IMMIGRANT ENTREPRENEURSHIP IN TURKEY: HISTORY, DEVELOPMENT AND CURRENT MARKET

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ABSTRACT

Purpose – The aim of this study is to understand the entrepreneurial activities of immigrants in Turkey through a review of available literature and data. This article arises from the deficient immigrant entrepreneurship literature and aims to examine the history and the recent developments of immigrants and immigrant businesses in Turkey. This will provide the reader with a general overview and in-depth information about immigrant businesses in Turkey. A detailed industrial view can help to understand the history of migration movement and migrant entrepreneurship development in Turkey while secondary data is a reasonable source to maintain qualified information about the current situation of migrant entrepreneurship.

Findings – The number of foreigners residing in the Turkey has increased immensely since 2010. There is a seven-fold rise in the number of immigrants in Turkey from 2005 to 2022. This shows the rapid changes that Turkey is going under especially since the beginning of the Syrian Refugee Crisis in 2011. Turkey has quickly become a hub for foreign nationals which is influencing different facets of the country including the demographics, society, and economy. The number of firms established with foreign partners has followed a similar pattern, with a nearly five-fold increase from 2011 to 2021. Turkey is seeing an increasing interest within the immigrant communities from Asia, Africa, and MENA countries. The study provides a survey on immigrant businesses. Literature review is a critical method to understand the history of migration movement and migrant entrepreneurship development in Turkey while secondary data is reasonablen source to maintain qualified information about the current situation of migrant entrepreneurship.

Conclusion – Immigrants face many difficulties in establishing and sustaining a business. These difficulties can be mitigated through government policies and support programs that focus on assisting both immigrant and local community in their business endeavors. Government can support immigrant entrepreneurs by providing language learning opportunities that focus on business Turkish and culture. This will not only help immigrants to learn the language but also assist them in adaptation of the local culture which may speed up their integration process.

Keywords: Entrepreneurship, international migration, regional migration, immigrants, migrant entrepreneurship

JEL Codes: L26, F22, R23

1. INTRODUCTION

In the literature, different titles related to the causes of migration are listed. If we aim to gather these titles under a general heading, the push and pull factors are the first ones that come to our mind. Push factors are reasons why individuals decide to move from their home country, these include political instability, economic hardships, persecution, and natural disasters. Pull factors, on the other hand, include the fact that the destination country offers better opportunities in economic, social, and political areas than the home country. Migration movements that Turkey has experienced since the republican era are caused by push factors rather than pull factors. Turkey has always been the first-choice country for the citizens of neighboring countries, who seek better living conditions due to the economic, social, and political instability. There are two main reasons why Turkey comes to mind as the first choice. The first of these is that Turkey is close to the countries that have difficulties in providing stability in the economic, political, and social fields, and a road to reach European countries. The second is that Turkey’s economic, political, and social situation is relatively better than that of the immigrant countries. Therefore, most of the historical migrations in Turkey can be classified into either forced migration or utilizing Turkey as a transit state. However, Turkey's
Migration experience has begun to differ in the last two decades. In addition to forced migrations or transit migrations targeting Europe, Turkey has also become a destination country.

Studies in the national and international migration literature generally examine Turkey in the category of country of emigrant, transit or forced migration. Factors such as the inclusion of immigrants in business life and entrepreneurship, which are among the pull factors, constitute only a small part of this literature. Most of these studies begin with the arrival of Syrian immigrants in Turkey after 2011. Characteristically, Syrian immigrants, who were initially included in the category of forced migration, are also included in economic life as time goes on. Various studies on the entrepreneurship of Syrian immigrants and the economic effects of the Syrian influx are also found in the literature. Apart from these studies, there is no research that examines immigrant entrepreneurship by placing Turkey as a target country. Based on this deficiency in the literature, our research aims to reveal the typology of general migrant entrepreneurship in Turkey.

In the first part, our research examines the reasons and socioeconomic outcomes of Turkey’s migration experience during the republican period. In the second part, the development of migrant entrepreneurship in Turkey is analyzed by using the general migration data of the Directorate General of Migration Management and the foreign entrepreneurship data from the Union of Chambers and Commodity Exchanges of Turkey. In the last part, we discuss our findings and self-criticism about the data, method, and results of our research.

2. HISTORY OF MIGRATION MOVEMENT IN TURKEY

Turkey has faced many migration flows throughout history. While examining the migration history of Turkey, some historians such as Akgündüz (1998) started their research chronologically from the Ottoman Empire. Some writers accepted the collapse of the Ottoman Empire as a transitional period and examined the migration history of the Turkish Republic starting from the last years of the Ottoman Empire. The main shortcoming of all these studies focusing on migration history in Turkey was the lack of a holistic economic evaluation (especially in the field of entrepreneurship). The reason of deficient economic migration literature is that Turkey experienced only forced or transit migrations as stated by İçduygu (1997). While being a transit route to Europe is the factor that triggered transit migration, it was the wars, conflicts and political changes in the surrounding countries that triggered forced migration (Sirkeci & Martin, 2014). In addition, Turkish migrants and minorities abroad have greatly triggered migration to Turkey. Therefore, Turkey’s migration was mostly from Germany and Bulagria (Sirkeci, 2009). However, today Turkey is not only a transit center but also a destination for migrants (Akcapar, 2006). On the other hand, despite being a center of transit migration throughout history, Turkey received a significant number of migrants and they made certain contributions to the socioeconomic life in Turkey. This part of the research chronologically examines the socio-economic effects of migration flows to Turkey.

Turkey’s general migration scheme is divided into two as transit and forced migration. Due to the nature of transit migration, it is assumed that these migrants did not contribute to Turkey economically. Forced migrants, on the other hand, make an economic contribution because they must spend time in Turkey for a short or long duration. When viewed chronologically, Turkey’s first migration experience begins with the Balkan countries. In addition to the devastation brought by the war, the lack of general health services and the increase in the death rate of diseases such as typhoid, syphilis and dysentery caused the population to decrease from 16 million in 1914 to 13 million in the 1920s (Courbage & Fargues, 1998, Smoke, 2008). To provide the needed population to accelerate economic development, Turkish-speaking Muslims or migrants who could easily convert to Turkish identity such as Bosnian, Circassian, Pomak and Tatar were granted privileges (Kirişçi, 1996). Considering its characteristic feature, this type of migration does not have the feature of forced migration. Another influx of migration in the first years of the republican period took place with the exchange between Turkey and Greece within the scope of the Treaty of Lausanne. Within the scope of the agreement, approximately 150,000 Greek-Orthodox people migrated from Turkey to Greece, and approximately 450,000 Muslims who classified themselves as ethnic Turks, Turks and Albanian Muslims migrated from Greece to Turkey (An, 1995, Geray, 1962, De Rapper, 2000). According to Akgündüz (1998), between 1923 and 1933, approximately 700,000 people immigrated to Turkey from the Balkan countries (Bulgaria, Greece, Romania, Yugoslavia, and other countries). All these migrants were ethnic Turkish and Muslim migrants. Although it is compulsory, it is possible to say that these migrants came to Turkey permanently due to their ties of origin and are included in the labor market.

The second part related to the migration history of the Turkish Republic covers the period of the Second World War, 1939-1945. In order to expand the academic fields of Istanbul Darülfünun (Istanbul University), which was inherited from the Ottoman Empire and was the only university of the period, German academics who opposed Hitler were invited to Turkey with the offer of political asylum and work (Ergin, 2009). Some Austrian, Italian, French and Hungarian academics who were opposed to the fascist movement also immigrated to Turkey (Widmann, 1973). During this period, there were 98 refugee German or Austrian academics working at Istanbul University between 1933-1945, and 56 refugee German or Austrian academics working in Ankara, including government offices, while 21 non-refugee German professors worked in Ankara between 1933-1942 (Widmann, 1973). Although
they are few, foreign academics have made great contributions not only to Turkish higher education but also to socio-economic life. German academics, who played an important role in the restructuring of Istanbul University and the creation of Ankara University and Ankara State Conservatory, published academic research in addition to giving lectures and took part in the weekly conferences of Istanbul University for the public (Akgündüz, 1998). Returning to their countries after the war, German professors succeeded to establish links between their universities in Turkey and Germany. Moreover, the reason why Turkish citizens preferred to go to Germany rather than France, which adopted an open-door policy in the 1960s, was the influence of German academics in Turkey in the previous period (Bohning, 1983). More than 60% of the Turkish workers who went to Germany during this period were from the cities of Istanbul and Ankara (Abadan, 1964).

After the Second World War, between 1950 and 1980, Europe tried to recover economically; It was a period in which mass labor migration from Turkey was experienced due to the lack of population. The economic return of this period to Turkey was remittances. While Turkey has been providing foreign exchange inflows of over $75 billion from the 1960s until now (İçduygu, 2005); The rate of remittances, which covered more than one-third of the trade deficit in the 1990s, declined to 20% in the early 2000s and 2% in 2004 (İçduygu, 2011). In this period, Turkey dealt more with migration problems at the national level rather than international migration. Economic modernization and intense urbanization have led to an increase in migration from rural to urban areas.

Turkey’s real test on international migration began in the 1980s. There were four main reasons for the migration flows in the category of transit and irregular migrants; (1) Political turmoil and conflicts in neighboring countries forcing people to seek hope in other countries, (2) Turkey's geographical location, making a transit route in the East-West and North-South axis, (3) European-targeted migration movements to Turkey in the neighboring country, and (4) Better position of Turkish economy comparing with countries in the region (İçduygu, 2004). The migration influx of this period came from Eastern Europe; the group consisted mostly of Bulgarian migrants with Turkish ethnic identity and coming from Middle Eastern countries; two groups with Iraqi, Iranian and Kurdish populations (Kirişçi, 1991). While the foreign nationals coming from Eastern Europe, numbering about one hundred a year, came to Turkey as the first stop, the majority of them sought asylum in foreign countries and only a very small group preferred to stay in Turkey (European Consultation on Refugees and Exiles, 1981). About 310,000 Bulgarians of Turkish origin, who were forced to migrate by Bulgaria in 1989, immigrated to Turkey and more than half stayed in Turkey and integrated (Vasileva, 1992). There were three reasons for migration from the Middle East: The Iranian Revolution, the Iraq-Iran War, and the Gulf War. While the number of Iranians who came to Turkey during this period was between 200,000 and 1 million, about 27,000 of the 60,000 migrants of Kurdish origin from Iraq were placed in camps in the Southeast, and about 30,000 in third countries (Kirişçi, 1991). However, the fact that the definition of refugee covers only European Union citizens as per the agreement with the European Union caused the exact number of migrants to be unknown (Akcapar, 2006). While the literature of this period reveals that Bulgarian migrants of Turkish origin continued to stay in Turkey, it does not include a detailed analysis of Iranian and Iraqi refugees.

Turkey’s last test on international migration can be called the post-2000 or the millennium. As in the previous period, the reason for migration is similar also in this period. During the millennium, there are two major mass migration movements that Turkey faced, namely the Syrian and the Afghanistan influxes. The Syrian migration influx is an example of the protest demonstrations launched against authoritarian regimes in the Middle East countries in the 2010s and contained in the literature as the Arab Spring (Lynch, Freelon & Candidate, 2014). Turkey, which adopted an open-door policy in 2011 against the influx of migration from Syria, tightened its border management in 2015 due to increasing security concerns (Altıok & Tosun, 2019). The number of Syrians who migrated to Turkey in these four years was 2.5 million (the Directorate of Migration Management of the Turkish Republic, 2022). Since the tightening in border management, this number has increased to 3.7 million. Although initially seen as temporary, it has been proven by many studies that Syrian migrants will continue to stay in Turkey (Kap, 2014). Another influx of migrants seen in recent years was from Afghanistan and Pakistan. According to the data of the Directorate of Migration Management of the Turkish Republic, the number of Afghan and Pakistani migrants entering Turkey reached its highest level in 2018 and 2019. In these years, the number of Afghan migrants was 100 thousand and 201 thousand, respectively, while the number of Pakistani migrants was 50 thousand and 71 thousand. Migration from both countries remained active, although it decreased somewhat in the following years. The main reason for the migration of citizens of both countries is to see Turkey as a transit country to reach European countries (Kuschminder, 2018).

3. IMMIGRANT ENTREPRENEURS IN TURKEY

There exists a lack of literature on immigrant entrepreneurship in Turkey which can be attributed to several reasons. For one, Turkey has been seen as a transit state for many migrants traveling from the East and passing to the West (Europe). The number of immigrants and foreign firm formation before 2010 is a testament to the lack of interest in Turkey as a country of destination. However, in the past 10-12 years, the number of immigrants as well as foreign firm formation have increased immensely. This is in part due to high number of Syrian populations having settled in Turkey because of the war in Syria. This has paved the way for
other foreigners to make Turkey their home. In addition, the Government of Turkey has tried to garner more foreign investment through schemes that result in Turkish citizenship. The culmination of these different policies and events has quickly turned Turkey into a destination country with people from all over the world making it their home. The numbers continue to rise, and with the increase of immigrants, there has been a steep rise in the number of firms with foreign owners.

Naturally, immigrant entrepreneurship literature in Turkey has benefitted with a number of papers in the past 10 years. The focus of the majority of this literature is on the Syrian migrants that are officially registered at over 3.7 million (DGMM, 2022). Most of the studies are of qualitative nature, focusing on various factors such as social mobility, start-up, sustainability, challenges, opportunities, and integration (Demir, 2018; Shinnar & Zamantılı Nayır, 2018; Atasü-Topcuoğlu, 2019; Abbara, 2020; Duman & Özdemirci, 2020; Karan, Çakır, & Kurtarr, 2020; Uygur, 2020; Chang, 2021). There are also some quantitative studies that examine the effects of Syrian refugee flow on the firm performance and entry (Akgündüz et al., 2018), their effects on business and the informal economy (Altındağ, 2018), and present empirical evidence on microenterprises in refugee camps (Kachkar, 2018).

Entrepreneurship can be a result of push or pull factors in the labor market. One may turn to entrepreneurship because of high unemployment, low employment opportunities, or low wages (Thurik et al., 2008). Similarly, immigrants may also be forced into self-employment as a result of difficulties finding opportunities (Andersson & Wadensjo, 2004) or discrimination in the labor market (Parker, 2004). To the contrary, individuals may see entrepreneurship as an opportunity resulting from economic growth and consumer demand (van Stel et al., 2007). Immigrants may also see self-employment as having more control as well as an opportunity for higher earnings (Locke & Baum, 2007). Other factors such as innovation or leadership qualities may also play a role in stepping towards entrepreneurship among migrants (Baycan-Levent et al., 2003). While a number of motivations exist behind entrepreneurship among migrants, push factors dominate especially among those that have been forced into migration.

Many Syrians have turned to entrepreneurship as a means to sustain themselves in Turkey. Social capital is an essential factor in the city and neighborhood in which they choose to reside and start up their business. Social capital in the shape of kinship and networks plays an important role in not only starting up a business but also sustaining it over time whether that be through financial or other types of assistance (Gültekin, 2018; Duman & Özdemirci, 2020). This may also explain the higher number of Syrians in the border cities of Turkey, making it closer in culture (Atasü-Topcuoğlu, 2019). They are further able to use this social capital in order to gain insights into the market and also reach out to potential customers. Similar findings about the importance of a social network to migrant entrepreneurship had been found by Tas, Cícic, and Cesteneci (2012) in the case of Balkan migrants in Turkey and also by Shinnar and Zamantılı (2018) in the case of migrants from different ethnicities in Istanbul. Location also plays a key role, as ethnic communities have high demand for ethnic products hence immigrants open up grocery shops or restaurants in these localities to meet this demand for ethnic products and services.

Cultural knowledge as well as a common language also play a vital role in immigrant entrepreneurship. A common language creates connection with the customer and also a similar background provides for better understanding, therefore services opened by immigrants for immigrants are an important part of the community. Immigrant businesses are able to meet these demands that require specific cultural and language knowledge, which is also one of the reasons sectoral concentrations can be observed among Syrians residing in Turkey (Atasü-Topcuoğlu, 2019). However, this may slow down the social integration within the host communities. Language is seen as a barrier by many Syrians who have established a business in Turkey (Demir, 2018; Kachkar, 2019; Duman & Özdemirci, 2020; Uygur, 2020). This barrier is further augmented by the fact that many migrant businesses will be established in ethnically concentrated areas making it difficult for these migrants to not only learn the local language but also to slow down their integration process. Ethnic concentration in this scenario limits the interaction between locals and migrants, which not only limits the cultural exchange but also affects relationships within the host community. Therefore, migrants remain isolated within their own communities and fail to integrate into the host society in the short to medium term.

Other factors such as a lack of employment opportunities and low wages push migrants into self-employment. The case with Syrian migrants in Turkey is no different in that they seek to establish their own businesses as a result of harsh labor market conditions. Duman and Özdemirci (2020) find that some migrants have been forced into taking up their own business due low wages not being enough for their livelihoods and working long hours which do not justify the wages. In addition, some migrants feel that they are not treated the same as locals and do not enjoy the same privileges as well as facing more difficulties in the labor market (Shinnar & Zamantılı, 2018). Some migrants use labor market opportunities as a steppingstone towards opening their own business. This sentiment is echoed by a portion of Syrian business owners in Turkey who in the past worked in the same field and later established their own business (Duman & Özdemirci, 2020).

There are also many pull factors that have pursued migrants towards entrepreneurship in Turkey. Shinnar and Zamantılı (2018) find that migrants perceive Turkey to have high economic and customer potential, making it an attractive country for business. Some Syrians that have started businesses in Turkey have done so because they had similar work/business back home and wanted...
to continue with that business in Turkey (Duman & Özdemirci, 2020). Other pull factors include the increasing number of foreigners in Turkey which has increased the demand for ethnic products.

Though there is some research published within this field of study in Turkey, it is still a very understudied area. In the last five years, a number of articles have been published related with migrant entrepreneurship, but they mostly focus on Syrian migrants since they are the largest group among the migrants. However, when looking over the businesses established with foreign partners, there are many other nationalities that are rising very quickly in numbers. Businesses established with foreign partners from Middle East are on the rise, this could be a result of many things among which the rise in Syrians in Turkey may play an important role. This may be due to the common language (Arabic) among all the Middle East and North African countries.

4. FINDINGS AND DISCUSSION

The number of foreigners residing in the Turkey has increased immensely since 2010. There is a seven-fold rise in the data available through DGMM (2022) for 2005 to 2022. This shows the rapid changes that Turkey is going under especially since the beginning of the Syrian Refugee Crisis in 2011. Turkey has quickly become a hub for foreign nationals which is influencing different facets of the country including the demographics, society, and economy. Aside from the current population of over 1.4 million foreigners residing in Turkey, there are more than 3.7 million Syrians residing under the temporary protection status (TPS). In addition, there are a couple thousand irregular migrants of which at the peak in 2019, over 450,000 were apprehended (DGMM, 2022). Rough estimates would put the total number of immigrants in Turkey at over 6 million, which is a little over 7% of the 84 million total population of Turkey.

![Figure 1: Number of Foreigners with Residence Permit](image)

![Figure 2: Syrians in Turkey under TPS](image)

Source: DGMM (2022) – 2022 Statistics are updated till May 13, 2022

While the number of immigrants has increased in Turkey, so have the number of firms established with foreign partners. Since 2011, this number has almost increased five-folds, going from 3,528 in 2011 to 14,382 in 2021. A sharp increase in the numbers can be observed from 2016 to 2017 and onwards, this may be due to the rise of immigrants from 2014 onwards. There seems to be a one-to-two-year lag in the arrivals of immigrants and improvement of new firms with foreigners. This is very natural given that it may take some time for the immigrant to settle, search out the labor market, analyze the consumer market situation, and get situated enough to establish their own business.
In terms of firms established by foreigners, Turkey is seeing an increasing interest within the immigrant communities from Asia, Africa, and MENA countries. Though nationals from European countries lead the newly established foreign business from 2011 to 2013, MENA countries have taken the lead by a large margin from 2014 onwards. The main reason for this being the influx of Syrian migrants which has not only increased the number of Syrian businesses but has also led to a sharp rise in business formation among nationals from other MENA countries. One possible explanation for this is common language, Arabic is spoken in most of the MENA countries except Israel and Iran. Therefore, nationals from Arabic speaking countries might find it easier to open a business in Turkey due to the large number of Arabic speaking consumers and common culture. In addition, it may be easier to find employees belonging to Arabic speaking countries along with Syrians in the country.
Although European and MENA nationals lead in the number of firms established, Asian immigrants are slowly gaining traction in this respect. Their numbers have been increasing, particularly nationals from Pakistan who in 2021 established 258 firms. This is a stark difference from their numbers 5 years ago in 2016, which was at just 16 firms established. Among African countries, Nigeria, Somalia, and Sudan standout given the rising number of firms established from these nationals. In 2017, Nigerians, Somalis, and Sudanese established 9, 6, and 19 firms respectively, whereas these numbers in 2021 had risen to 89, 52, and 118 respectively.

Source: TOBB (2022) – compiled and tabulated by authors.

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Source: TOBB (2022) – compiled and tabulated by authors.
Note: Others include Agriculture, Mining, Electric and Gas Production and Distribution, Water Supply and Water Management, Transportation and Storage, Finance and Insurance Services, Public Administration and Defense, Education, Health and Social Activities, Culture and Art, and other services.

The overview of the last five years shows that Wholesale and Retail sector is the most attractive sector among foreign established firms from all regions. This is possibly due to the low barriers and ease of operations within this sector. Ethnic businesses target several sectors such as Retail and Food Services because of the demand for ethnic products. foreigners from MENA region have formed nearly 10,000 firms in wholesale and retail and almost 1,100 firms in the accommodation and food services sectors. As the number of foreign firms increases in Turkey, so does the amount of investment. In 2011, a little over $317.8 million under the 2011 average USD/TL rate (TL 534 million) was invested in Turkey through the formation of new firms. This number has since increased to over $828.7 million under the 2021 average USD/TL rate (TL 7.3 billion) in 2021. The money invested through foreign firm formation has risen more than 2.5 times from 2011 to 2021, which is a testament to the attractiveness of the Turkish market as well as the friendly business formation and operational conditions within the country.

5. CONCLUSION AND IMPLICATIONS

Immigrants face many difficulties in establishing and sustaining a business. These difficulties can be mitigated through government support programs and support programs that focus on assisting both immigrant and local community in their business endeavors. Government can support immigrant entrepreneurs by providing language learning opportunities that focus on business Turkish and culture. This will not only help immigrants to learn the language but also assist them in adaptation of the local culture which may speed up their integration process. Networking events can possibly help the immigrant and local entrepreneurs in exploring opportunities where they can work together to come up with innovative solutions. Local and immigrant partnership can help social integration and bring about a cohesive environment that can help entrepreneurs thrive in new markets.

In order to improve future research work, more data should be made available to researchers. Since 2017, TOBB has been providing detailed data about foreign investors in Turkey which has helped us to provide a more in-depth view of the foreign firms. Micro-level data within each city can further help to observe and analyze the way immigrants form businesses in Turkey. Due to limited data, it is difficult to make concrete conclusions about immigrant entrepreneurship in Turkey. It is also one of the main reasons as to why most of the studies in Turkey are qualitative in nature. Data will help to improve studies on these immigrants which may help to create better policies that focus on creating an improved environment for foreign investors.

Further research may focus on the various cities in Turkey, analyzing the way immigrants conduct their business in different regions. Another aspect that can be examined is the sectoral differences among immigrants from different countries. City-level studies can also be carried out, focusing on ethnic enclaves and their influence on immigrant firm formation in Turkey.

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