

FOREIGN TRADE ANALYSIS OF TURKISH SMALL AND MEDIUM SIZED ENTERPRISES IN KONYA CITY AND AN EMPIRICAL STUDY

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ABSTRACT

Small and medium-sized enterprises (SME's) play a central role in the Turkish economy. They are a major source of employment, production and tax incomes. In this study we define external - internal opportunities also threatens of SME's so that we can also emphasize that the SME's advantages and disadvantages. For this reason we explain problems of SME's in foreign trade which include export and import.

In this study we took poll on firms which placed in city of Konya and produce for export and import. We selected our sample firms which show activity in Konya industrial zone. The surveys obtained were entered into the program SPSS 14.0 and evaluated. In our study, approximately 600 firms carrying out foreign trade were accepted as main mass and it was understood that 41 of the surveys applied to 450 of these firms were worth to being into practice. According to this paper's empirical findings; regarding to the import, it revealed that the most important problem is inadequacy in financing the problems that SME's encountered while exporting are different. The most important problem was explained as "Price increase resulted from the higher cost in the inputs and to loose the competitive advantage in this context". As a result of our paper conclusions policy makers may also plan and make policies about SME's.

Keywords: Small and medium- sized enterprises, Foreign Trade, SPSS Analysis

JEL classification: C83, F17, L26

KONYA ŞEHİRİNDEKİ KÜÇÜK VE ORTA BÜYÜKLÜKTEKİ İŞLETMELERİN DIŞ TİCARET ANALİZİ VE AMPİRİK BİR UYGULAMA

ÖZET

Küçük ve orta ölçekli işletmeler (KOBİ) Türkiye ekonomisinde önemli bir rol oynamaktadır. Bu işletmeler istihdam, üretim ve gelir vergilerinin önemli kaynağıdır. Bu çalışmada KOBİ'lerin iç ve dış fırsatları, ayrıca tehditleri belirlenerek KOBİ'lerin karşılaştıkları avantaj ve dezavantajlarını vurgulanmaktadır. Bunun için KOBİ'lerin ithalat ve ihracatta karşılaştıkları sorunlar açıklanmaktadır.

Bu çalışmada Konya'da yer alan ihracat ve ithalat ile uğraşan firmalar üzerinde anket uygulanmıştır. Örneklem grubu Konya sanayi bölgesinde faaliyet gösteren firmalardan seçilmiştir. Elde edilen anketler SPSS 14.0 programına girilmiş ve değerlendirilmiştir. Çalışmamızda dış ticaret yapan yaklaşık 600 firma ana kütle olarak kabul edilmiş bu firmalardan 450'sine uygulanan anketlerden 41 tanesinin uygulamaya değer olduğu anlaşılmıştır. Elde edilen bulgulara göre: İthalat yapan firmalar için karşılaşılan en önemli sorunun finansman yetersizliği olduğu ortaya çıkmıştır. KOBİ'lerin ihracat sırasında karşılaştıkları problemler farklılaşmaktadır. İhracatta en önemli sorun girdi maliyetlerindeki yükselmenin ihracat fiyatlarını yükseltmesi ve rekabet avantajını bu anlamda kaybetmek olarak açıklanmıştır. Makalenin sonuçlarına göre politika yapıcıları KOBİ'ler ilgili planları ve politikalarını belirleyebilirler.

Anahtar kelimeler: KOBİ, Sanayi Bölgesi, Dış Ticaret, SPSS Analizi

JEL Sınıflaması: C83, F17, L26

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INTRODUCTION

SME's (Small and Medium Sized Enterprises) having an important share in respect to the number of firm, the employment, and the production, on the contrary of this share, do not have enough share in value added and export (Kendirli and Bilginer, 2001:85).

Due to the fact that some economy institutes use different SME's descriptions and that there is no agreement about the descriptions about SME's, it has been decided to make only one description in the direction of European Union (EU) criteria. By regulations about "the descriptions, qualifications, and classifications of SME's with the date of 11/18/2005, a description was made in accordance with the EU criteria. According to this description, Small and Medium Sized Enterprises are the economic units, which employ the people less than 250, whose annual net sale revenue or financial balance sheet does not exceed 25,000,000 Turkish Lira and which are called as micro enterprise, macro enterprise, and shortly SME's in these regulations (KOBİ, *mws*¹, 2009).

In these descriptions, the number of employees and annual sale revenue, from quantitative criteria, were used and qualitative criteria were not included. The qualitative criteria are the features such as identifying with between enterprise and its owner, the responsibility of the owner of the enterprise from each aspect, and independence of the enterprise. The descriptions made using together with quantitative and qualitative are able to be more comprehensive. While some enterprises have labor-intensive production style, the other enterprises have capital-intensive production style. It is necessary to consider this kind of qualitative features (Ekinçi, 2003:13-17). Table 1 shows regulation about description of SME's in Turkey.

Table1. Description of SME's in Turkey

Number of Employee	Size	Annual (YTL)
0-9	Micro	1.000.000
10-49	Small	5.000.000
50-249	Medium	25.000.000

Source: KOBİ, *mws*, (2009)

In the frame of European Union's description, SME's are the enterprises having the independency criteria in having the employees less than 250, annual sale revenue less than euro 50 million, and the size of balance sheet less then euro 43 million. "Independency principle" taking place in the description above is that its capital 25 % of the capitals and more are not undertaken by the other enterprise and formed by large enterprises. As seen in the Table 2 below, in SME's description of European Union, the number of employees, annual revenue, and the size of annual balance sheet are found together. Also, European Union considers important the principle of "independency" as a qualitative criterion (European Commission, *mws*, 2005).

Table 2. Descriptions of SME's in European Union

Enterprise	Number of Employee	Annual Sales	Total Assets
Medium Sized	250	50 million Euro	43 million Euro
Small Sized	50	10 million Euro	10 million Euro
Micro Sized	10	2 million Euro	2 million Euro

Source: European Commission, *mws*, (2005)

¹ Editorial note, *mws* is abbreviation of "Mentioned Website".

1. THE PLACE OF SME'S IN ECONOMY AND ITS IMPORTANCE

The improvements in the last quarter of 20th century as well as the changing economic structure has revealed a flexible production understanding, customer preference focused, based on CEM technology, in which information economy is used, and quality and divisibility are dominant. Leaving the traditional understanding and shaping the concepts such as investment and sharing in the frame of information economy, a flexible production style, based on D&R, has been adopted instead of mass consumption. That heavy industry enterprises become smaller and replace SME's has revealed the importance of SME's policies and the fact about producing the new policies in almost each country of the world (Dilik and Turan, 1988:60).

1.1. SME's in Turkish Economy

In Turkey, the share in total export of SME's which realize 76.7% of total employment, 56.5% of the investments, and can employ 24.3% of credit cake, is a rather low rate like 9 %.

Table 3. General Statistics of SME's

Proportion in Total Enterprises	%99,3
Proportion in Total Employment	%76,7
Proportion in Total Investment	%56,5
Proportion in Exports	%9,0
Proportion in Total Credits	%24,3
Value Added in GDP	%37,7

Source: Turkish Statistical Institute, *mws*, (2002)

1.2. SME's in The Economies of European Union and Selected Countries

In European Union, two-thirds of all employment is provided by SME's, one-third by large sized enterprises. While one European SME's employs 5 employees, the number of employees employed by one large sized enterprise is 1.502, averaged. In EU, while the share of large enterprises in all firms is 0.2%, the share of SME's is 99.8%.

In EU, the role of SME's in export is less when compared to the large enterprises. While SME's in EU export 13% of their annual products, this ratio is 23 %, with the two times of difference, for the large enterprises. This is a case experienced obviously in all sectors of economy and all countries of the world and indicates that small enterprises only serve the limited regions and regional markets (European Commission, *mws*, 2003).

In Table 4, the main indicators take place belonging to large enterprises of 19 countries, the member of EU. While the share of export in sales is 12% in SME's this ratio is 23% in large enterprises. Although one employee employed in SME's s creates a value added for average Euro 55,000 one employee employed in a large enterprise creates a value added for average Euro 120.000.

Table 5 presents the place of SME's in the economies of some countries. SME's consist of approximately 99 %, numerically, of enterprises being in active in economy. Differences are observed in the employment and this ranges between 55% and 80%. The shares investments are 26.5 in Turkey, but this ratio is the level of 44% in Germany. When regarding to the shares in the value added, this ranges between average 25% and 50% in

relation to the selected countries. The country, in which the share of the SME's in the export is the most, is India with 40%. In Turkey, 8% of export corresponds to SME's and Turkey has the lowest rate in terms of employing credit.

Table 4. European –19 Countries SME's Indicators (2003)

		SME	Big Sized	Total
Number of Enterprises	1000	19.270	40	19.310
Number of Employee	1000	97.420	42.300	139.710
Employment Per Enterprises		5	1.052	7
Output Per Firms	Million Euro	0.9	319	1.6
Proportion of Export in Sales	%	12	23	17
Value Added Per Labor	1000 Euro	55	120	75

Source: European Commission, *mws*, (2003)

2. ADVANTAGES AND DISADVANTAGES OF SME'S

Advantages and disadvantages of SME's in production and management structure can be put in order as follows:

2.1. Advantages and disadvantages of SME's in production structure

- They provide more production and product diversity with less investment.
- Their possibilities about creating marginal employment are more than the other enterprises.
- They can adapt easier to the changes in the demand and technology.
- Large enterprises usually produce for the market. However, production upon order is widespread in SME's and storage problems loose its importance in small enterprises.
- In inter-regional development, they have a preventive role for the balances to change in negative way.
- They have positive affects about income distribution.
- The SME's make use of the advantages provided by scale economies. They are generally deprived of the advantages provided by large scaled production such as becoming smaller of the cost per unit, institutionalization.
- Labor-intensive technology is mostly used in SME's. In the economies where the labor is cheap, this feature converts into an advantage.

2.2. Advantages and disadvantages of SME's in management structure

- Due to the fact that they have smaller organizational structure than large enterprises, the practice of division of labor may be easier.
- Because specialist or financial consultant is not employed in the enterprise, they do not make use of professional support.
- Strategic decisions are made by the owners of partners of enterprise and the participation of medium or lower level employees are not provided.
- They undertake the risk of loosing the independency or going to bankrupt and their activity life is shorter, when compared the large enterprises.

Table 5. Economic Indicators of SME's in Countries

Economic Indicators	USD	GRM	JAP.	IND.	KOREA	TURK.
Proportion of SME's In Enterprises	99.7	99	99.4	98.6	98.6	98.8
Proportion of SME's In Employment	56.6	64	81.4	63	59	76.7
Proportion of SME's In Investment	38	44	40	27.8	35	26.5
Proportion of SME's In GDP	43	49	52	50	35	38
Proportion of SME's In Export	32	31	38	40	20	8
Proportion of SME's In Credits	42.7	*	50	15.3	47	3-4

Source: KOSGEB, *mws*, (2000).

3. Export Market Shares of SME's in Turkey and Their Problems

With their lower costs, effective management and organization structures, large enterprises have competency advantages when compared to the small enterprises. SME's should identify export market shares and the problems experienced during accessing to the foreign market and determine the new strategies according to these situations (Ulaş, 2004:80).

In the year 2000, the share of the SME's in the export was 7 percent, this share increased to 9 percent in the year 2004, 11 percent in 2006. Despite the increase realizing in respect to the years, SME's are not able to take still sufficiently amount of share from the export (The same values are 40 percent in India, 38 percent in Japan, 29 percent in Italy.).

While the share of imports of The SME's in total import was 9 percent in the year 2000, this share increased to 16 percent in the year 2006 (Koramaz, *mws*, 2007).

Table 7. Credits of Eximbank (2000-2008)

Years	Credit Amount*
2000	3.377
2001	2.714
2002	2.158
2003	3.192
2004	3.338
2005	3.529
2006	3.503
2007	3.712
2008	4.276

Source: Turkish Eximbank, *mws*, (2009)

* (ABD Million Dollars)

For SME's exporting, amongst the resources provided by the government, the most important resource is the credits of Eximbank. Table 7 shows Eximbank credits for export and Table 6 shows Turkish foreign trade indicators. Eximbank serves towards the SME's through the instruments such as the credits of preparation for exporting of SME's the credits in Turkish Lira and Foreign Exchange, insurance for export credit and country guarantee programs. However, SME's make use of these important resources a little. There is no parallelism between that SME's have a lower level of share like 10% in the export and that the share in total Eximbank credits of the firms in question have a insufficiently amount of share like 36% (Delice, 2001:279).

Table 6. Turkey Foreign Trade Indicators (\$ Million)

	2004	2005	2006	2007	2008
Export	63.167	73.476	85.535	107.272	132.027
Import	97.539	116.774	139.576	170.063	201.964
Balance of Foreign Trade	-34.373	-43.297	-54.041	-62.791	-69.936
Exp./ Imp %	64,8	62,9	61,3	63,1	65,4
Total	160.707	190.250	225.111	277.270	333.991

Source: Turkish Foreign Trade Statistics, *mws*, (2009)

3.1 The problems encountered by SME's during export

The problems encountered by SME's during export may be collected in two heading.

1. The problems of SME's in domestic level: These are financial problems, insufficiency in knowledge, bureaucratic problems, and market problems, insufficiency in support, and quota problems.

2. The problems of SME's in enterprise level: These are raw material problems, information and data problems, and production problems (Kendirli and Bilginer, 2003:47) Amongst the problems encountered by the firms attempted to export, there are quality control, standardization, and confirming the relationship price and cost (Akgemci, 2001:30).

It's seen that the SME's facing to these problems turn towards custom manufacturing according to the order and they have difficulties in creating their trademarks and marketing their products. As long as the SME's do not create their trademarks and provide the production in high quality, they will not able to catch the dominance in the competency.

4. EMPIRICAL STUDY, METHOD AND APPLICATION

In our study, approximately 600 firms carrying out foreign trade were accepted as main mass and it was understood that 41 of the surveys applied to 450 of these firms were worth to being into practice. The firms participating in the survey are the firms taking place in the central borders of the province Konya and were mostly in active in manufacturing industry. The surveys obtained were entered into the program SPSS 14.0 and evaluated.

Table 8. The qualification of the firm (Ownership qualification)

	Frequency	Rate
Individual enterprise	14	34.1
Limited Company	3	7.3
Joint stock company	24	58.5
Total	41	100.0

When regarding to the legal qualification of the firms, 24.1% of them are in the status of individual enterprise, 7.3% limited company, 58.5% joint stock Company.

4.1. Konya SME's Export Report

34 of total 41 firms i.e. 82.9 % declared that they exported and 17.1% of them indicated that they did not. When asked that how the exporting firms realized this, 85.37 % of the firms included in the survey indicated that they made indirect export. It is determined that the rate of those exporting directly was determined as 14.6 %.

Table 9. Annual Export Sale

	Frequency	Rate
1–5 millions of dollars	34	82.9
5–10 millions of dollars	0	0
10–25 millions of dollars	0	0
Over 25 millions of dollars	0	0
Empty	7	17.1
Total	41	100,0

All of those answering the question, in which the sum of export sale are questioned marked the answer “1-5 millions of dollars”

4.2. Konya SME's Import Report

The half of the 41 firm answered, as “Yes” the question Are you importing.

Table 10. Annual Import Sale

	Frequency	Rate
1–5 millions of dollars	34	82.9
5–10 millions of dollars	7	17.1
10–25 millions of dollars	0	0
Over 25 millions of dollars	0	0
Empty	0	0
Total	41	100.0

When regarding to the sum of import, most majority indicated again that they imported in the range of 5-10 millions of dollars. Over this sum, in the range of 5-10 millions of dollars, it was found that there were 7 firms. Most of the firms, 90.2%, answered the question concerning the quality document in the way that they have a quality document. About half of the firms included in the survey indicated that they do not have any problem related to the qualified labor in foreign trade.

Table 11. Strategies of SME's

	Frequency	Rate
Planning the long termed (3 years and over) new product	13	31,7
Strategic position pf the firms according to the competitors	18	43,9
Planning the qualified labor	7	17,1
New production concepts	2	4,9
Exposing to the world market	1	2,4
Total	41	100,0

In the question concerning the members taking place in the business strategies of the firms, most given answer had been the determination of the strategic position of the firm according to the competitors with 43.9%. The new forms indicated that in the competition process, they were continuously in the state of reviewing their positions according to their competitors. Long termed new product planning followed this answer and successively qualified labor, new product concept, and exposing to the world markets were put in order.

Table 12. SME's Problems Encountered While Exporting.

	N	Minimum	Maximum	Mean	Standard Deviation
Lacking information about foreign trade	41	1,00	5,00	3,6829	0,96018
Volatility experienced about foreign exchange rates	41	2,00	5,00	4,0244	0,82121
Inadequacy in export credits	41	2,00	5,00	3,6341	0,79863
Inadequacy about export incentives	41	3,00	5,00	4,0732	0,72077
Price increase resulted from the higher cost in the inputs	41	4,00	5,00	4,9268	0,26365
Not able to compete the exports goods of world and China.	41	2,00	5,00	4,4390	0,94997

The demand from the firms in the way that “rate the problems encountered while exporting” is seen in the table above. According to this, the most important problem was explained as “Price increase resulted from the higher cost in the inputs and to loose the competitive advantage in this context”. Successively, “increasingly becoming difficult in the international complete condition”, “inadequacy in export incentives”, and “volatility in foreign exchange rate” were put in order as the most important problem.

Table 13. SME's Problems Encountered While Importing

	N	Minimum	Maximum	Mean	Standard Deviation
Lacking information about foreign trade	41	1,00	4,00	3,8077	0,69393
Volatility experienced about foreign exchange rates	41	2,00	5,00	3,9615	0,44549
Inadequacy in financing	41	2,00	5,00	4,6538	0,68948
The problems experienced about letter of credit and foreign payments	41	1,00	5,00	4,0769	0,74421
Becoming high in duties	41	4,00	5,00	4,1923	0,40192

When regarding to the import, it revealed that the most important problem is inadequacy in financing. Becoming high in duties, and the problems experienced in foreign payments followed this problem.

CONCLUSION

With the Transformation January 24, 1980, road map of the Turkish economy was changed and internal oriented industry replaced the export-based growth. In this sense, to provide for the country economy to run according to the rules of free market mechanisms and thus realize for it to integrate with the world economy were explained as the principal target. In the passing time, jointing became more evident and the figure of export, 2.9 billions of dollars in 1980, reached about 108 billions of dollars respect to the year 2007, the import, 7.9 billions of dollars, 170 billions of dollars. Foreign trade volume of Turkish Economy, about 280 billions of dollars, obtained 27 times of foreign trade growth in 27 years.

This point reached is, of course, very important. But, it is evident that there are also some problems in order for the foreign trade to arrive to the better points and reach higher targets. Konya, with the physical and social potential it has, its local dynamics, and strong entrepreneurship culture, is one of the provinces going in front in Turkey. He has officially an export figures 750 millions of dollars over 1 billions of dollars, together with the other provinces. In the province exporting to the 140 different of country in the world, there are import figures as nearly as export figures.

According to the this paper's empirical findings; regarding to the import, it revealed that the most important problem is inadequacy in financing. Becoming high in duties, and the problems experienced in foreign payments followed this problem. The problems that SME's encountered while exporting are different. The most important problem was explained as "Price increase resulted from the higher cost in the inputs and to loose the competitive advantage in this context". Successively, "increasingly becoming difficult in the international complete condition", "inadequacy in export incentives", and "volatility in foreign exchange rate" were put in order as the most important problem.

In today, when technology changes and develops and the use fields pf nano technologies increase, that our firms compete in international levels are becoming more difficult. The enterprises, which gain its institutional identity, become a trademark, open to

the renewals, catch the efficiency have been the enterprises achieving to survive. The knowledge has become the most important arm today. It is necessary to take and turn into a project, to obtain high value added output from that project, and to invest R&D and renewal by the outputs obtained.

The firms indicated that they needed the new approach in both institutional and macro context in order to work more effectively and efficiently. Especially, in international competition conditions, they emphasized the importance of the equal possibilities and also added their demands at the point that the necessary supports are given by the government.

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