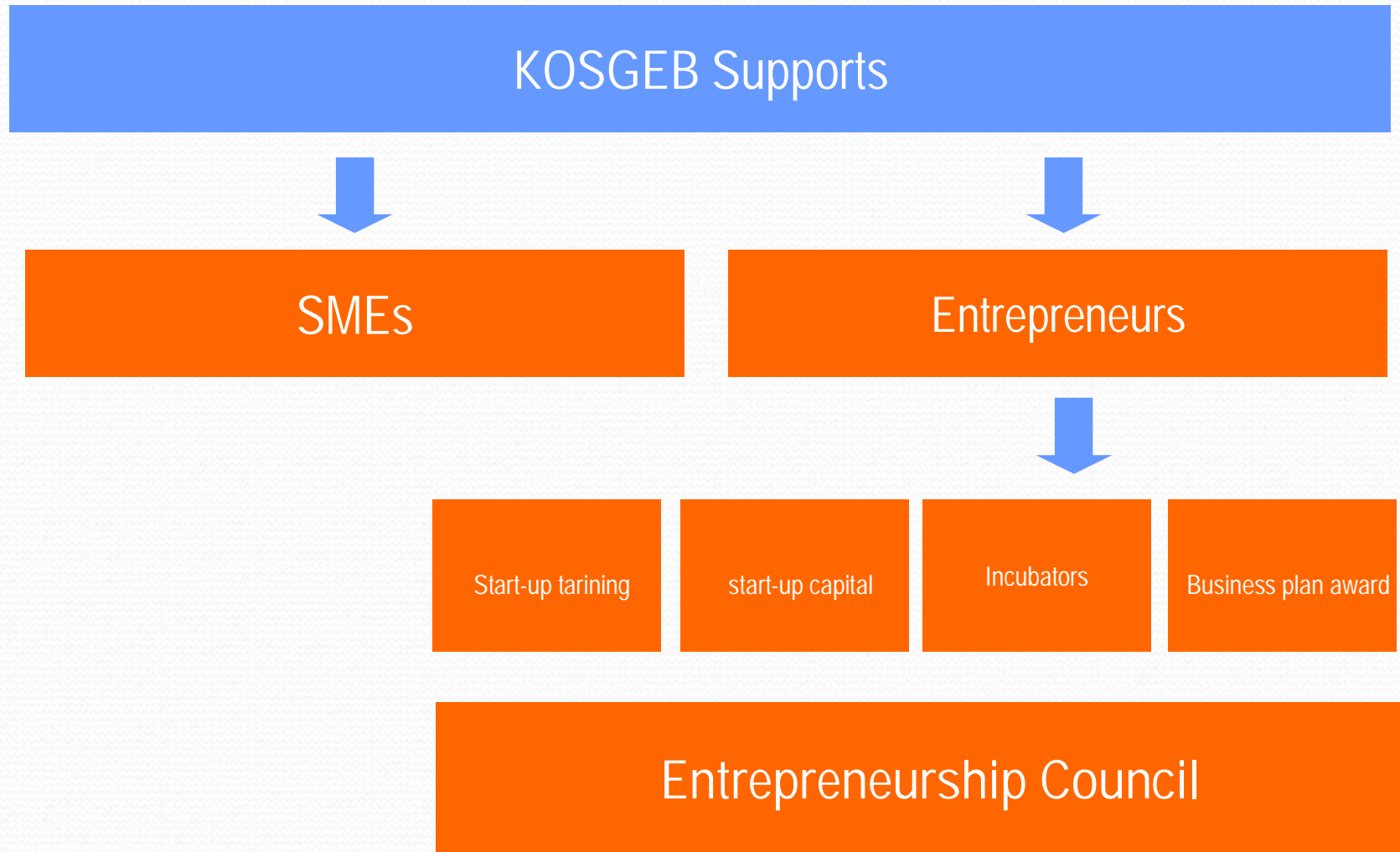
# ENTREPRENEURSHIP and SMEs in TURKEY

## KOSGEB SUPPORTS

# Paradigma shifts

|             |  |  |  |
|-------------|--|--|--|
| Micro level | <u>Support tools</u><br>Direct services to the target group<br>(private markets can not develop) | <u>Subsidies</u><br><br>Subsidies        | <u>The role of private sector</u>  |
| Mezo Level  | Services delivered through providers<br>(private markets can develop)                            | Sustainability<br>(decreasing subsidies) | Public-private co-operation<br>(NGO's)   |
| Macro level | Establishment of framework conditions  | Sustainability                           | <ul style="list-style-type: none"> <li>-non profit companies</li> <li>-for profit companies</li> <li>-public-private partnership</li> <li>-social responsibility in development</li> </ul> |

# KOSGEB Supports





# KOSGEB Entrepreneurship Support Program

## START-UP TRAINING

## Start-up training

- 70 hours of applied training
- Workshop modules inserted
- Class specific extra modules
- FREE OF CHARGE
- Trainers: private service providers

## Start-up training

GRADUATES OF START-UP TRAINING PROGRAMMES  
IMPLEMENTED BY KOSGEB OR OTHER INSTITUTIONS  
(INCLUDING UNIVERSITIES) ARE ELIGIBLE FOR KOSGEB  
START-UP CAPITAL



# KOSGEB Entrepreneurship Support Program

## START-UP CAPITAL

## Start-up capital

- Grant
  - 3,000 TL registration costs
  - 15,000 TL equipment
  - 12,000 TL operating costs
- Loan
  - 70,000 TL
    - 24 months grace
    - 24 months repayment, 8 installments
- %60-70-80 support ratio





# KOSGEB Entrepreneurship Support Program

## BUSINESS INCUBATORS



**Çorum**



**Hacibektaş**



**Kütahya**



**Pendik**

# Tarsus İŞGEM



















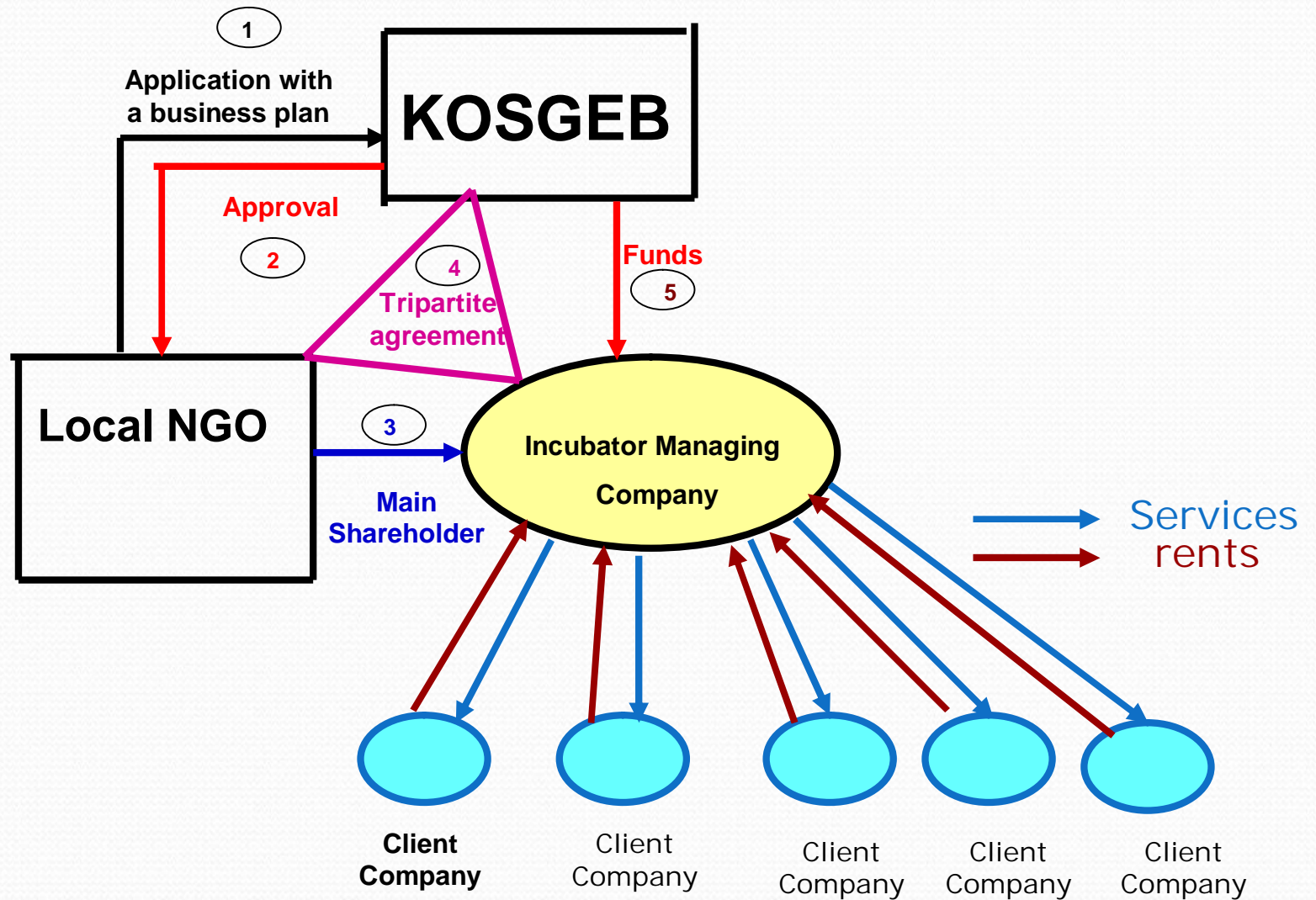
# Business Incubator Support

- Permission to use "İŞGEM" logo and name
- Support for establishment costs
- Support for operating costs

# Business Incubator Support

| Support               |                      | Maximum limit | Support ratio |                 |
|-----------------------|----------------------|---------------|---------------|-----------------|
|                       |                      |               | Regions 1,2   | Regions 3,4,5,6 |
| Establishment support | Building renovation  | 600.000 TL    | %60           | %70             |
|                       | Equipment-furniture  | 125.000 TL    |               |                 |
|                       | Manager's salary     | 25.000 TL     |               |                 |
| Operation support     | Staff costs          | 30.000 TL     |               |                 |
|                       | Training-consultancy | 50.000 TL     |               |                 |
|                       | Building maintenance | 20.000 TL     |               |                 |

# KOSGEB INCUBATOR SUPPORT MODEL



# Support criteria

- Promoters
- Legal status of the operating company
- Building and location
- Mission and strategic objectives
- Tenant companies
- Services for tenants
- Occupancy rate
- Management and organization
- Business model and revenues
- sustainability



# KOSGEB Entrepreneurship Support Program

## BUSINESS PLAN AWARD

## Business plan award

- University students
- First winner: 15.000 TL  
Second winner :10.000 TL  
Third winner :5.000 TL





# ENTREPRENEURSHIP COUNCIL

# ENTREPRENEURSHIP ECOSYSTEM

- Public leaders and governments
- Culture
- Success stories
- Human capital
- Capital sources
- Infrastructure and institutions
- Education and training
- Clusters and other networks
- Support systems
- Customers

# ENTREPRENEURSHIP COUNCIL

Linking the chains of the ecosystem for a holistic approach

- ✓ A platform with currently 32 members representing each chain
- ✓ Not an exclusive platform
- ✓ The main actor being the entrepreneurs!

## KOSGEB SME Supports

- General supports (participation in fairs, training, consultancy,, business visits, promotion etc. vs.)
- Thematic Projects
- Co-operation projects
- R and D, Innovation and Industrial application
- Emerging enterprises market SME support

## OTHER ACTIVITIES

- GEM
- European Enterprise Promotion Awards
- SEECEL
- EU Small Business Act



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