



SMEs in Building Markets' Türkiye Network

Market Snapshot, August 2022



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Highlights

This edition of the Building Markets SME Snapshot examines the current network of small and medium-sized enterprises (SMEs) operating in Türkiye. As of June 2022, the organization had verified 2,776 SMEs operating across 16 sectors in 8 provinces. Of these businesses, 2,479 (89%) are currently active. The vast majority (94%) of these businesses are owned by and employ Syrians. While Syrian business owners face unique challenges, they have the potential to be significant job creators and are more likely to employ vulnerable populations, which has far-reaching benefits for both the newcomer and host communities.

This Snapshot is based on an analysis of data collected through business verification and re-verification surveys conducted by the Building Markets team in Türkiye—one of the primary activities implemented as part of the organization’s “Find, Build, Connect” model. These surveys gather information at regular intervals on business operations, including ownership, business size, import and export capacity, and challenges. Using this data, the organization is able to identify market trends and opportunities to share with our growing network of SMEs and partners and better understand the evolving needs of entrepreneurs operating in the local market.

The following analysis was generated using Building Markets’ unique data, insight, and access to these businesses. It provides an overview of the operational environment of SMEs in the network, the unique challenges they face, and their outlook for the future. Recommendations have been formulated for businesses based on these challenges and the services and opportunities Building Markets offers. With the growth of SMEs and the creation of more jobs, particularly among underrepresented groups, poverty can be reduced and social cohesion between refugees, other newcomer groups, and the host community can increase.

To learn more about Building Markets’ work in Türkiye and to read other publications, click [here](#).

The Building Markets team sincerely thanks all the businesses that participated in these surveys.

Spotlight: SMEs in Building Markets' Türkiye Network

Türkiye has the largest population of refugees and asylum seekers in the world, among whom 90% are Syrian. With an ongoing economic crisis, consistently high and growing levels of unemployment, and the added impact of the COVID-19 pandemic, the country faces the challenge of integrating these newcomers into society and the economy. SMEs, including those owned and operated by Syrians and other newcomers, are crucial to creating jobs and improving livelihoods throughout the country. Over the last decade, Syrians have become more integrated into economic life as consumers, job seekers, employees, and entrepreneurs, demonstrated by the thousands of companies that Syrian refugees have started since arriving to the country. Building Markets' research has found that Syrians have brought their entrepreneurial skills and capital to Türkiye, starting the vast majority of the 2,776 SMEs in our network. Since 2011, Syrians have invested nearly \$500 million in capital into the country through the establishment of commercial activities.[1]

Despite these achievements, Syrian-owned businesses in Türkiye continue to face unique challenges that can inhibit their growth and employment-creation potential. These include a lack of accessible market information and training relevant to their needs, as well as difficulty accessing finance, business, and partnership opportunities. Many of these challenges also pose risks to individuals who may be more willing to accept employment in the informal economy, potentially leading to exploitation and working in hazardous environments.

At a time when Türkiye is facing significant economic difficulties, addressing the challenges faced by entrepreneurs and businesses can boost job creation and bring more individuals into the formal economy, allowing them to improve their livelihoods and contribute to social and economic cohesion across the country. Building Markets has been working to address these challenges and bring visibility and opportunity to Syrian-owned SMEs in Türkiye since 2016 as a core component of its work to create jobs and localize the aid response to the Syrian crisis.

For more information on services that can support job creation, see the recommendations provided at the end of this report.

1 Hardan, M. 2021. "How Syrian SMEs contributed to Turkish economy." Al Monitor. Available [here](#).

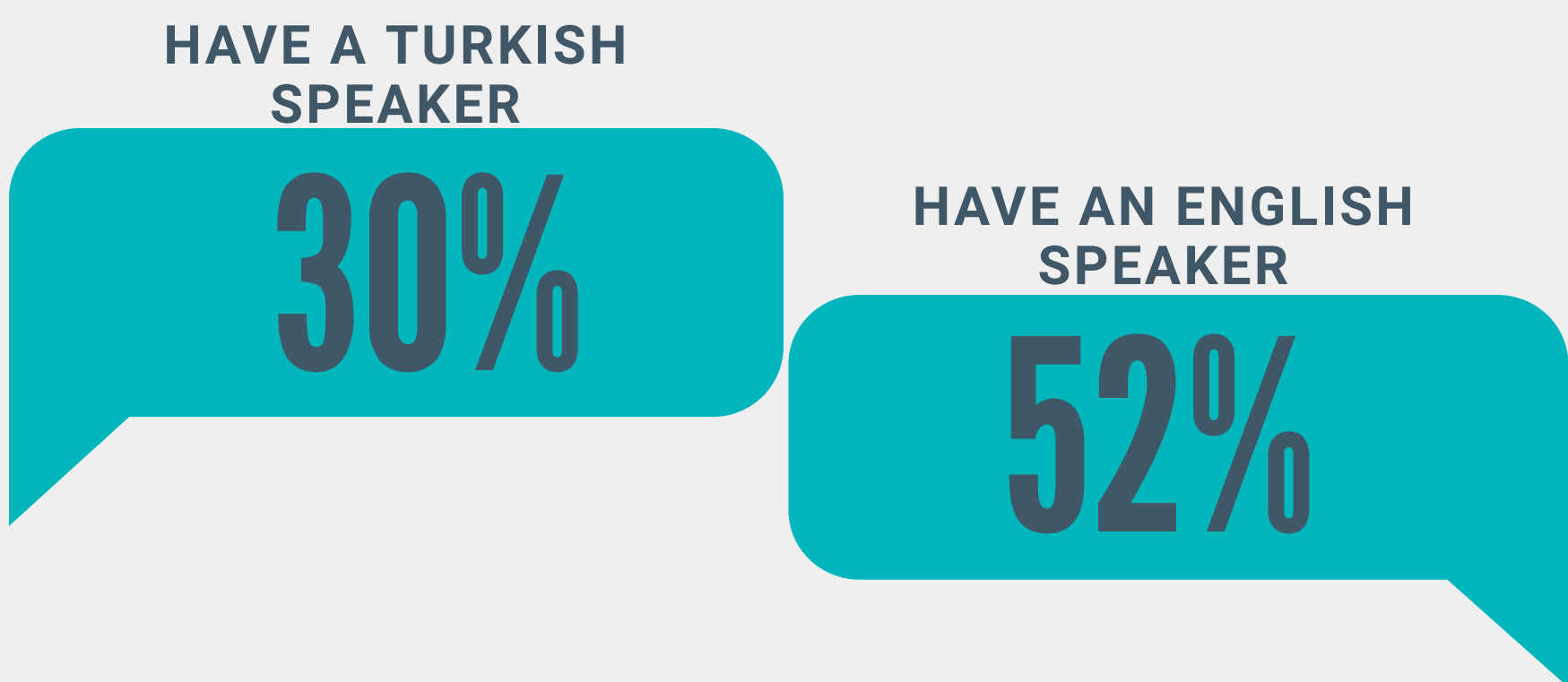
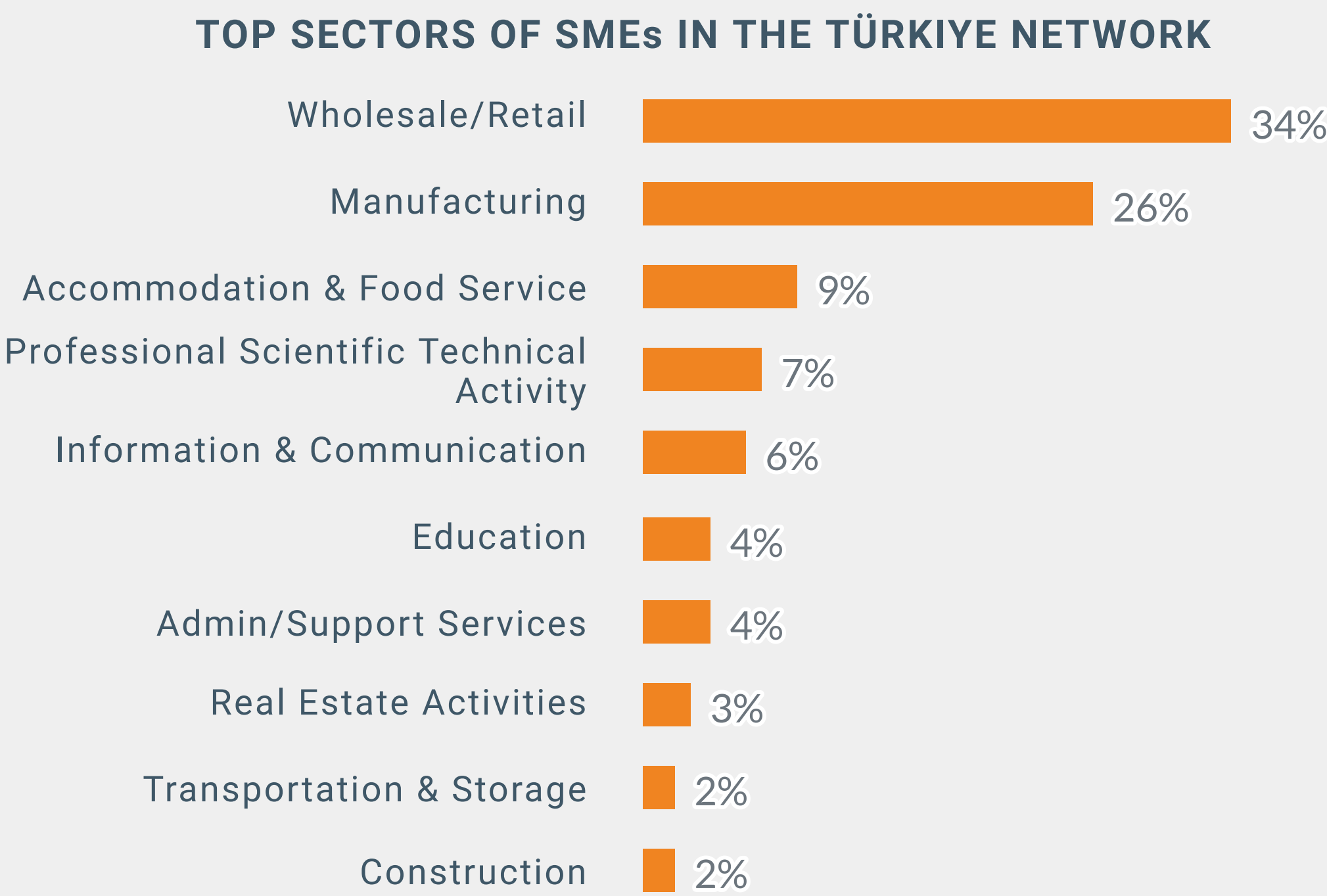
Türkiye SME Network Overview

Among the 2,776 SMEs in Building Markets’ Türkiye network, 77% are categorized as micro-enterprises (employing less than 10 employees), while 21% are considered small enterprises (less than 50 employees), and 2% medium-sized (less than 250 employees). Businesses in the network primarily work in the wholesale/retail (34%), manufacturing (26%), and accommodation and food service (9%) sectors.

The organization works with businesses across eight provinces, although the majority of SMEs are located in Istanbul (45%), and Gaziantep (25%).

Female employment among these businesses is relatively low. Around 34% of businesses employ at least one woman full-time, while only 4% employ at least one woman part-time. Around 8% of the businesses reported having at least one woman owner or manager. This follows broader trends of low numbers of female business ownership and employment among both the newcomer and host communities in the country. However, investing in women presents significant opportunities for economic and societal advancement. For example, closing gender gaps in economic participation in Türkiye could boost the country’s GDP by more than 20%. Investing in women-owned enterprises supports economic growth and increases employment as women-owned SMEs are more likely to employ other women.[2]

Over half of businesses (58%) reported having an international client in the past six months. While the primary operating language for businesses in the network is Arabic, around one-third of businesses employ a Turkish speaker and over half employ an English speaker, indicating that some businesses may have adapted to the language barrier, thereby reducing this challenge and improving adaptation and integration with the local market. Interestingly, among women-owned businesses, the proportion that employ an English or Turkish speaker is higher than the rest of the network at 73% and 72%, respectively. It bears noting that businesses’ adaptation to the language barrier is worth exploring further as it is critical to social integration and the ability of SMEs to penetrate local supply chains.



2 McKinsey Global Institute. 2015. “The Power of Parity.” Available [here](#).

Business Operations Among SMEs in the Türkiye Network



Only 1% of businesses in the network have received a formal loan in the past, but 53% are interested in receiving one.



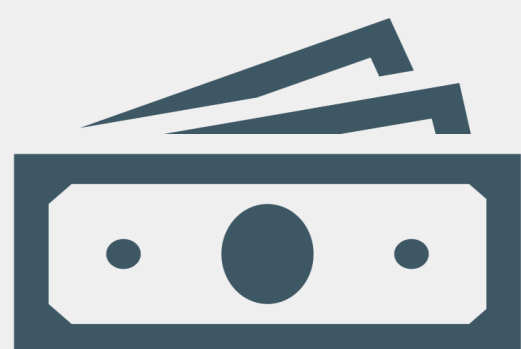
On average, businesses are looking for over \$133,000 USD in loans.



Around 41% are interested in an investor or business partner.



The majority of SMEs (67%) have a business plan for at least the next 6 months.



Around half of businesses (52%) believe their profits will increase over the next 6 months. Only 2% expect a decrease.



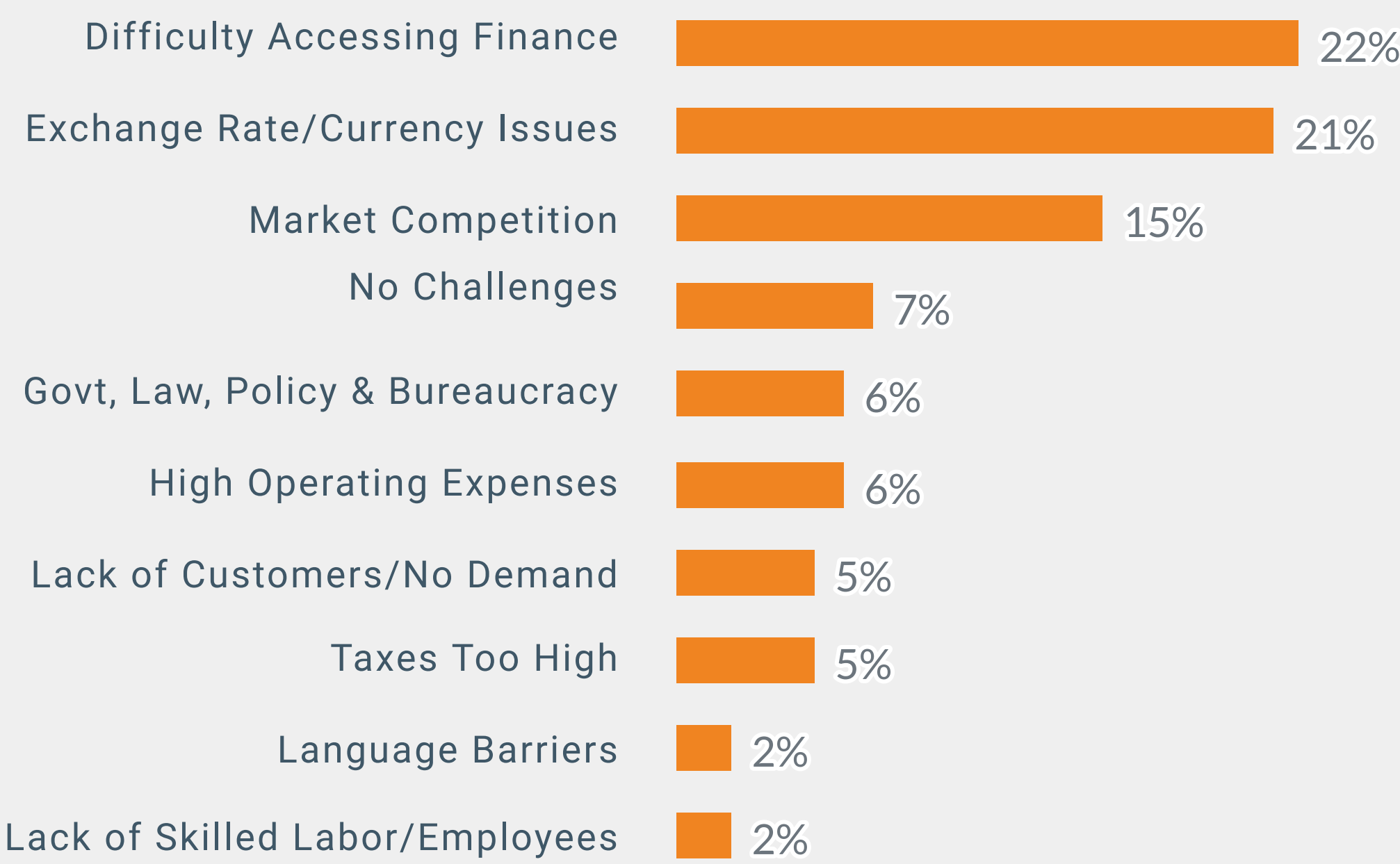
Most businesses believe their total number of staff will increase over the next 6 months (46%) or stay the same (41%).

Among businesses in the Türkiye network, 79% have expressed interest in participating in training sessions. They report that they are most interested in attending a training session related to sales/marketing and strategic marketing (48%), procurement or bidding (13%), administrative management (11%), customer service (11%), and financial management (10%).

Over 20% of SMEs report that accessing finance is one of the greatest challenges they will face in the coming six months. In order to obtain credit, loans, or other types of financing, businesses must enhance their credit and investment readiness, but doing so has proven to be difficult due to a lack of knowledge about regulations and procedures. A similar number of businesses (21%) report exchange rate or currency issues as the primary challenge they expect to face.

Competition, primarily with other exporters in the Turkish market, poses a major obstacle to refugee-owned businesses aiming to export their goods and services. Many of these SMEs are still new to the market, meaning that long-established companies that have more extensive experience and knowledge of the market have more of an advantage. This knowledge allows businesses to minimize costs, making it more difficult for refugee-owned SMEs to compete.

TOP CHALLENGES IN THE NEXT 6 MONTHS



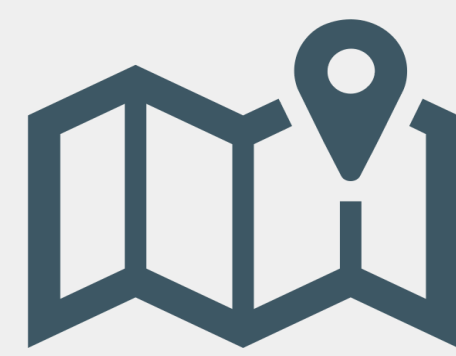
SME Operational Indicators



On average, businesses in the network have 7.3 full-time employees and 1.3 part-time employees.



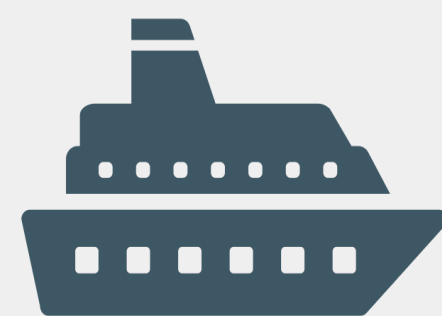
Businesses in the network have created 2,805 additional full-time equivalent jobs with Building Markets' support.



The majority of businesses (84%) do not have additional branches.



Over half of SMEs (56%) know what a tender is, but only 9% have ever submitted a bid.



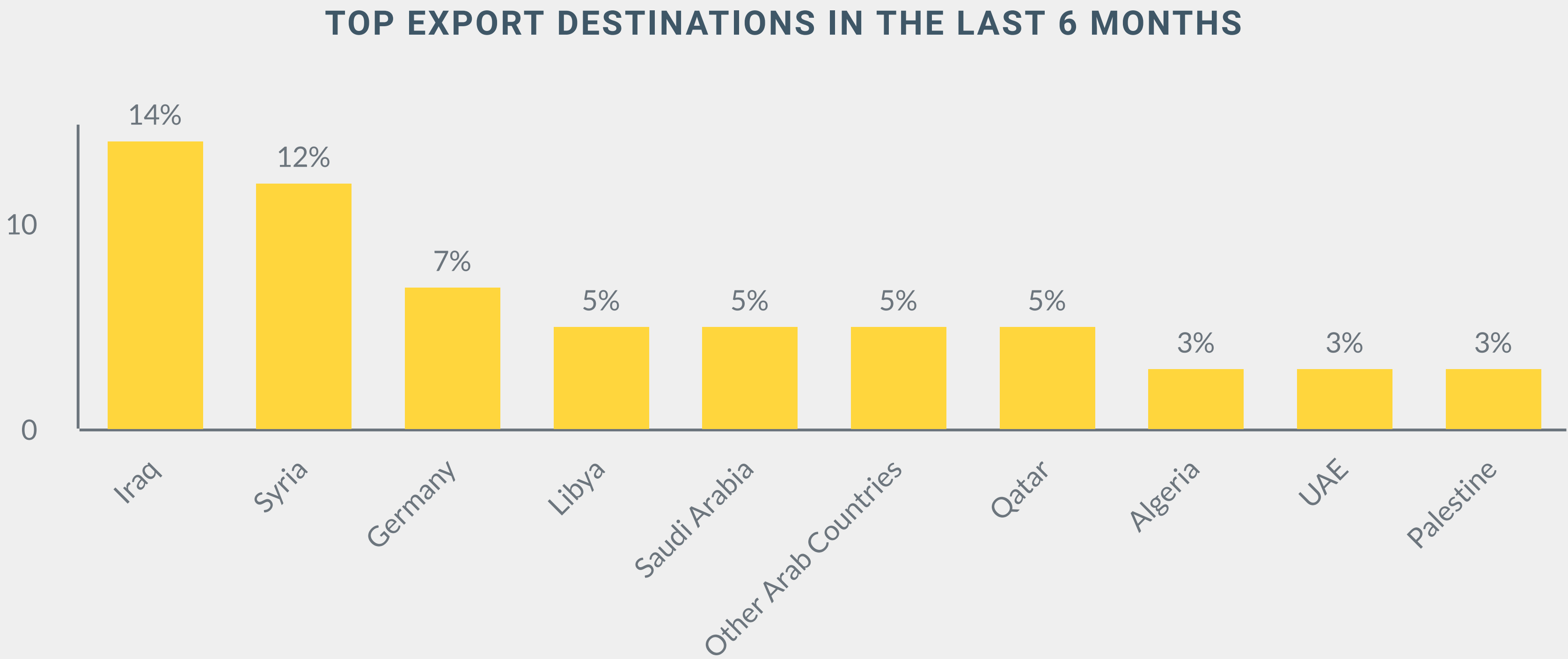
Almost half of businesses (46%) export products or services, and 11% directly import goods.



Most businesses (78%) pay their suppliers within 30-60 days.

Applying to tenders can be difficult for small businesses as the preparation for submitting bids, especially in response to new buyers, can take significant time and resources. For entrepreneurs new to Türkiye, this challenge can be compounded by the language barrier and information gaps that accompany starting and operating a business in a new market. Many small businesses are disadvantaged by contractual payment terms, and worry about the time it takes to receive payments from large buyers. Others face difficulties finding tenders for which they fulfill all eligibility criteria. Despite these challenges, tender-based business opportunities represent a key opportunity for growth. See the recommendations page for more information on how tenders can be incorporated into business development plans.

More businesses in the network export goods or services than import. In the last six months, Iraq was the most common destination for their products and services. Additionally, 12% of businesses export to Syria.



Case Study: Yeni Dünya

Ruba Alatassi and her family arrived in Gaziantep in August 2013, following the outbreak of the war in Syria. She started working for a private school in 2014 and was quickly promoted to principal of the kindergarten section and later assistant principal of the school. After several years, Turkish authorities changed the regulation for Syrian schools, forcing the school she worked for to close and leaving her without a job. But Ruba didn't give up. Knowing how many Syrian refugee children needed to be enrolled in school and to learn Turkish, she decided to open their own school – Yeni Dünya (New World) Education Center.

Yeni Dünya faced challenges during the pandemic like many other businesses in Türkiye, but Ruba was determined and had a lot of support from her colleagues. “There were times when I couldn't pay my employees' salaries, but none of my teachers quit, even then. They always supported me.” Ruba says.

Now, Yeni Dünya employs 30 teachers. The school offers Syrian children the opportunity to learn in their mother tongue, Arabic, as well as Turkish and English. “By the age of six, our students can read and write in Arabic, Turkish, and English,” says Ruba proudly.



Entrepreneur Ruba Alatassi in front of Yeni Dünya education center.

Recommendations for Businesses

The role of businesses in the social and economic integration of refugees in Türkiye is significant. The creation of livelihoods, through wage employment for refugees and host community members, can be enhanced by addressing challenges cited by SMEs. Matters that inhibit the potential of SMEs include limited access to finance, instability and losses due to exchange rate/currency fluctuation, and market competition. With targeted support and capacity-building efforts, businesses can increase their competitiveness and identify new opportunities to grow their operations.

Improve Investment Readiness and Access to Finance

- In order to diversify sources of external financing through credit lines, bank loans, leasing, and equity financing, SMEs must improve their compliance with all application criteria and regulatory requirements, and build their credit history. The SME scoring tool developed by the organization identifies gaps and areas for development, in order to enable businesses to meet application criteria and regulatory requirements, and thereby improve their readiness to access finance. Additionally, technical assistance is available to enhance credit and investment readiness.
- Some organizations and programs announce new grants to businesses on an annual basis. SMEs are typically required to prepare five-year business plans that can be used when applying to these grant schemes. Technical assistance can develop the capacity of businesses to prepare business plans.
- Training modules are available through the [Online Learning Platform](#) and are periodically hosted [in-person](#) on a range of topics related to banking and access to finance.

Build a Digital Presence and Digitalize Operations

- Developing an online presence helps to increase visibility. All verified businesses have a profile on Building Markets' [Online Business Directory](#). Business owners can claim the listing, add photos, edit the information, and use the page as a free marketing tool.
- E-commerce and digital marketing allow businesses to access larger and more diverse markets. Both [virtual](#) and [in-person](#) training can help businesses in the digital transformation.

Participate in Mentorship, Information Sessions, and Tender Training

- Mentorship services partner entrepreneurs with technical experts for one-on-one sessions designed to meet the unique needs of each business.
- Webinars and information sessions take place on a regular basis with subject matter experts on a variety of topics, such as penetrating the Turkish market and managing projects virtually. Check the [events webpage](#) to learn more.
- Weekly tender training is available for SMEs interested in learning how to apply to tenders and make their bids more competitive. Direct guidance to facilitate tender applications is also available. Businesses can browse available [tender opportunities](#), which are updated daily.

Engage in Networking Opportunities with Buyers

- Sector-specific in-person and virtual networking events are hosted with the goal of connecting buyers with qualified and relevant suppliers from the network. Events are regularly advertised on the organization's [website](#) and [social media](#) channels.
- In addition to events, SMEs can be connected with interested buyers through direct matchmaking and custom matchmaking reports. Contact the [call center](#) to learn more!

Recommendations for Buyers

Diversify Suppliers and Include Women-Owned Businesses

- SMEs in Building Markets' network offer a wide range of goods and services. Buyers can work with refugee-owned businesses, as part of their supplier diversity strategies. Through the [Online Business Directory](#), buyers can search for businesses based on ownership (e.g. woman-owned, refugee-owned) and by location. Custom matchmaking reports are available on request.
- NGOs, advocacy organizations, local chambers, and other entities that have close relationships with refugee and women-owned businesses can support supplier development and compliance through participation in Building Markets procurement webinars.

How We Work

Founded in 2004 and headquartered in New York City, Building Markets creates jobs and encourages economic growth by finding, building and connecting competitive local SMEs to supply chains and investment. Through its model, the organization has supported more than 26,700 SMEs, assisted those businesses in winning \$1.36 billion in contracts, \$21 million in loans, and helped create 73,500 full-time equivalent jobs.

In Türkiye, Building Markets has built a unique network of more than 2,700 Syrian-owned SMEs. Verified businesses can access services that increase their visibility, improve their performance, and connect them to new opportunities. Since 2017, our programs in Türkiye have led to SMEs winning over USD \$19.5 million in new contracts and capital.

Are you a small business operating in Türkiye?

INCREASE VISIBILITY



Get verified and create a unique profile on our business directory

ACCESS TRAINING



Enroll in online and in-person courses that target your company's growth

CONNECT TO OPPORTUNITIES



Locate tenders in your sector and win new contracts and capital

Interested in Learning More?
Contact our supply chain and finance experts:

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