

THE PLACE OF SMALL INDUSTRY IN THE TURKISH ECONOMY

— An Evaluation For The Istanbul Region —

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1. GENERAL ASPECTS OF THE DEVELOPMENT PROCESS OF THE TURKISH INDUSTRY

The industrial development since 1960 can be summarized as follows:

- The share of industrial production in GNP has increased.
- Relative changes have been observed in the production of the sub-sectors of the manufacturing industry.

— There has been an important change in the product mix of industry and a trend towards import substitution in production has been noted.

On the other hand, some bottlenecks were observed during the planned period:

— The relative increases in the production of the investment, intermediary and consumption goods have not reached the planned level.

— Critical bottlenecks have been noted in the production of investment goods and partly in the production of intermediary goods.

— Turkish economy has become even more dependent on developed countries with respect to technology and foreign

exchange as the inputs of industrial production have mostly been of foreign origin.

— Technological growth has not been at the same rate as the growth in industrial production.

— There have been important discrepancies between the production of energy and the demand of the manufacturing industry for energy.

The situation during the First and Second Planned Periods was as follows:

Years	Investments of Manufacturing Industry/Total fixed capital investments	Investments of Manufacturing Industry/GNP
1963	% 23.6	% 3.8
1964	19.6	3.0
1965	17.1	3.68
1966	17.6	3.03
1967	20.4	3.52
1968	21.5	4.03
1969	23.1	4.54
1970	24.7	4.85
1971	23.2	5.25
1972	29.7	5.80

The rate of investment increase of the manufacturing industry will be more apparent, when the increase in the ratio of total investments to GNP is taken into consideration. It is then quite obvious that more resources have been allocated to manufacturing industry.

The shares of the private and state sector in the sub-sectors of the manufacturing industry during the years 1973, 1974 and 1975 have been as follows:

	State Sector	Private Sector	The Share of the Manufacturing Industry in the Total Investments
Consumption goods	16.69	36.26	28.74
Intermediary goods	77.92	46.09	58.32
Investment goods	5.39	17.65	12.94
Total Investments in the Manufacturing Industry	100	100	100

The relative importance of the state sector for the production of intermediary goods has increased during the first and second five year plans.

2. DEVELOPMENT OF SMALL INDUSTRY, SECTORAL EVALUATIONS AND SMALL INDUSTRY OF THE ISTANBUL REGION

According to the definition of the «State Institute of Statistics» (S.I.S.), small industry covers workshops with less than ten workers.

The characteristics of the small industry in Turkey are as follows:

- Labour/capital ratio is generally high in small industry workshops.

- The workshops are dependent on local market and local industry (for the sub-contracting industries).

- Small industry units have little or no effect on the market.

- The entrepreneurs shoulder financial and legal responsibilities together with administrative ones.

- The entrepreneurs are not able to make use of the normal credit mechanisms for capital supply.

- Small industry units are dependent on the local market for the necessary domestic or foreign inputs.

- Small industry is a part of the private sector.

These basic characteristics are valid for unorganized small industry. One or two limited attempts have been made in order to diminish the effects of the above mentioned disadvantages. The most important of these attempts are Artisans and Craftsmen Cooperatives.

In spite of the real increase, the share of the small industry in the Turkish Manufacturing Industry shows a «relative» decrease.

According to the data of the State Planning Organization, the development trends of small industry, private large scale industry, state industry and rural industry are as follows:

Production Shares in the Manufacturing Industry

Years	1963	1965	1967	1969	1971	1972
Private Small Industry %	23.0	21.6	20.1	19.1	17.9	17.7
Private Large Scale Industry	40.7	42.2	43.0	43.5	43.6	44.9
State Industry	34.8	35.0	35.9	36.6	37.7	36.7
Rural Industry	1.5	1.2	1.0	0.8	0.8	0.7
	% 100	100	100	100	100	100

Small industry displays an absolute growth in spite of the fact that its share of production in the manufacturing industry has decreased. Its rate of growth has been 4.3 % during 1962-67 and 4 % during 1968-72. However, because of the high rate of growth in the large scale industry (especially the private large scale industry), the share of the private large scale industry in the manufacturing industry has surpassed 45 %.

The Share of the Small Industry Branches within the Turkish Manufacturing Industry (1972);

— Food Industry	% 22,3
— Textile Industry	% 19,5
— Wood, Cork, Furniture Industry	% 73,2
— Footwear and Clothing	% 88,3
— Fur and Leather Products	% 57,8

— Metal Industry	% 45,4
— Chemical Industry	% 14,9
— Automotive Industry (Spare Parts)	% 25,6
— Electrical Equipment Industry	% 27,3
— Pottery, earthenware, glass	% 19,0
— Machinery Industry	% 16,8
— Printing Industry	% 33,3
— Rubber Products	% 21,8

2.1. Small Industry of the Istanbul Region

The share of some industry branches in Istanbul manufacturing industry and the share of small industry within each branch are listed below. However, the figures must be evaluated at a certain level of significance as there are some differences of definition of the different sources (statistics.)

Industry Branches	Share of small Industry in the Production of each Industry Branch	The Share of Each Industry Branch in the Istanbul Manu- facturing Industry
1. Food Industry	22.3	11.87
2. Textile Industry	18.5	13.99
3. Shoemaking and Ready Clothing	68.3	(3)
4. Wood Products and Furniture	73.2(1)	1.08
5. Paper and Printing Industry	22.2	3.28
6. Chemical Industry	14.9	18.74
7. Pottery, Glass, Earthenware	19.0	3.55
8. Machine Industry, Metal Industry, Electrical Equipments	31.8(2)	22.61
9. Automotive Industry	25.6	9.37
10. Others	70.9	1.99

(1) Weighted average of the two branches.

(2) Weighted average of the three branches.

(3) The figure for Istanbul manufacturing industry has not been calculated.

The Number of Small Industry Units in Istanbul and the Scales (1975);

— Number of small industry units	: 28.233
	(16.6 % of Turkey)
— Number of total employees (Annual average)	: 63.015
	(19.03 % of Turkey)
— Average employee for workshops	: 2.23 person
— Number of workshops with one employee	: 12.137
— Number of workshops with 2-3 employees	: 11.487
— Number of workshops with 4-5 employees	: 3.252
— Number of workshops with 6-7 employees	: 906
— Number of workshops with 8-9 employees	: 451
Total	28.233

Total number of employees in Istanbul manufacturing industry are increasing in:

1. Footwear and clothing industry
2. Plastics and rubber industry
3. Metal industry
4. Electrical machinery and equipment
5. Automotive industry

Approximately 70 % of Istanbul small industry is engaged in the production of consumption goods.

This ratio is of importance as it indicates the decrease in the share of large scale manufacturing industry in Istanbul. This decrease has a negative effect on the sub-contracting industry that displays the characteristics of small industry.

Some facts about Istanbul:

- Istanbul gets an increasing share of the national income
- A rapid urbanization movement is observed around the Istanbul region.

— The general economic activities in the Istanbul region have been developing faster than the average of Turkey.

— There is an increase in the income transfers to the Istanbul region from the other regions of Turkey.

The above data indicates the increasing trend of the rate of demand for the consumption goods.

On the other hand, the income in Istanbul is more unevenly distributed than it is in Ankara and Izmir with the reason that, the rate of income increase and the rate of population increase (because of urbanization) are high in Istanbul. This situation creates a suitable demand structure for the development of small industry in Istanbul.

2.2. Scale Growth and Small Industry

Following evaluations related to scale growth can be made for small industry:

1 — Because the Turkish manufacturing industry is engaged in a variety of production, small industry is able to survive as sub-contracting industries.

2 — However, the share of the small industry in some sub-sectors is decreasing with the reason that some large scale investments are being made in these branches.

3 — The small sub-contracting industry will develop following the development in the Turkish manufacturing industry.

4 — The share of the small industry in the production of consumption goods is increasing as a result of rapid urbanization.

5 — The scale of production is changing from small to big units in some sub-contracting branches.

6 — Small scale production can continue their activities as there is no foreign competition and the Turkish economy shows the characteristics of a protected economy.

8 — A greater number of people go into small industry because of forcing factors like population increase, urbanization, unemployment and low level of income.

8 — The chronic bottleneck of foreign exchange creates advantages for small industry.

9 — Low wages and the possibility for tax evasion are also factors that support small industry units.

2.3. Advantages of Small Industry in Turkey;

1 — Advantage of Low wages.

2 — Better adaptability to the conditions of an unstable economy.

3 — Government subsidies.

4 — Requirement of small capital.

5 — Suitability of ownership and individualistic mentality to small industry.

6 — Positive effects of socio-economical factors such as urbanization and population increase on small industry.

3. MARKETING, FINANCE, SUPPLY PROBLEMS AND INPUTS OF SMALL INDUSTRY

3.1. Problems of marketing and markets:

The products of small industry have a large market because of their quality various characteristics and the fact that they are inputs of the big scale industry.

However, marketing activities of the small industry units are insufficient because these units,

— Are not able to carry out market researches and other necessary activities,

— Fail in the application of standardization.

- Have limited financial resources.
- Have to deal with intermediary merchants.
- Have limited stocking capacities.
- Have few advertisement and propaganda facilities.

3.2. Financial Problems of the Small Industry:

Financial resources supplied by various institutions are very important for small industry. Until this day, financial resources of foreign origin have not been effective and only credits from domestic resources have been put into use.

Domestic Financial Institutions for the Small Industry:

Various financing institutions support small industry in Turkey and the most important of these is Turkiye Halk Bank (People's Bank of Turkey) credits supplied by this bank are:

- a) Small industry credits for the installment and operating periods.
- b) Industry credits for the installment and operating periods.
- c) Industry credits for investments and the operating period.
- d) Outside credit for equipments.
- e) Credits for artisens.
- f) Credits for craftsmen.

Foreign Resources of Finance;

— World Bank has credit funds for organized small industry. However, these credits have not been put into operation in Turkey up to this day.

— International Finance Corporation.

— Official and private corporations in West Germany have credit funds for organized industry units founded by Turkish workers.

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