



SMEs in Türkiye's Manufacturing Sector

SME Snapshot, August 2022



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Highlights

This Snapshot examines businesses in the Building Markets network operating in the manufacturing sector in Türkiye. As of June 2022, the organization had verified 2,776 small and medium-sized enterprises (SMEs), the vast majority (94%) of which are owned by and employ Syrians. Over one quarter of businesses in the Türkiye network operate in the manufacturing sector.

SME Snapshots are based on analyses of data collected through business verification and re-verification surveys conducted by the organization's 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 the 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 the organization's unique data, insight, and access to these businesses. It provides an overview of the operational environment of SMEs in the manufacturing sector, the unique challenges they face, and their outlook for the future. 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. Recommendations have been formulated for both businesses and buyers based on these challenges and the services and opportunities offered by the organization. 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 our work in Türkiye and to read other publications, click [here](#).

We sincerely thank all the businesses that participated in these surveys.

Spotlight: Manufacturing SMEs in Building Markets' Türkiye Network

Türkiye hosts the largest population of refugees and asylum seekers in the world, of whom 90% are Syrian. 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 they've started since arriving in the country. However, with consistently high and growing levels of unemployment, compounded by the ongoing currency crisis and the lasting impact of the COVID-19 pandemic, further integration of these newcomers into society and the economy still poses a challenge for the country.

The manufacturing sector may be a key to addressing these integration challenges. Low labor costs, a highly skilled workforce, and ease of exporting to both Europe and Asia have allowed Türkiye to become a regional manufacturing hub. Despite the economic crisis in the country and the impact of COVID-19, the manufacturing sector shows significant potential for growth.[1] In 2021, manufacturing businesses contributed 22% of total GDP in the country, and in 2019, 400,966 SMEs (12% of all SMEs) were operating in the manufacturing sector, employing over 2,663,000 individuals.[2][3] Among refugees who are formally employed, the majority work in the manufacturing sector—primarily in the textile industry.[4] Within the Building Markets Türkiye network of 2,776 SMEs, 722 (26%) operate manufacturing businesses that employ 10,341 individuals either full or part-time.

These small businesses are crucial to creating jobs and improving livelihoods in Türkiye, however they 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 obstacles can prevent SMEs from taking advantage of the growth opportunities presented by the manufacturing sector, and could result in individuals being more willing to accept employment in the informal economy, potentially leading to exploitation and working in hazardous environments.

Addressing these challenges can help create more formal jobs, allowing individuals to improve their livelihoods and contribute to social and economic cohesion across the country. Since 2016, Building Markets has been working to bring visibility and opportunity to Syrian-owned SMEs in Türkiye in order to support job creation 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 Daily Sabah. 2022. "Turkish industrial output beats forecasts to expand by 9.6%." Available [here](#).

2 TOBB. 2020. "SMEs of Turkey." Available [here](#).

3 The World Bank. "Manufacturing, value added (% of GDP) - Türkiye." Available [here](#).

4 ILO. "ILO's Support to Refugees and Host Communities in Turkey." Available [here](#).

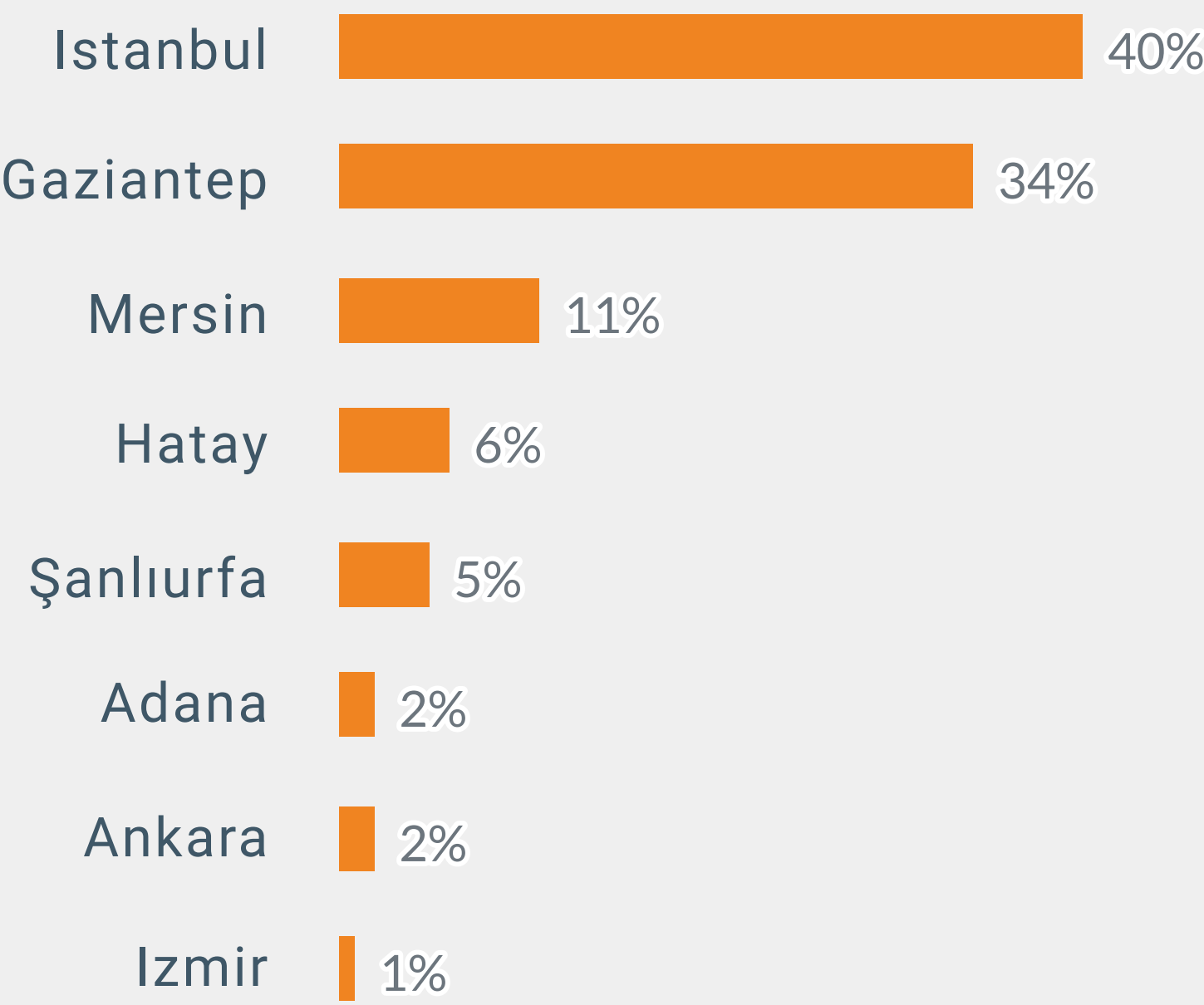
Manufacturing Sector Overview

Among the 2,776 SMEs in Building Markets’ Türkiye network, 26% operate in the manufacturing sector. These businesses are primarily located in Istanbul (40%), Gaziantep (34%), and Mersin (11%). Over half (58%) are classified as micro-businesses (>10 employees), 37% are small businesses (>50 employees), and 5% are medium-sized businesses (>250 employees).

The employment rate among manufacturing businesses is higher than the network overall. On average, SMEs in the network employ 7.3 individuals full-time and 1.3 part-time, while manufacturing businesses employ 12.7 individuals full-time and 2.3 part-time. Similarly, more manufacturing businesses employ at least one female full-time (39%) than the network as a whole (34%). Additionally, 10% of manufacturing businesses had at least one woman manager, versus 8% for the network overall. Only 3% of manufacturing businesses employ at least one woman part-time, versus 4% among the greater network. This follows broader trends of low rates of female business ownership and employment among both the newcomer and host communities in the country.

Many of the manufacturing SMEs in the Building Markets network (73%) reported having an international client in the past six months. The majority of manufacturing businesses employ a Turkish speaker (77%) and over half (51%) employ an English speaker. While a similar percentage of businesses across the entire network employ an English speaker, the percentage of businesses in the manufacturing sector that employ a Turkish speaker is significantly higher than the network as a whole (30%). This may indicate that manufacturing businesses are adapting to the language barrier and integrating with the local market. Businesses’ adaptation to the language barrier is worth exploring further as it is critical to social integration and the ability of SMEs to operate effectively within the local market.

TOP LOCATIONS AMONG MANUFACTURING SMEs



Did you know?

Closing gender gaps in economic participation in Türkiye could boost the country’s GDP by more than 20%!

HAVE A TURKISH
SPEAKER

77%

HAVE AN ENGLISH
SPEAKER

51%

Business Operations Among Manufacturing SMEs



Only 2% of businesses in the sector have received a formal loan in the past, but 58% are interested in receiving one.



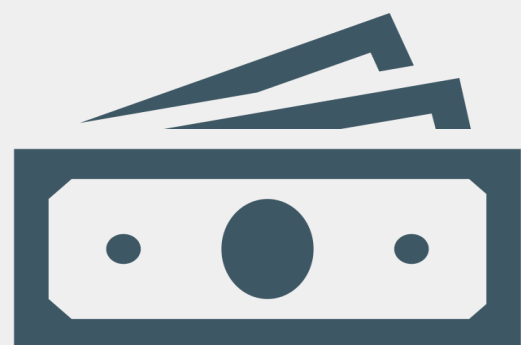
On average, manufacturing businesses are looking for over \$182,000 USD in loans - higher than the average for the network as a whole.



Around 38% of manufacturers are interested in an investor or business partner.



The majority of manufacturing SMEs (70%) have a business plan for at least the next 6 months.



Many manufacturers (63%) believe their profits will increase over the next 6 months. Only 2% expect a decrease.



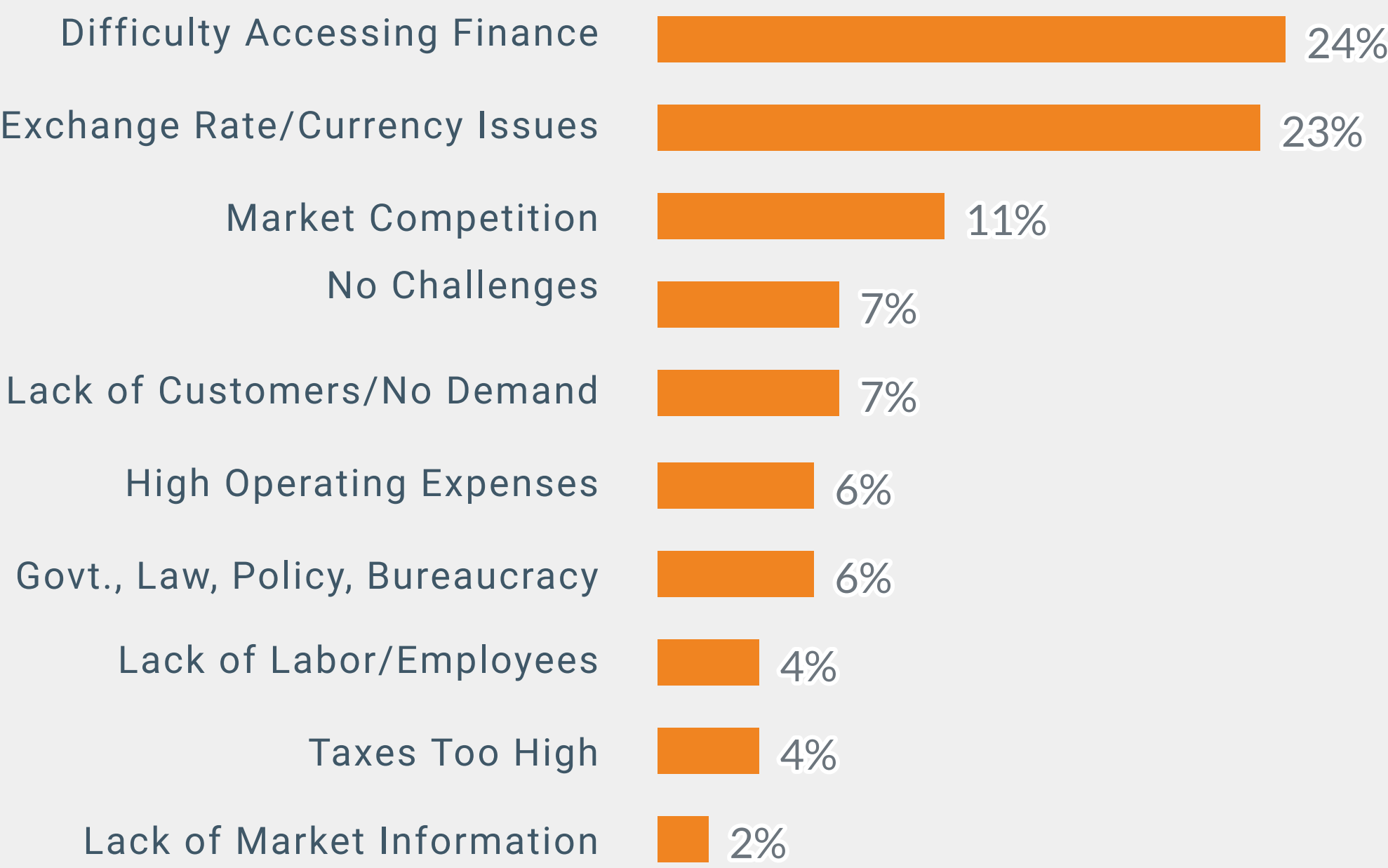
Over half of manufacturing businesses (56%) believe their total number of staff will increase over the next 6 months, while 34% believe it will stay the same.

Among manufacturing businesses, 52% expressed interest in participating in training sessions hosted by the organization. Businesses are primarily interested in attending training related to sales and marketing (52%), administrative management (13%), procurement or bidding (13%), and customer service (11%).

The challenges faced by businesses in the manufacturing sector align with those of the network as a whole. Almost 24% of SMEs report that accessing finance is one of the greatest challenges they will face in the coming six months, and a similar number (23%) report exchange rate or currency issues as the primary challenge they expect to face. Businesses must enhance their investment readiness in order to obtain credit, loans, or other types of financing. Doing so, however, has proven to be difficult due to a lack of knowledge about local regulations and procedures.

Many SMEs in the manufacturing sector (74%) export goods or services. As a result, competition, primarily with other exporters in the Turkish market, is a challenge. Long-established companies have more experience and knowledge of the market, giving them more advantages, such as the ability to minimize costs. As many SMEs in the network are new to the market, it can be more difficult for them to compete.

TOP CHALLENGES IN THE NEXT 6 MONTHS



SME Operational Indicators



On average, manufacturing businesses in the network have 12.7 full-time employees and 2.3 part-time employees.



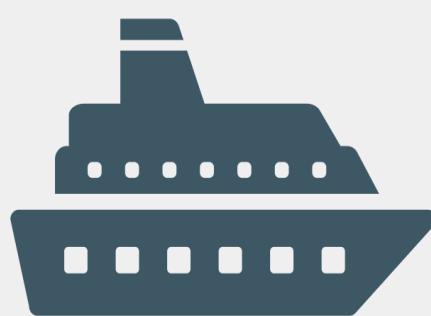
Among manufacturing businesses, 39% employ at least one woman full-time.



Only 18% of manufacturing businesses have additional branches.



Over half of manufacturing SMEs (55%) know what a tender is. Only 5% have ever submitted a bid, but 40% are interested in doing so.



Many manufacturers (74%) export products or services, and 13% directly import goods.

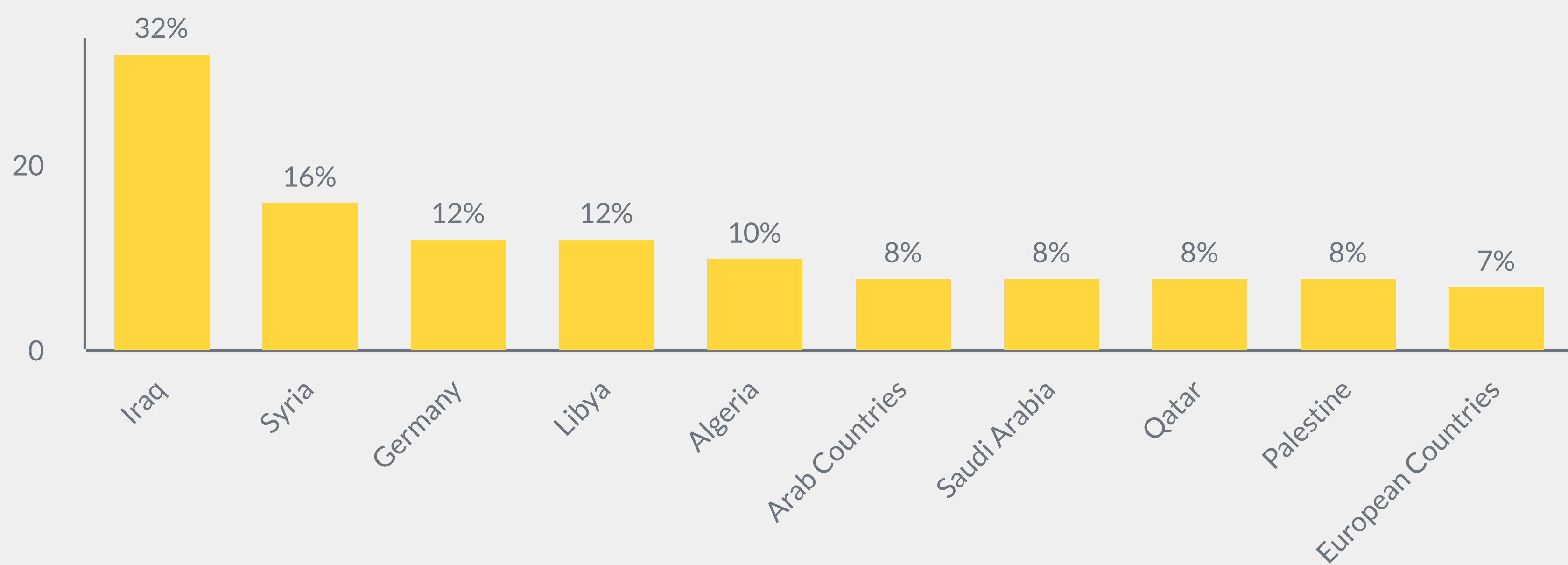


The majority of manufacturing businesses (81%) pay their suppliers within 30-60 days.

Tender-based business opportunities represent a key opportunity for growth. Many SMEs know what tenders are and are interested in applying to them, however doing so can be difficult for a number of reasons. Preparing bids, especially to new buyers, can be both time and resource-intensive. Small businesses may also be disadvantaged by contractual payment terms and the time it takes to receive payments from large buyers. For others, finding tenders they are eligible for can be a challenge. Recommendations included in this report provide more information on how tenders can be incorporated into business development plans.

More businesses in the network export goods or services than import (74% versus 13%, respectively). In the last six months, Iraq (32%) and Syria (16%) were the most common destinations for exports.

TOP EXPORT DESTINATIONS IN THE LAST 6 MONTHS



Case Study: Gıdmak

Ahmed Al Mahmud owned a workshop in Aleppo that manufactured food production equipment. During a bombardment in his city, he lost all of his machinery, and in 2012 decided to leave Syria for Türkiye to start a new life. "When I first came here, I was working in a factory," says Ahmed. "It wasn't easy. I had been the boss of my own company, but because of the war, I became an immigrant worker without any money or career."

After three years, Ahmed was able to open his own company, Gıdmak, in Gaziantep with only one machine for production. His first customer was from Algeria and needed a cookie production line. Ahmed produced the needed machinery but didn't have an export permit and had to find a Turkish associate who could help. Since then, he's worked hard to grow his operations. "Whatever I've earned, I reinvested into the business," he says. "I bought new equipment, and I'm an export permit holder now."

Thanks to Building Markets' connections, Gıdmak recently sold an assembly line to a customer in Iraq, and other orders have started to pour in from the region. "I remember the days when I desperately tried to find customers!" he says, happily.

Ahmed's only ongoing challenge in Türkiye is not being able to become a citizen. Due to travel restrictions for non-citizens, attending expos and fairs can be problematic. It also impacts his ability to deliver goods within the country. Ahmed is currently waiting for a travel permit to deliver a completed order to a customer in Kilis, in the southern region of the country.

Looking to the future, Ahmed is optimistic. "In the next five years, I'm planning to be one of the top ten manufacturers in our area!"



Entrepreneur Ahmed Al Mahmud in the Gıdmak workshop in Gaziantep.

Recommendations for Businesses

SMEs, particularly in the manufacturing sector, play a significant role in the social and economic integration of refugees in Türkiye. Addressing the challenges cited by manufacturing businesses in the network can help them create wage employment opportunities for refugee and host communities alike, supporting the creation of livelihoods. These challenges include limited access to finance, instability and losses related to the exchange rate and currency fluctuation, and market competition. Through capacity building and other targeted support, businesses can harness the significant growth potential of the sector, identify new opportunities to expand their operations, and increase their competitiveness in the local market.

Improve Investment and Credit Readiness to Enable Access to Finance

- SMEs must build their credit history and improve their compliance with all application criteria and regulatory requirements in order to diversify sources of external financing through credit lines, bank loans, leasing, and equity financing. The SME scoring tool developed by the organization identifies gaps and areas for development to help businesses meet application and regulatory requirements, improving their ability to access finance. Technical assistance is also available to enhance credit and investment readiness.
- New grants for businesses are announced on an annual basis. SMEs are typically required to provide five-year business plans as part of applications to these grant schemes. Technical assistance provided by the organization can help SMEs build their capacity to develop business plans.
- Training modules on a range of topics related to banking and access to finance are available through the [Online Learning Platform](#) and are periodically hosted [in-person](#).

Digitalize Operations and Build a Digital Presence

- Businesses can access larger and more diverse markets through e-commerce and digital marketing. Both [virtual](#) and [in-person](#) training can help businesses with their digital transformation.
- Developing an online presence helps to increase visibility. All verified SMEs 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.

Participate in Mentorship, Information Sessions, and Tender Training

- Mentorship services partner entrepreneurs with technical experts for one-on-one sessions designed to meet businesses' unique needs.
- 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 Sector-Specific Networking Opportunities with Buyers

- Virtual and in-person networking events are hosted based on business sector to connect buyers with qualified and relevant suppliers from the network. Events are advertised on the organization's [website](#) and [social media](#) channels.
- Direct matchmaking and custom matchmaking reports are available to connect SMEs buyers. Contact the [call center](#) to learn more!

Recommendations for Buyers

Diversify Suppliers and Include Refugee-Owned Businesses

- Manufacturing SMEs in the 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 can be generated on request.
- NGOs, advocacy organizations, local chambers, and other entities that have close relationships with refugee-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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