

The Role of SMEs and Entrepreneurship on Economic Growth in Emerging Economies within the Post-Crisis Era: an Analysis from Turkey

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Abstract

Small and medium sized enterprises (SMEs) are acknowledged worldwide as the drivers of socio-economic development due to their important role in GDP growth, new job creation and entrepreneurship. Despite the immense impact of the most severe economic crisis modern world has witnessed on the SME sector, number of scholarly studies focusing on the investigation of the performance factors of the SME sector during and after the crisis is interestingly very limited. This study aims to fill this gap in the SME literature, by conducting comparative analyses on main indicators of SME sector performance in major advanced and emerging economies. Findings of the study indicate that, economic growth and development of SME sector are closely linked in both developed and developing economies, while new venture creation, employment and value-added contribution of the SME sector to the economy significantly differ across different contexts, within the post-crisis era.

Keywords: SMEs, entrepreneurship, crisis, recovery dynamics, Turkey.

GEL classification:A10,E44, M13.

1. Introduction

Starting with the collapse of Lehman Brothers in 2008, the greatest worldwide financial turmoil since the Global Depression of 1930's (Barron, et.al, 2012; Chowdhury, 2011) hampered large and smaller-sized enterprises in every economy, causing many existing businesses to downsize, reduced the number of new venture creations and resulted with thousands of jobs losses. The crisis particularly impacted small and medium sized enterprises (SMEs), which are regarded as the "engines of growth" and "key source of dynamism, innovation and flexibility" (OECD, 2010) due to their large share within total enterprises and significant contribution to real GDP growth, new job creation and reduction of poverty, as these units have significant resource limitations and operate in highly competitive business environments.

Despite the importance of the organic link between the dynamics of SME sector and the overall economy and the immensity of the problems resulting from the diminishing global demand and tightened financial resources, the number of scholarly studies focusing on the investigation of the after-crisis performance indicators of SMEs, is interestingly very limited, with the exception of Sannajust (2014) and Chowdhury's (2011) studies about SME sector during the crisis. Therefore, the major objective of the current study is to address this gap in the SME literature, by conducting a detailed analysis on the damage of the crisis on this sector and the major indicators of recovery both for the existing and new SMEs, by focusing on the the developments in the enterprise numbers and the crucial workforce and value added supply of these units, which basically create their "backbone" role in every economy.

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As a second research objective, the paper aims to address the important research question “What is the relationship between the SME sector and economic growth in the post-crisis period?” based on a number of previous studies indicating a strong and positive relationship between economic growth and size of the SME sector, when controlling for other determinants (Ardıç, et al., 2011; Beck, 2010). Finally, the study targets to help the SME researchers by presenting the major post-crisis period developments in the SME context within the milder but challenging the business climate, by taking a comparative perspective and examining the dynamics of recovery in selected developed and developing economies and a large emerging economy, namely Turkey, which also enables to pinpoint the divergence and convergence points of the performance indicators in international and local SME contexts, in the post-crisis era.

The paper is organized as follows. In the first chapter, terminological and categorical variations about the small and medium sized enterprise concept among different economic contexts are discussed. In the second part, performance, challenges and recovery dynamics for new and existing SMEs across OECD area, European Union member states and selected economies like Japan, Brazil, India and Russia in terms of numbers, employment and value added contributions, are analyzed. Third section presents the post-crisis developments of the SME sector in the local context of Turkey, together with a comparison of the performance indicators and recovery factors with respect to major developed and developing economy SME sectors are presented and section four concludes.

1. The SME concept

The role of small and medium sized ecompanies on the real gross domestic product (GDP) growth, new job creation and reduction of poverty is recognized at a worldwide level (Muller, et.al, 2014; OECD, 2014; Chowdhury, 2011). This role is particularly curtail in developing economies, where there are comparably less number of large corporations (Narteh, 2013; Floyd and McManus, 2005), which leads to a larger impact of these economic units on the socio-economic development through reduced poverty and balanced income distribution. However, it would be less accurate to argue that small and particularly micro enterprises only matter for less developed economies, as these units account for 50% of GDP in high income countries (Ayyagari, et. al., 2007). Across EUR28 area, 99.8% of all non-financial businesses, 58% of total value added and 66.8% of total employment are supplied by SMEs (Briozzo and Riportella, 2012), making them the “backbone of the European economy” (Muller, et.al, 2014; Gagliardi, et.al, 2013; Wyamenga, et.al, 2012), while in Japan, SMEs account for 99.7% of all companies, 70% of all employees, and more than 50% of all added value of manufacturing industry (Chusho Meti, 2013).

After the research studies indicating “a robust, positive relationship between the relative size of the SME sector and economic growth, even when controlling for other growth determinants” (Ardıç, et al., 2011; Beck, 2010), SME sector started to attract a growing attention both from policy-makers and academic scholars. However, various categorizations of SMEs, across economies and sometimes institutions of the same country (Yurttadur and Kaya, 2012), imposed significant challenges on SME studies, especially cross-country analyses. According to a recent study, around 30 different SME definitions exist in the literature (Sannajust, 2014). Apart from spatial factors, small and medium sized enterprise categorizations are also affected by temporal changes, as the criteria have to be revised with the changing macroeconomic conditions of the specific economic environment, making the SME sector analyses more challenging.

In SME studies, while former SME denotations mainly addressed the small market share and independency features of these units (Storey, 1994; Bolton Commette Report, 1971), the recent OECD definition introduced the dynamic workforce characteristic of SMEs to the literature by stating the “employment of fewer than a given number of employees, which varies across countries” (OECD, 2004) criterion within its definition. As this definition implies, number of employees is a common denominator in most SME categorizations, therefore is widely used in SME research (OECD, 2010). Whiile Eurozone, Turkey and a number of countries set this number as 250, US and Canada have the highest upper limit with 500 employees for small and medium sized companies.

In the pursuit of differentiating small and medium sized businesses from larger companies, a popular practice is using qualitative and quantitative aspects together (Nguyen, 2001), where employee number, revenues, assets and capital are generally used for quantitative indicators (Yurttadur and Kaya, 2012), whereas independency is a usual qualitative criterion.

In European Union (EU28), the “independence” dimension of SMEs, described as “the one where 25% or more of the enterprise’s capital (or equity) is not undertaken by an enterprise or that its capital is not owned by enterprises that are not defined as SMEs” is combined with the quantitative criteria of annual turnover and number of employees.

In United States, the terminology and categorization of SMEs has both convergent and divergent aspects compared to European Union. In terms of terminology, the term small businesses is used for the synonym of small and medium sized enterprises, and a small business is described as “the one that is independently owned and operated, is organized for profit, and is not dominant in its field” (SBA, 2014), which is parallel with EU’s SME definition. The major variance of US small business categorization is the industry criterion, as size of enterprises is measured by employee number and sales volume, and is differentiated according to each major industry. The industry differentiation also exists for Japanese SMEs, this time in terms of capital, together with employee number criterion (Chusho Meti, 2013).

In Turkey, small and medium sized enterprise categorization is undertaken on a quantitative basis, and is revised in accordance with the changes in macroeconomic conditions. The most recent SME categorization regulation, which was enforced on 04.11.2012 caused a significant increase in the already high number of SMEs in the economy, by raising the upper limit of annual revenues factor. According to this new classification, SMEs in Turkey are currently categorized into three groups of micro, small and medium sized enterprises with respect to their employee numbers and annual revenues. As Table 3 illustrates, the criterion of number of employees is in parallel with EU standardization, and is attributed with European Union’s pre-acceptance adaptation procedures, by some researchers (Yurttadur and Kaya, 2012).

Table 1: SME categorization in Turkey

Company categories	Number of employees	Annual turnover
Medium-sized	< 250	≤ USD 17.200.000*
Small	< 50	≤ USD 3.400.000
Micro	< 10	≤ USD 430.000

Source: OECD Scoreboard, 2014, * Figures are converted from TL to USD with the exchange rate of CB of Turkey as of 12/15/2014.

Despite the variety of SME definitions and categorizations across different economic contexts, the importance of SMEs and entrepreneurship is recognized at a worldwide level (OECD, 2014). As the massive damage caused by the crisis on the SME sector and overall economy became clearer, this crucial role was seriously acknowledged during the post-crisis era.

2. The global financial crisis and SMEs

The domino effect of the crisis was quick and unanticipated. Starting from the last two quarters of 2008, global real GDP growth turned to negative with the alarming 7.5% and 4% decreases in developed and developing economies respectively (Chowdhury, 2011). The impact of crisis was immediate for high-income economies, followed by a one-year delay in the developing economies (IFC, 2014). In OECD area, the economy shranked by 6.4% from 2007 and 2009 while total employment decreased by 9 million people in the 2008-2011 period, US experiencing more than two-thirds of the job losses, 60% percent of them in small businesses. In US, construction and manufacturing industries in US lost an average of 25% and 32% of their total workforce in 2008 (SBA, 2009).

For small and medium sized companies, structural factors such as limited potential for flexibility and downsizing, lack of business diversification, weak financial structure, low levels of capitalization and being heavily dependent on external financing, contributed largely to the vulnerability of these units against the external shockwaves of the crisis (Sannajust, 2014) and SMEs faced their hardest-ever period between 2008 and 2010 due to their hampered capabilities of survival in the chaotic market conditions (OECD, 2014a). Mostly due to tightened credit lines, growth in existing ventures and the numbers of start-ups took a serious hit, bank loan rejections amounting to 2.5 times of pre-crisis levels (Sannajust, 2014), resulting with decreasing of enterprise birth rate in all countries (OECD, 2014b). However, besides worsening financial conditions, SMEs also suffered from the shrinkage of global demand, which particularly impacted small-scale suppliers of large sized corporations (Chowdhury, 2011).

Recession combined with a severe credit crunch caused increased rates of bankruptcies, as the survey conducted on 50.000 SMEs by European Association of Craft clearly indicated (Barron, et.al, 2012). The outcome was a sharp decline in the number, job supply and value added of SMEs on a worldwide level.

The crisis impacted advanced economy SMEs far beyond expectations. SME numbers decreased dramatically during 2008 particularly in EU28 and Japan, the latter experiencing the most severe downfall due to crisis-related complications combined with the 2011 earthquake disaster, causing sharp decreases in both enterprise numbers and employment.

While not seriously affected in business numbers, US SMEs experienced a harsh decline in terms of employment during the crisis, the total of job losses in US SMEs amounting to 2.8 million in comparison to 650.000 jobs lost in EUR28 between 2008 and 2009 (Gagliardi, et.al, 2013). Despite this comparative resiliency of the Eurozone SMEs, the trend of employment in EUR28 also turned negative after 2011.

The crisis caused the severest damage on value added of SMEs, both in US and EUR28 in 2008, whereas the US SME sector showed a stronger bounce-back than EUR28 SMEs, its performance largely impacted by the recovery dynamics of the US economic environment.

In contrast to advanced economies, SMEs in emerging economies such as Brazil, India and Russia showed remarkable performances during and after the crisis. Both India and Brazil grew in terms of employment and enterprise numbers, the value added of Brazilian SMEs increasing by an incredible 40% between 2009 and 2010. In developed economies, particularly in EU28 and US, immediate short and long-term support programs for the impairment and re-growth of small businesses were enforced by regulatory authorities, as the damage of the crisis on the SME sector became more evident. The early outcomes of these efforts and the dynamics of recovery both in developed and developing economies are analyzed in detail, in the next section.

Recovery dynamics within the post-crisis era

The international context

Following the most severe economic crisis modern world has experienced (Chowdhury, 2011) , macroeconomic environment displays weak and divergent patterns of recovery, under the shadows of large risks (OECD, 2013).

While a slow but positive growth trend is observed in most emerging economies, only United States continues to enjoy a clear growth performance within the advanced economies, Eurozone and Japan's growth rates still struggling. Across OECD members, weak demand and high unemployment continued, as of 2013 (OECD, 2014a).

The downturn in global demand and post-crisis financial resource constraints did not impose identical burdens on economies, causing a significant variance on the performance of SME sectors. In EUR28 area, the number of SMEs started to decline in 2012 after the strong bounce back of 2009-2011, while in US, the upward trend starting at 2009 continued in the post-crisis period. In emerging economies of Brazil, India and Russia, the pre-crisis positive performance of SMEs was maintained, as the enterprise numbers continued their impressive growth, by 10%, 6% and 35% respectively (EC, 2014). In terms of SME employment, Japan experienced the largest amount of job losses, followed by EUR28 and Russia, US displaying a slow recovery after the sharp downfall of 2008. In contrast, Brazil and India enjoyed a strong increase in SME employment, by 18% and 9% respectively between 2008 and 2011. Brazilian SMEs were also highly successful in terms of value added growth, with a 56% positive change between 2008 and 2011, while SMEs in US and EU28 the improvement rates were much slower.

In Euro area, employment was the weakest factor among the three major indicators of SME performance, between 2008 and 2013. While value added recovery was slower than expected, the decline in both total number of SMEs by -0.9% and the number of employees by -0.5%, of 2013 were more alarming. Despite a negative 2012-2013 period, total value added generated by SMEs is expected to increase by 2.8% in 2014 and 3.4% in 2015, together with an additional 740,000 jobs to be created by SMEs in Euro area. The number of SMEs is also anticipated to increase by 0.38%, by 2015.

In terms of recovery dynamics, European SMEs reported *lack of customers* as their crucial problem, independent from the size class of businesses, in the 2013 "Survey on the Access to Finance of Small and Medium-sized Enterprises" (SAFE) conducted across 37 countries (Muller, et.al, 2014). Access to finance was reported as the second most important factor, particularly by micro enterprises, while finding high quality of labor force and managers were stated to a larger extent by small and medium sized businesses. As a final consideration, problems regarding competition were mentioned mostly by the medium sized enterprises.

Parallel to the findings of the SAFE survey, another cross-country analysis indicated the finance-related problems of SMEs in the post-crisis period, showing the only 7 countries had a significant increase in SME loans in 2012, Portugal, Greece and Ireland experiencing the weakest SME loan performance.

Results of the two extensive surveys supported the findings of previous scholarly studies stating that challenges of financing are among the most crucial problems of SMEs (Narteh; 2013; Abdulsaleh and Worthington, 2013; Rocha, et. al, 2011; Beck, 2010). Within the post-crisis period, the credit crunch resulting from the banks' perception of macroeconomic risk factors and Basel III requirements caused a greater level of vulnerability for small and medium sized companies to credit market conditions as these businesses are heavily reliant on bank loans (OECD, 2014a). Besides availability of credits, higher interest rate spreads and collateral requirements, delays in payments and increasing rates of bankruptcies also created important financial challenges for SMEs.

In the post-crisis era, new venture creations were also regarded as important factors for economic performance, as these units play a crucial role in real GDP growth and particularly new job creations (Klapper, et. al, 2014). Throughout the world, the percentage of economies where the new enterprise registrations have reached to the before-crisis levels were found to be 56 among the total of 139, developed countries performing slightly better than developing economies (Klapper, et.al, 2014). Registration of new businesses was fastest in high income countries, followed by low-middle and low income economies, while the upper middle income economies reported to face serious challenges.

Patterns of start-up rates and employment share of young enterprises were diverse across high and upper middle income economies (OECD, 2014b). New business creation rates remained below pre-crisis levels across in most of the OECD members, while in France, the new legislation that was enforced in 2009 for supporting auto-entrepreneurs hugely increased the pace of start-ups, once again pinpointing the significant role of government actions on entrepreneurship and SMEs. In terms of employment, Brazil start-ups showed the most successful performance, while most countries' employment levels remained far behind of 2008.

With regard to the impact of new ventures on new job creations, OECD's 2014 survey across 30 member countries had a very important implication, stating that, employment growth is "driven by the establishment of new enterprises, rather than by the growth of enterprises during their first years of activity" (OECD, 2014b). Due to challenging post-crisis conditions, the employment contribution of the young businesses was found to be in a declining trend from 2008 to 2011.

In previous research studies, governmental reforms facilitating new enterprise registration processes were addressed as important drivers of new venture creations, where the impact of significant improvements in bureaucratic transactions as opposed to minor changes have been found to be more effective (Das and Das, 2014; Smallbone, et.al 2013, Klapper and Love, 2011). In terms of the factors impacting new venture creations, findings of the World Bank research supported findings of these studies, underlining the significant correlation between the entry density of newly registered companies with start-up costs.

Adequacy of financial resources was also cited as a critical factor in starting a business both in developing and developed economies in the recent survey conducted across OECD countries. After the sharp decline in 2008, the recovery of venture capital investments continued to be significantly slow in Europe but was very fast in US. Russian Federation, South Africa and Luxembourg experienced a rapid growth in venture capital investments between 2009 and 2013, while Greece, Belgium and Austria stayed far behind the pre-crisis levels.

Despite these various post-crises challenges, SMEs in emerging economies, led by Brazil and India display a comparatively higher degree of resiliency and a better performance with respect to advanced economy SMEs, particularly Eurozone and Japan. The findings also support the previous statements of Ardic, et.al (2011), who advocated an organic link between SME sector and economic growth. The next section further discusses the topic by shifting the level of analysis to another emerging economy, Turkey.

The local context

Turkey is a “large, upper middle-income country, with relatively few natural sources” (Karpak and Topçu, 2010). Turkey ranks as 18th largest economy in the world, with a GDP of \$786 billion (Worldbank, 2014). Turkish economy grew substantially in the last decade, per capita income nearly tripling and exceeding \$10,000.

The fast growth trend was ceased by the global crisis, which caused a major decline in the real GDP in 2009, followed by the economic slowdown of 2012-2014 resulting mainly from political unstabilities and changes in FED's monetary policies.

Table 2: Real GDP growth in Turkey, 2007-14 (2013-14 forecast)

	2007	2008	2009	2010	2011	2012	2013	2014
%	4.7	0.7	-4.8	9.2	8.8	2.2	3.1	4.6

Source: OECD,2014a

Following the turmoil of the global crisis, the SME sector in Turkey recovered rapidly, similar to other emerging economy SMEs. There are currently a total of 2.641.961 small and medium sized enterprises in Turkey, with employees under 250, as shown in Table 3. Out of all registered businesses, 97% are micro enterprises with 0-19 employees, which is the highest percentage among OECD member states (OECD, 2014a). SMEs supply 75.7 % of total workforce and 53.9% of total value added, which together make these economic units “the most significant tools for economic development, gross domestic product and workforce in Turkey” (Nurrachmi, et.al, 2012).

Table 3: Number of registered enterprises and employees in Turkey, 2011-2012

Number of enterprise Number of employees

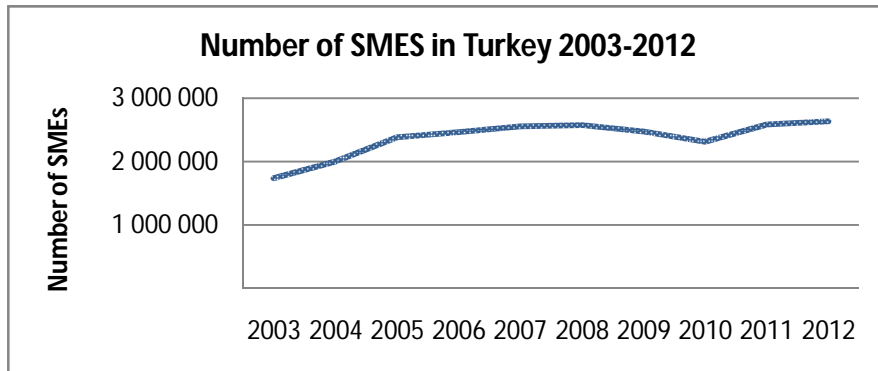
Size class	2012	2011	2012	2011
Total	2. 646. 117	2. 591. 082	12.559.467	11.519.036
1-19	2. 567 919	2. 522. 011	5. 689. 534	5. 362. 905
20-49	51.954	45.900	1. 603. 994	1. 424. 910
50-99	13.624	11.790	934.364	805.970
100-249	8.464	7.618	1.289.475	1.160.611
SME	2.641.961	2.587.319	9.517.367	8.754.396
SME %	99,8	99,8	75,7	75,9

Source: Turkish Statistical Institute Business Statistics, 2013

The number of small and medium sized businesses which had a fast growth pace between 2002 and 2007 experienced a decline in 2008-2010 and then regained the pre-crisis levels (Figure 1) in 2011 and 2012. SMEs showed a more impressive performance in terms of employment.

The number of registered employees in SMEs increased from 7.407.101 in 2009 to 9.517.367 in 2012 (Figure 2). The value added was the worst among the three indicators, as the share of SME value added in total value added dropped from 56.2% in 2006 to 53.9 in 2012 (Figure 3).

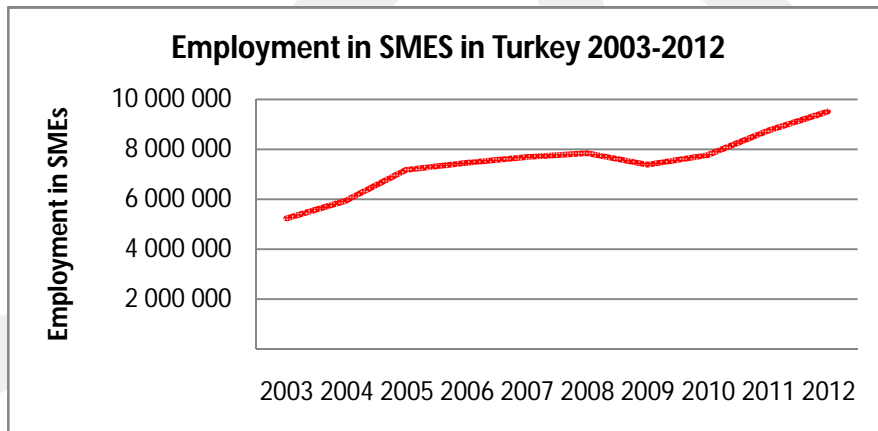
Figure 1: Number of SMEs in Turkey (2003-2012)



Source: Prepared by the author from the Turkish Statistical Institute Business Statistics data, 2002-2012.

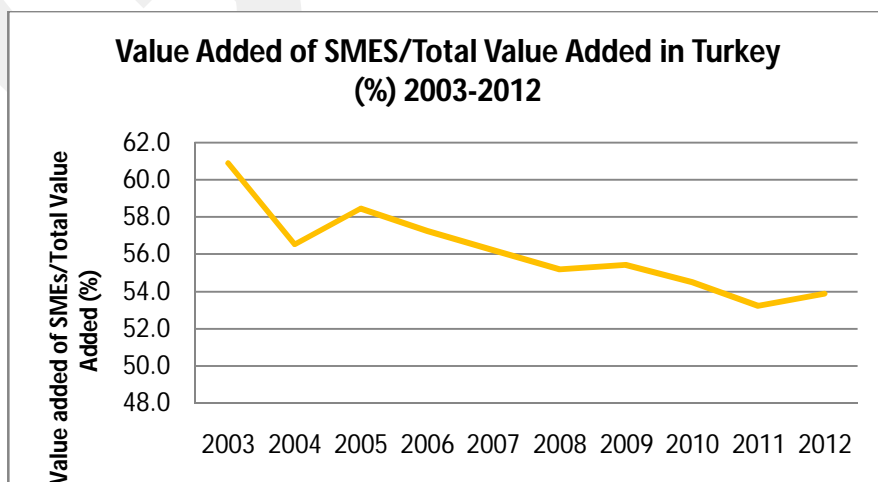
While SME sector has shown a successful performance particularly in terms of employment and new business creations, SMEs in Turkey are faced with a number of challenges. Previous studies have stated that financial problems, such as low capitalization levels and external financing requirements are among the major impediments of growth for SMEs in Turkey (Öndeş and Güngör, 2013; Şahin, 2011; Çetin, et,al, 2011; Güler, 2010).

Figure 2: Employment in SMEs in Turkey (2003-2012)



Source: Prepared by the author from the Turkish Statistical Institute Business Statistics data, 2002-2012.

Figure 3: Percentage of value added of SMEs to Total value added in Turkey (2003-2012)



Source: Prepared by the author from the Turkish Statistical Institute Business Statistics, data 2002-2012.

Despite that, the share of SME loans within the overall lending volumes have long remained significantly low compared to the other economies (OECD, 2013). For this reason, the facilitation of SMEs' access to finance, particularly during the post-crisis period, has been prioritized by the governmental authorities and the financial institutions. With the commercial banks' changing strategies, the loans lent to SMEs rose at the rate of 156%, between 2007-2012, the greatest expansion in SME lending among OECD countries (OECD, 2014a). The growth pattern of SME loans was consistent, with the exception of 2009, when a slight decrease of 1.6% was experienced.

For supporting SME loans, the guarantee volumes provided by KOSGEB, the governmental body in charge of SMEs, increased to 1.553 million TL in 2012, from 75 million in 2007, with the help of specific Treasury guarantee provided to SME loans. While the SME lending volumes is on a rise, the constrained access to finance is still perceived as the single largest obstacle to growth (OPIC, 2015), with the various dimensions of informality, opaqueness and credibility concerns for SMEs, combined with macroeconomic instabilities (Şahin, 2011).

Besides bank loans, alternative sources of financing in terms of venture capital investments were also actively used, the volumes increasing more than seven times between 2007 and 2012. The regulators also enacted a new law regarding the promotion of business angel investments in 2012, followed by a secondary legislation on 15 February 2013, resulting with the licencing of 100 business angels between 15.03.2013 and 31.10.2013. As another important mechanism aiming to "accelerate the establishment of innovative start-ups, increase the dynamism of the economy and contribute to a stronger and more sustainable economic growth" (OECD, 2014a), the government passed the law regarding the capital contribution of the Turkish Treasury to a fund of venture capital funds on April 3, 2013, which "enabled the direct contribution of relevant government agencies to the fund of venture capital funds and co-investment funds that invest together with the angel investors into early stage companies" (OECD, 2014a).

While there is a clear focus of authorities on finance-related problems, SMEs in Turkey have other important constraints, such as low levels of technology, R&D, innovation and institutionalization, inadequate marketing, administrative burdens, quality and trademark concerns, insufficient education level and managerial capabilities of SME owner/managers that limit SME growth and competitiveness (KOSGEB, 2012). As a result, SME sector in Turkey is mostly comprised of low-technology micro-enterprises, with very limited potential to create significant levels of value added growth. The percentage of micro enterprises with less than 10 employees within all businesses is 97%, the highest across OECD members. Turkey is also ranked as 55th in the "World Bank Doing Business Report" and 79th in starting a business, indicating the need for regulatory improvements for the facilitation of new venture creations and investments in existing businesses.

To address the negativities and provide solutions for existing SMEs and new ventures, separate commission reports were prepared in the 10th Development Plan for 2014-2018, differentiating small business and entrepreneurship areas for the first time and announcing the major action plans of "providing new support and financing tools for innovative and information-based enterprises, improvement of education system for enhancing entrepreneurship and competitiveness" and "enforcing institutional regulations and improvements for enterprises", for the improvement of business environment for SMEs and entrepreneurs. The plans are anticipated to strengthen the position of SMEs in the economy and enhance their competitiveness in the challenging post-crisis era.

Discussion and conclusion

Findings of the current study indicate that, new and existing small and medium sized businesses are faced with significant constraints mainly stemming shrinkage of global demand and tightened financial resources six years after the crisis. As illustrated by the enterprise numbers, and employment and value added contributions, SMEs are currently going through a tough test of survival capabilities, mainly due to tightening credit conditions, difficulties in finding new customers and shortage of skilled labor. The study showed that the impact of post-crisis syndromes is unexpectedly larger for advanced economies, particularly EU28 and Japan, where both the numbers of enterprises and employment in SMEs still remain under the pre-crisis levels, with the exception of US displaying a comparably better performance. On the other hand, in emerging markets led by Brazil, India and Turkey, and to an extent Russia, SMEs displayed a significantly positive performance in terms of business numbers, and contributions to new job and value added creations, indicating the high level of resiliency of small and medium sized companies in these environments to most severe external shocks.

In terms of the relationship with growth of SME sector and economic growth, current analysis supported the findings of previous studies' (Ardic, et. al., 2011), as the largest SME sector growth was observed in economies which experienced a economic growth, whereas the SME sector grew in a much slower pace in economies that had challenges of growth, during the post-crisis period. The performance of SME sectors in some emerging economies, such as Brazil, were particularly impressive, where the growth rate of SMEs outrun the economic growth rate multiple times. In Turkey, while the performance indicators of SME numbers and employment in SMEs were positive, similar to other emerging economies, the composition of enterprises, dominated by low technology micro businesses did not reflect a significant change after the crisis and the value-added share of SMEs continued to decrease.

This alarming factor was only very recently addressed in the future policies and plans of regulatory authorities, causing a shift of focus to innovative and information-based enterprises and the concept of entrepreneurship, as most of the efforts, to date, have concentrated on the facilitation of financial resource access.

While financing SMEs has been the priority of both developed and developing economy authorities, any discussion for improving the SME contribution in the economy would not be complete without the vital factors of increased innovativeness and managerial capabilities, as addressed in a wealth of academic studies, therefore, future research on SME sector developments can be expected to follow a less financial and more innovation-based route.

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