Chapter 11

Development Agencies, Grant System, and Financial Support for SMEs in Turkey

Hasan Dinçer
Istanbul Medipol University, Turkey

Ümit Hacıoğlu
Istanbul Medipol University, Turkey

Abdullah Önder Özkul
Beykent University, Turkey

ABSTRACT

SMEs form 90% of commercial businesses in Turkey and the support given to SMEs means support directly given to the real sector in a vast scale. SMEs have some problems currently that are accepted as structural throughout Turkey, such as that they were constituted in form of family companies, that they do not use financial instruments sufficiently, that they do not work with professional executives, their commercial activities without invoice, etc. There could be other common problems that SMEs can meet with as related to sector or location. The main duties of Development Agencies is to mobilize commercial potential in region, to support sectors that have the potential to grow, and thus, to decrease the difference of development between regions. This chapter explores SMEs in Turkey.

INTRODUCTION

Countries aim to provide their citizens a life convenient to age’s standards despite of concepts of which contents may vary such as changing population, level of income, level of education, health standards, technology, political changes. Development is a dynamic process which emerging countries try to realize with different methods. That makes the need of development urgent and unavoidable is the periods in which countries implement intense development programmes following a period of war, natural disasters and anti-democratic political regimes. The success of development moves that were implemented in these periods is in line with that they were designed...
as convenient to the reality of country, they are far away from populist implementations and they were organised through effective implementation and control mechanisms.

One of factors that make the concept of development difficult one is that the country having central government is to try producing their policies without being able to analyse the realities, potentials and development axes properly. For instance, public incentives implemented in Turkey in various times are designed in its every re-implementation. The changing of 4-region-incentive-system into 6-region-incentive-system is a concrete example of this situation.

Development Agency is not field service of Ministry of Development. Agencies are governed through directorates. Members of board are formed by the governors, mayors, Chairman of Chambers of Commerce and Industry and Presidents of City General Assemble of cities in which agency operates. The chairman of directorate is the governor. The aim in the model is decentralisation. Non-profit organisations and NGOs can benefit from, depending on the features of support programmes, support mechanisms of Development Agencies. In addition, the biggest proportion of agencies in annual support budgets usually belongs to programmes towards SMEs. The annual budgets and financial support programmes is finalized through confirmation of Ministry of Development. That ministry and development agencies separate the biggest proportion of their budgets for SME support programmes, in the sense of national politics, shows that the priority is given to the private sector to carry development.

This chapter begins with a literature review on grant system and the structure of development agencies in Turkey. The implementations of development agency in World and Turkey have been studies in the second part. This chapter concludes with the SME profile and grants provided by support programmes and agencies as financing tool.

LITERATURE REVIEW

Main important developments observed in World economy regarding regional development and economical geography is the fact of localisation tendencies in economy and urban economies. While experienced developments in communication, transport, technology in the process experienced decreases importance of traditional parameters of settlement theory such as raw material and proximity to markets, it becomes possible that a product produced at any region of the world is able to be sold in any region of the world. (Kaya, 2007)

Development process is the result of acquisitions that countries obtained from historical process they passed. Institutional infrastructure of countries in historical process has a big share in forming of their institutional structures today. Tabellini suggests in his study that beside that institutional culture is formed by the effects of institutional culture, regional development is also in a firm correlation with past in the same way. In the same way it is suggested that with the reason of low labour force efficiency, economically disadvantaged regions cannot advance through income transfer, that poor regions in terms of economy and culture need to benefit from education investment, from cheap financing source born with local initiative and from localization of government. (Tabellini, 2014)

The sensibility of economy management in Turkey to manage and decrease debt stress of country has lead that the fact of growth remained at the second plan. Rational distribution of sources relevant with the concept of growth and productivity in production cannot be ensured. That Turkey adopts growing depending on production and efficiency as a strategy is urgent. With this reason, necessary regulations to make performance of growth stable in short term is needed. Sufficient condition is the establishment of R&D and industrial infrastructure based on human capital as a