

# Business Survival Analysis of Syrian-Owned Enterprises in Türkiye

## What works best?

1

This report is the product of the Building Markets contracted research project, “Refugee Entrepreneurship Research Excellence Program-2023,” between Building Markets and BU TUYGAR. The primary objective of this report is to examine the Syrian-owned SMEs (small and medium-sized enterprises) in Türkiye, uncover their success and failure factors, and make recommendations for future investors. The report has relied on mixed methods research that consisted of desk research, interviews with Syrian business owners between May and July 2023, and survival analysis conducted on the data collected from 1,158 verified SMEs by Building Markets during 2017-2023. The research covers eight provinces (Gaziantep, Istanbul, Mersin, Hatay, Şanlıurfa, Adana, Izmir, and Ankara) with a highly dense Syrian population.

2

The demographic analysis results reveal a gradual upward trajectory in entrepreneurial endeavors among Syrians in our dataset between 2011 and 2019 but slowing onwards. The rise in the number of Syrians choosing to be self-employed point to their dissatisfaction with the jobs available in the labor markets and their entrepreneurial orientation. On the other hand, the steep fall in new enterprises after 2020 may result from the pandemic negatively affecting the Syrians more than the local populations, the nature of the sectors they engage in, and the supply chain disruptions in their industries. Eighty percent of the SMEs fall within the micro-sized category, employing fewer than ten individuals, and are predominantly active within the services sector. Wholesale and retail trade, accommodation and food services, and professional scientific and technical activities are the most common within the services sector. More than sixty-five percent of the SMEs are family-owned companies that often employ family members or acquaintances.

3

The survival analysis reveals the number of languages an SME owner speaks, the SME’s exporting status, the number of marketing strategies employed, and having a bank account to have a significant and positive impact on business survival, whereas having a business plan or the number of local employees did not have any significant impact. “Business survival” is the likelihood of the time it takes for a business to stay in operation (as opposed to closure) from the commencement of its operations. Of the 1,158 SMEs, 115 had closed their business for one reason or another. All the SMEs interviewed noted that the first three years were the most challenging, as they would not know if they would break even and stay in business. The results emphasize the significance of international operations, as SMEs express challenges when integrating into domestic supply chains in Türkiye, particularly in sourcing from suppliers and securing customers. Possessing proficiency in the local language and potentially additional languages enhances the involvement of SuTPs with local institutions and various stakeholders while creating new business prospects from international sources.

4

SMEs encounter a unique array of obstacles that hold substantial consequences for their economic prosperity and business survival, as well as for their integration and wellbeing. A competitive local market, laws and regulations, taxes, access to the banking system, economic instability, and rising operational costs are concerns for SMEs. Despite residing in Türkiye for an extended period under temporary protection and owning a business, the SuTPs often face challenges in obtaining a bank account, making them ineligible to secure a formal loan from a financial institution. Their reliance on cash payments instead of long-term checks, which the local enterprises prefer, limits SMEs’ integration into the local supply chains. Likewise, the lack of loans restricts them from investing in machinery and capacity improvements, risking their competitiveness.

5

Despite its challenges, the competitive business environment in Türkiye created opportunities for the SMEs. Competition encouraged SMEs to innovate and differentiate themselves from their rivals. Saturation of the ethnic markets is a risk for all the Syrian-owned enterprises that do not diversify their markets. To stand out, they improved their product and service quality and developed new products and strategies to gain a competitive edge. They learned how to customize their products through market research and customer testing to enter the local markets. Furthermore, having an enterprise in Türkiye opened new export markets besides the MENA region countries.

