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Fueling Turkey's Small Business Revolution

SME development is one the most important parts of the Turkish economy with the objective to improve the productivity of the private sector and enhance the country's competitiveness. The Bank is helping Turkey in realizing this objective by a new project facility.

For years, Small and Medium Size Entrepreneurs in Turkey suffered from the lack of mechanisms that would enable them to have access to credit lines- and this presented itself as the major bottleneck in front of the growth of their companies.

Now with a proud look on his face, Mr. Hamit Semati, the founding partner of the Besmak Laboratory Equip. and Civil Eng. Test Machines Production Co., talks about the new credit-line his company was awarded by Halkbank, which is helping his company, grow. "Turkish SMEs can be a powerful engine for sustaining Turkey's growth, creating employment, maintaining social stability and integrating the Turkish productive sector into the EU and the global economy. We, the entrepreneurs have, however, been underserved by credit for years and thus have been held back from reaching our potential. Apparently things are starting to change now."

The main business line of Besmak that was established in 2001 is manufacturing of laboratory testing machinery (specifically manufacturing of quality control testing laboratories for testing of soil mechanics, asphalt, concrete, rock mechanics, and construction materials such as brick, roof tile, and gypsum). The plant is located in the outskirts of Ankara, in the industrial part of the capital city.

"The factory where the manufacturing activity is being carried out is a rented premise and is not quite suitable for the manufacturing process. As volume of our business expanded within the past couple of years, the manufacturing process has become harder and inefficient. We need to move to a new location, this is why we applied to benefit from the credit-line that is being provided by the World Bank, through the channel of Halkbank" says Tuncay Yilmaz the other partner of the company.

The World Bank finance is for the expansion of the plant in its new location. After completion of proposed new project, manufacturing process would be continued at the new plant that is in Sultankoy- the new growing industrial zone of the city. Looking at the Environmental Impacts, the products manufactured by company have no hazardous impact on human health nor do they include any chemical waste and poisonous gas, etc. which may pollute the environment.

Plan is to move out to the new plant in the first quarter of 2008. "After completion of our move, our company will also start to manufacture concrete plants in addition to manufacturing of testing equipment. This really means scaling- up and expanding in production" indicates Hamit Semati.

The total cost of this upgrading and renovation of the Company costs 2.285.000 Euro and the World Bank financing is covering 935,000 Euro of this amount that is being spent on construction and machinery & plants.

Started in late 2007, the World Bank financed Access to Finance for SMEs project, is the remedy to many SMEs in the country as it aims to increase Turkish small and medium enterprises' (SMEs) access to medium term finance. By providing SMEs with access to credit, the project not only helps the companies to grow but also help increase their sales and productivity. Another benefit of the project is that it ensures the credit and productivity gaps between more and less advanced regions in the country are closed. TSKB and Halkbank are the two Banks intermediating between the Bank and the Turkish SMEs to benefit from about Euro 200 million equivalent credit-line.