

## **MICRO CREDIT SYSTEM FOR INCREASING FEMALE EMPLOYMENT AND ENTREPRENEURSHIP IN TURKEY**

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### **Abstract**

*Women labor participation rate is very low in Turkey. Although the government incentive policies have relatively improved, positive developments expected in this area have not taken place at the desired level. The micro-credit scheme aiming at providing relatively smaller amount of loans to entrepreneur women to start their business began in 1980s in the world, and became operational in our country at the beginning of 2000s. Currently, certain level of successful is observed through in many Turkish provinces through this system. To this day, nearly 200 thousand female entrepreneur established their business through small capital provided by the micro credit system in Turkey. Moreover, they have already paid back all the loans that they used. In this study, the application of micro-credit system for increasing female participation in labor force and business life is investigated. The labor participation level of women in Turkey has remained quite low. Although the government incentive policies have relatively provided improvement, the positive developments expected in this area have not taken place at the desired level. The micro-credit scheme aiming at providing relatively lower amount of loans to women to start their business began in 1980s in the world, and became operational in our country at the beginning of 2000s. Currently, we see successful work is done through this scheme in many Turkish provinces. In this study, the application of micro-credit system for increasing the participation of women in working life is elaborated.*

**Keywords:** *Women Entrepreneurship, Female Employment, Women in Turkey.*

**JEL Classification:** J16, G21, E24

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## **1. INTRODUCTION**

Women's participation in working life is an obligation for the financial and social development of a country. For this reason, legal regulations should include provisions which remove sex discrimination in all fields. Even though there is no legal obstacle to this, socio-cultural factors affect women's participation in working life negatively. Women are not represented in working life in some countries especially because women's education level is low, being a housewife is seen as a profession, and there are additional social tasks for women. Women's representation level is also low in entrepreneurship. It is not easy for women to do a business individually and reach sufficient funds for establishing a business. Microcredit system rapidly spreading around the world recently removes these handicaps and leads women to do business without any risk. More women can participate in financial life thanks to this system in developing countries, where there is a big difference between women's and men's rates of engaging in entrepreneurship. Since 2003, many women have been establishing their own businesses through microcredit system and participating in working life with small capitals in Turkey. Microcrediting, which was launched in a few cities, has increasingly developed and has become a system that is implemented in all cities in Turkey. As the system works well, not only public institutions or nongovernmental organizations but also commercial banks have started to support women through microcrediting. Women starting with a very small capital expand their businesses and pay their debts. As the system has been successful, it is becoming more and more widespread. Thanks to this system, more and more women participate in working life. Additionally, it contributes the removal of the negative picture about the equality of women and men.

## **2. WOMEN'S STATUS IN WORKING LIFE IN TURKEY**

One of the big problems in working life in Turkey is insufficient inclusion of women in it. While men's rate of employment and participation in labor force is similar to that of developed countries, it is true for women's status. When compared with men's status, women's rate of employment and participation in labor force stays very low. Therefore, general employment rate is also low. The desired picture has not been created yet because rural-urban migration is continuing and women just have to choose to be a housewife.

The rate of participation in working life will rapidly increase in the forthcoming year thanks to the recent rise in the number of educated women. As shown in Table 1, rise in the educational level of women increases their participation rate in labor force. It is true for employment rates as well. While the difference between men and women in terms of participation rate in labor force among the university graduate individuals is %10, men’s participation rate is more than double women’s participation rate among the individuals graduated from high school. As is clear, along with the increase in the number of women graduated from university in the advancing years, their appearance in working life will increase.

Table- 1: Labour force status by educational level in Turkey [15+ age]

Lafor force participation rate (%)						Employment rate (%)				
Years	Illiterate	Less than high school	High school	Vocational high school	Higher education	Illiterate	Less than high school	High school	Vocational high school	Higher education
FEMALE										
2014	16,0	25,8	31,9	39,8	71,3	15,5	23,4	25,8	32,1	60,3
2015	16,1	26,6	32,7	40,8	71,6	15,6	23,9	26,0	33,4	59,9
2016/7	16,0	27,8	33,8	40,9	70,7	15,5	24,7	26,9	32,9	57,7
MALE										
2014	33,6	68,9	71,0	80,4	85,0	29,0	62,4	64,4	74,0	78,5
2015	30,9	68,8	71,3	81,1	86,2	27,4	61,9	64,5	74,9	79,6
2016/7	29,8	70,0	72,5	82,3	86,4	27,4	63,4	65,4	76,2	77,9

Source: TURKSTAT, The results of Household Labour Force Survey

At the National Employment Strategy of Turkey (2014-2023, one of the targets of the government is to increase the rate of female employment. The targets regarding this are as follows:

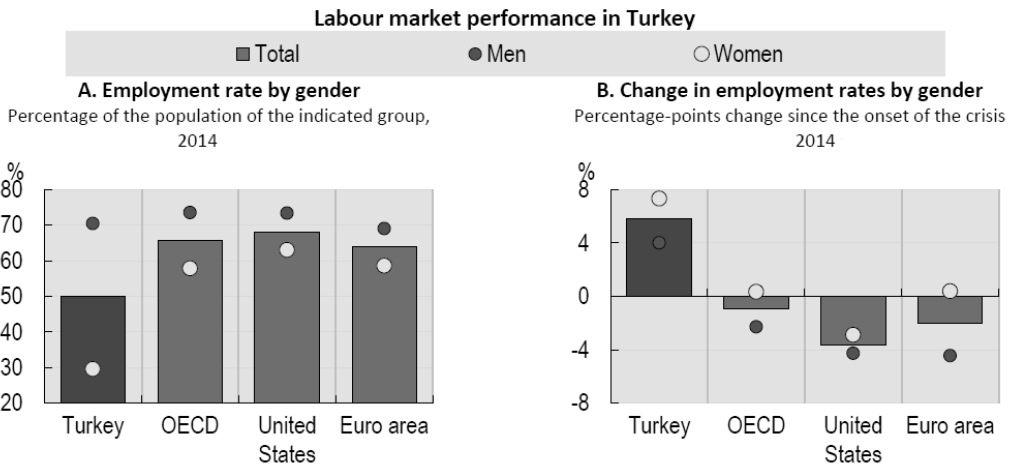
1. Labour force participation rate of women will increase to 41 percent until 2023.

2. From 2012 to 2023, the unregistered employment of women will be reduced from 54,2

percent to 30 percent (MoLSS, 2014. p.35). The micro-credit system will contribute to realize these targets. Therefore, micro-credit is vital for situation of women in employment process.

It has been shown in the Figure 1 below the comparative situation of labour market by gender in Turkey. As seen at the figure below, the male employment rate in Turkey is almost the same as OECD, US and Euro areas. However, since the female employment rate is very low, the total employment rate is also low. Although employment in the OECD, the USA and the Euro area declined, female employment declined in the USA, while OECD, the Euro area also remained stable while the employment rate in Turkey increased by 8%. This is a positive development in terms of the future situation of women's employment in Turkey. The micro-credit system has been one of the contributors to the progressing of female labour force in Turkey.

Figure-1: Labour Market Performance in Turkey, OECD, USA, Euro Area



Source: <http://www.oecd.org/employment/EMO-TUR-EN.pdf>

Table 2, below, shows the distribution of the individuals who do not participate in labor force according to the reasons for not participating in the labor force. It is seen on the table that while the number of women not participating in labor force among the population above the age of 15 is around 20 million, non-participating men's population is about 8 million. It is understood that %56 of women not

participating in labor force do not participate in working life because of housework. This is a big rate and almost 11 million women do not participate in working life because of housework. This is the most important reason for why women are not included in employment and labor force enough. As the microcredit system is especially for housewives, this will contribute to the change of this negative picture.

Table-2: Population Not in Labour Force by Reason in Turkey 2015-2016 [15+ age] 1000 person

Reason of not being in labour force	Total		Male		Female		Total (%)		Male (%)		Female (%)	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
Population not in labor force	27 580	27 795	7 767	7 887	19 813	19 908	100,0	100,0	100,0	100,0	100,0	100,0
Not seeking a job but available to start	2 448	2 548	992	1 025	1 456	1 522	8,9	9,2	12,8	13,0	7,3	7,6
Discouraged	673	703	409	424	264	279	2,4	2,5	5,3	5,4	1,3	1,4
Other	1 775	1 844	583	601	1 192	1 243	6,4	6,6	7,5	7,6	6,0	6,2
Seasonal worker	69	75	18	15	51	59	0,3	0,3	0,2	0,2	0,3	0,3
Household chores	11 432	11 164	.	.	11 432	11 164	41,5	40,2	.	.	57,7	56,1
Education/training	3 894	3 984	1 830	1 867	2 064	2 117	14,1	14,3	23,6	23,7	10,4	10,6
Retired	4 082	4 259	3 138	3 288	944	971	14,8	15,3	40,4	41,7	4,8	4,9
Disabled, old or ill	3 863	4 018	1 361	1 345	2 502	2 673	14,0	14,5	17,5	17,1	12,6	13,4
Other	1 791	1 748	428	346	1 363	1 402	6,5	6,3	5,5	4,4	6,9	7,0

Source: TurkStat, Labour Force Statistics, July 2016

Geri Stengel, in her article published in Forbes in January 2016, mentions 10 reasons why women entrepreneurship will be the pushing force for expansion of economy. These are:

1. A Golden Age for women entrepreneurs has begun
2. Stories in the media inspire and hold bad players accountable
3. Hear women leaders of middle-market companies roar
4. Women drive rise in start-up activity
5. Closing the wealth gap
6. Signs of change in the venture capital industry
7. Creating more women angel investors and ways to connect women to investors
8. Creating even more and deeper pools of Money

9. Corporations and government agencies play an important role in growing women's businesses
10. Moving beyond mentorship and support to investment.

*Women are becoming more entrepreneurial. Women own 36% of all businesses, according to the 2012 U.S. Census – a jump of 30% over 2007. Female entrepreneurs start companies with 50% less capital than male entrepreneurs, according to Access to Capital by High-Growth Women-Owned Businesses, research commissioned by the National Women's Business Council (STENGEL, 2016).*

Table-3: Sectors Where Women Employment Share is High in Turkey:

1	Insurance	%55
2	Holding Company Headquarters	%43
3	Professional Services	%38
4	Tourism	%37
5	IT and Telecommunications	%34
6	Packaging	%32
7	Health and Pharmaceutical	%32
8	Fast Food	%31
9	Retail	%30
10	Chemical Industry	%27

Source: MESS Biz Bize Dergisi, s. 4, Yıl:16 Sayı: 150, Mart 2015

Table-4: Top 10 Sectors With Womens in Administration

1	Retail	%42
2	Health and Pharmaceutical	%41
3	Fast Food	%39
4	Insurance	%37
5	IT and Telecommunications	%29
6	Holding Company Headquarters	%26
7	Chemical Industry	%26
8	Logistics	%24
9	Professional Services	%23
10	Packaging	%21

Source: MESS Biz Bize Dergisi, s. 4, Yıl:16 Sayı: 150, Mart 2015

The distribution of employment in Turkey according to employment status and economic activities is presented in Table 5. More than %60 of women and men in employment are regular or casual employees and men's rate as unpaid family workers is %12 while that of women is %28. The rate of men who do not work with anyone and take part in employment as self-employed and employer is % 25.7 while this rate of women is as low as % 9.6. That is to say, while 1/10 women participate in employment as an entrepreneur, 1/4 of men are included in employment as an entrepreneur.

Table-5: Employment by Employment Status and Economic Activities in Turkey 15+ age

Employment status and economic activity	Total (%)		Male (%)		Female (%)	
	2015	2016	2015	2016	2015	2016
<b>Employment status</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>
Regular or casual employee	66,2	66,9	69,0	69,0	59,8	62,0
Employer	4,5	4,7	6,0	6,0	1,2	1,5
Self employed	16,3	16,1	19,7	19,7	8,6	8,1
Unpaid family worker	13,0	12,3	5,4	5,3	30,4	28,4
<b>Economic activities</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>	<b>100,0</b>
Agriculture	22,0	20,7	16,8	16,1	34,1	31,3
Industry	19,5	19,0	21,6	21,0	14,6	14,5
Construction	7,4	7,4	10,2	10,2	0,9	1,1
Services	51,1	52,9	51,4	52,7	50,4	53,2

Source: TurkStat, Labour Force Statistics, July 2016

In recent years, female entrepreneurship has been supported through governmental incentives and entrepreneurship credits besides microcrediting because women's rate in entrepreneurship is lower than men's rate. The number of women who have become an entrepreneur only through microcrediting in recent years is more than 200,000.

In Table 6, the averages of entrepreneurs, employers, and solo entrepreneurs, which can generally be identified with entrepreneurship, in EU countries and Turkey are compared. While the number of male entrepreneurs increased by %2, the number of female entrepreneurs increased by %27 in the five-year period

between 2008 and 2012 in Turkey. In the same period, while the number of male employers decreased by %2, the number of female employers increased by %20. In terms of the number of solo entrepreneurs, a %28 increase occurred in women's number, while it was only %5 for men. It is seen that no significant increase took place in EU countries, where there was a %9 decrease in male employer number, a %2 decrease in female employer number, a %1 decrease in female entrepreneur number. As it can be inferred from the table, there has been a significant increase in the number of female entrepreneurs in Turkey. If it continues in this way, a positive picture will come out for women in the upcoming years.

Table-6: The Number of Entrepreneurs, Employers and Solo Entrepreneurs in Turkey and EU-28 by Gender, 2008 and 2012 (x1000)

	<b>Entrepreneurs</b>		<b>Employers</b>		<b>Solo entrepreneurs</b>	
	Total 2012	% change 2008-2012	Total 2012 change	% 2008- 2012	Total 2012	% change 2008-2012
EU-28 Men	22,842	-1%	6,976	-9%	15,866	2%
EU-28 Women	10,257	2%	2,397	-2%	7,859	3%
TR Men	5,052	3%	1,145	-2%	3,907	5%
TR Women	882	27%	93	20%	789	28%

Source: EC, 2014, p.3

### **3.MICRO CREDIT SYSTEM AND ITS IMPACTS ON WOMEN EMPLOYMENT IN TURKEY**

Micro credit system, which was firstly launched individually by Prof. Dr. Muhammed Yunus in Bangladesh in 1978 in order to decrease women's poverty, lead women to economic and social life, and make an economic use of women's work with the aim of decreasing the poverty of women by supporting women, has gained an institutional character with the foundation of Grameen Bank in 1983. Today, the bank has agencies in different countries and millions of beneficiaries. Due to these activities, Mr. Yunus was awarded Nobel Prize together with Grameen Bank in 2006. As the issue became well-known in the public, Time magazine included microcrediting among the ten opinions changing the world in 2008 (GUNES, 2010, p.40-41).



*Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services. The two main mechanisms for the delivery of financial services to such clients are:*

- *Relationship-based banking for individual entrepreneurs and small businesses; and*
- *Group-based models, where several entrepreneurs come together to apply for loans and other services as a group ( <http://tgmp.net/en/sayfa/what-is-microfinance--/127/1>).*

Microcrediting system applied around the world has different products, purposes, terms, and interest rates. This information is given in summary in Table 7. Classic banking distress or insolvency of the borrower enters, carrying out the interest on the loan is stopped. As a result, accrued interest, sometimes several times can anapar. However, fikrofinans institutions can not be the case. Interest payable may not exceed a predetermined maximum amount (<http://tgmp.net/en/sayfa/mikrofinans-ile-klasik-bankacilik/111/0>).

Table-7: Typical Microcredit Products

Product	Purpose	Terms	Interest rate
Income Generation Loan (IGL)	Income generation, asset development	50 weeks loan paid weekly	12.5% (flat) 24% (effective)
Mid-Term Loan (MTL)	Same as IGL, available at middle (week 25) of IGL	50 weeks loan paid weekly	12.5% (flat) 24% (effective)
Emergency Loan (EL)	All emergencies such as health, funerals, hospitalization	20 weeks loan	0% Interest free
Individual Loan (IL)	Income generation, asset development	1-2 years loan repaid monthly	11% (flat) 23% (effective)

Source: <http://www.microfinanceinfo.com/microfinance-products/>

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Table 8 shows the SWOT analysis about female entrepreneurship in Turkey. As seen from the Table, female labor force participation rate is highly lower, about 30%, compared to male labor force participation rate though half of the total population is made up female. It would be great opportunity for Turkey to attract these female workforce into entrepreneurial activities.

**Table-8:GZFT (SWOT) Analysis of Female Entrepreneurship of Turkey**

	Strong	Weak	Opportunity	Threat	Related intervention area
Female entrepreneurship	Numerous institutions, organizations are related to the sensitivity of the subject	Lack of data about the needs of women entrepreneurs  Lack of cooperation network  Focusing on temporary programs and projects that were not evaluated in the framework of "Mainstream"	The inclusion of women constituting 50% of the population in the workforce and their contribution to the economy	Patriarchal perspective on society	Thematic and general support  Regulatory framework

Source: KOSGEB(2015).Turkish Entrepreneurship Strategy & Action Plan 2015-2018,p.66

Even though the microcrediting system in Turkey is similar to its examples around the world, there are also differences between them. Besides the microcrediting activities supported by state through transfer of funds, there are also microcredits given via the institutions founded as nongovernmental organizations and microcredits given by commercial banks. The system in Grameen Bank model, which is taken as a basis for this study, operates as follows:

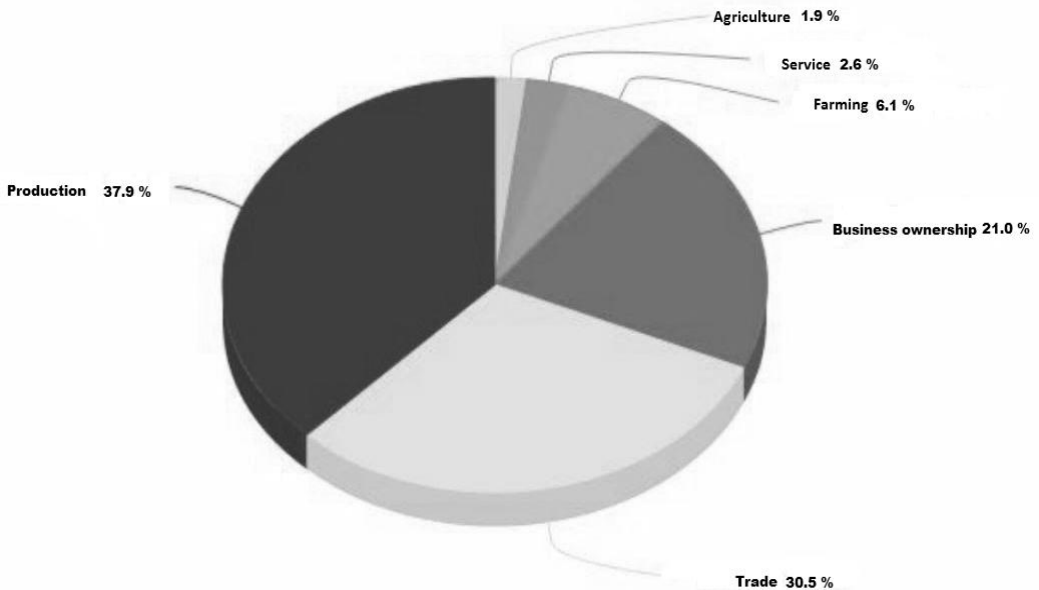
Taking microcredit process from Turkish Grameen Microfinance Program (TGMP):

1. *We would like you have a business idea in mind before approaching us for a loan. Just a reminder your first loan can be a maximum of 1,000 TRY*
2. *You need to create a group five women from your neighborhood who also have a business idea. The women in the group cannot be close relatives. For example, mothers and daughters, brothers and sisters, etc. should not be in the same group.*
3. *After creating a five-Member group, there will 3-day training course in which you will be informed about the system of loan repayment and motivation to become an entrepreneur.*
4. *The loan amount will be disbursed at a ceremony from that point on you and your group will be responsible for making scheduled loan repayments on a regular basis. ( <http://tgmp.net/en/sayfa/tgmp-loan-process/126/1>).*

Each candidate women;

- a. *should spell out the idea of business to the TGMP personnel.*
- b. *determining the amount of the required credits for and indicate to the TGMP personnel.*
- c. *After created the five-Member group, there will 3-day training course in which they will be informed about the system of loan repayment and motivation to become an entrpanuere.*
- d. *Finally There is the amount of loan disburrresd with a ceremony. (<http://tgmp.net/en/sayfa/how-are-microcredit-loans-disbursed-/132/1>).*

Figure-2: Sectoral Distribution of Micro-credit



Source: Turkish Grameen Microfinance Program Statistics

As it can be see in the chart, women entrepreneurs in Turkey used microcredit mostly in the areas of production, trade and business ownership, respectively.

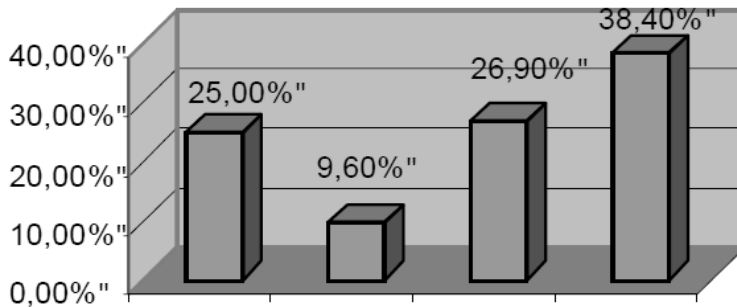
Table-9: Micro-Credit Users From the Grameen Microfinance Program in Turkey

Number of micro credit users by years												
2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
304	1.328	2.882	4.050	7.397	16.556	29.077	40.467	46.885	54.802	65.860	64.254	53.980

Source: Turkish Grameen Microfinance Program Statistics

Microcredit system, initially began with 304 women entrepreneurs in 2003, has reached to about 66,000 users in 2013 (Table 9). These numbers belong only to one foundation and there are other foundations that provide micro-credit in Turkey. This has been a very important development in terms of women participation in business life.

Figure-3: Sources of Microcredit Project Expenditures



Source: GÜR (2012). p.95 Center Bank Donation Own possibilities

According to the results of a research on NGOs giving microcredits in Turkey, 1/4 of required funds for the expenses necessary for the credit are taken from their own centers, %9.6 from banks, and %26.9 from donations. %38.4, on the other hand, are met by them by their own means (Figure 3). As all the credits are refunded, there is no loss.

#### 4. CONCLUSION

In Turkey, important efforts have been made recently to remove the negative picture about women's participation in working life. Within the scope of the National Employment Strategy, it is aimed to increase women's participation in the labor force from %30 to %41 until 2023. To this end, projects are produced to give incentives to the employers who employ women, increase the leaves of absence of women, provide them with retirement promotions, offer them free entrepreneurship education, provide support through credits and grants, and extend the opportunities for microcrediting. Women's rate of employment increases as their educational level increases. Today the rates of women and men going to a university are almost equal. Therefore, more and more women will be included in working life. This increase will continue in the future as well. In Turkey, the rates of women working as a professor, a pharmacist, a teacher, a judge, or a doctor are higher than the rates in some countries of Europe. However,

this is not true for the general picture. For this reason, women's participation in employment will increase with their sufficient participation in various sectors. In the last decade, the microcrediting activities have become widespread, and successful results have come out. The system, which initially worked for the utilization of the handwork of women in a few cities, has involved all the cities over time, and microcrediting has gained a status in which it is used for different purposes. Even some cities have gained international awards for their successes in microcrediting activities. As the ones who benefit from microcredit are especially women, women's participation in employment is provided via entrepreneurship, and the rate of women in employment increases thanks to this. It will be possible to see a picture in which women's employment increases more and a bigger number of women participate in the labor force in Turkey depending on these developments in the forthcoming years.

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