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Meeting on Self-Help Programmes for  
Small-scale Industries in Developing Countries

Vienna, Austria, 10 - 14 November 1975

Country Paper

TURKEY, 1/

by

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and

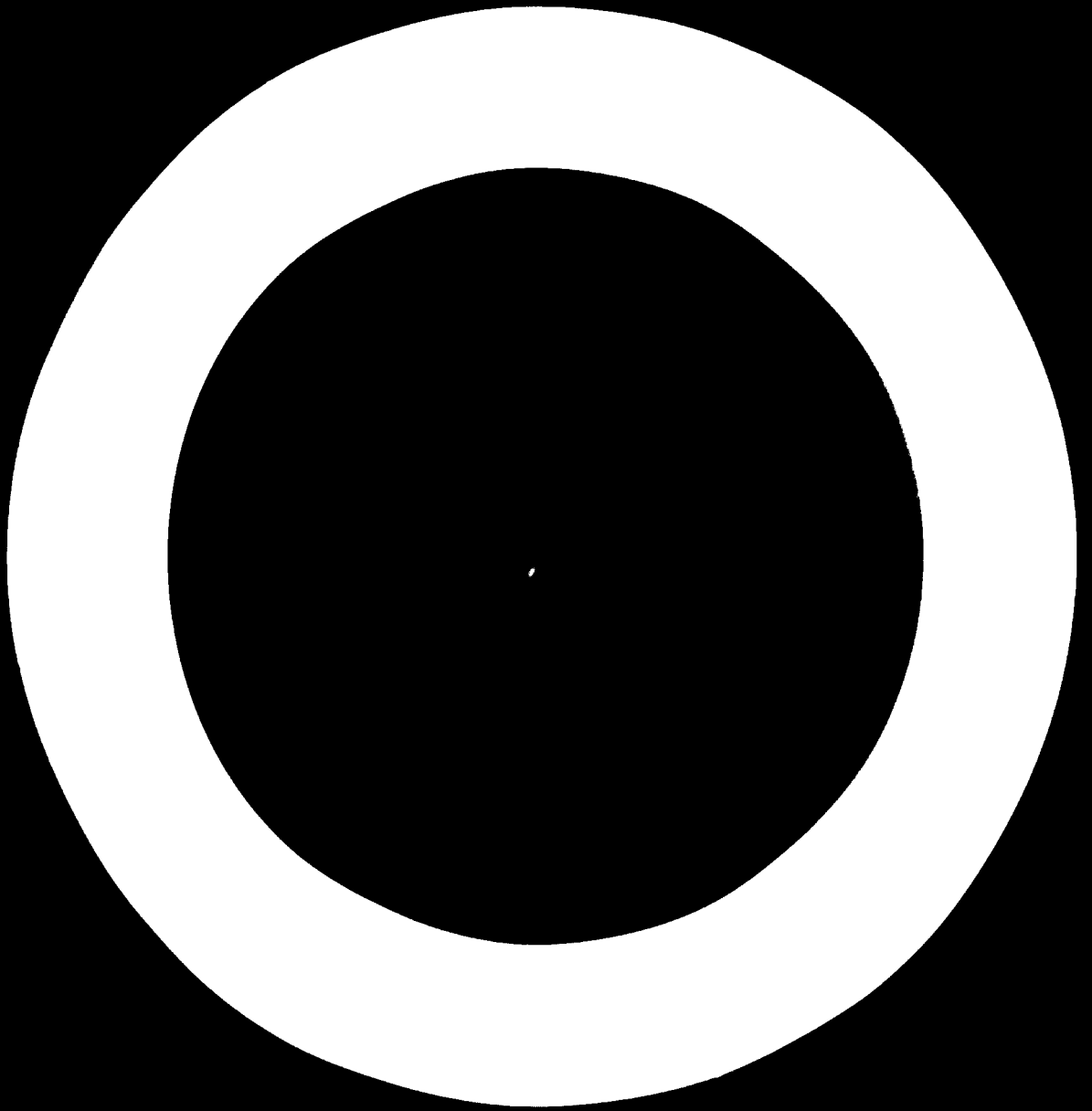
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It would be useful first of all to identify ourselves in order to explain self help programmes in our country. Afterwards, the sectors of small industry and services, their situations, some of their problems, measures to be taken, the subjects of education, finances, marketing and credits will be shortly dealt with.

#### The definition of Craftsmen and Tradesmen :

We call craftsmen and tradesmen those professionals who exercise their profession in a workshop or ambulantly or making a living by owning or driving a car, and who are not registered in the Chamber of Commerce.

The craftsmen and tradesmen, about 3 millions, have a major part in the Turkish economy.

This community who owns a small capital and works essentially bodily is the balancing factor between capital and worker and participates vividly in the economic and social life in Turkey.

The statistical figures, as in many countries, are not completely enough to explain the economical importance of this community. The small and medium sized enterprises are generally the sources of new ideas and meet the big part of local consumers' demand. These kinds of enterprises are the backbone of the industry at the national level. Small work places have the biggest share in manufacturing industry, % 98, whereas the large companies have only % 2.

In our country, the definition of small industry used to be made by including those workshops where atmost 10 persons were working or 10 HP electrical energy were consumed. But these criteria are faulty: In order to put into effect the development programs, we need a new and good definition of small industry.

In Turkey, the handwork seems to be included both in manufacturing industry and in small trade. There is no clearcut definition of the term.

The fixed investments such as ground, building and equipment are the measures enough to show the level of the enterprise and the bigness of the industry in the developing countries.

the definition of the small industry in actual conditions :

An investment ceiling of 2.5 millions Turkish Liras, excluding the values of ground and building is accepted favorably by the Ministry of Industry and Technology and by the People's Council.

Under this concept, the professions exercised by the small industrialists can be summarized as follows :

A- manufacturing :

Machine manufacturing, electrical machines, agricultural machines and tools, plastics, leather, timber, cannellage, battery, car body etc.

B- Reparation :

Engine reparation, chasis reparation, car body reparation, car electricians, car dying, electrical reparation etc. In addition consumer's goods sellers, service owners, auto owners or drivers (excluding those working in municipalities and in state) are completing this scheme.

The professional organizations :

The act concerning the organization of Craftsmen and Tradesmen has come into effect in 1964 : This law is useful in meeting the dispersed professional associations under the departmental unions and gave these associations a public character. If there are more than 50 associations dealing with the same profession then a professional federation is created in Ankara. Therefore the Confederation of Craftsmen and Tradesmen is the summit organization, 3000 professional associations, 67 unions, 8 professional Federations. The Confederation is entitled to arrange the harmony in the working life of craftsmen and tradesmen, to defend their interests in government ministries, to deal with the problems of finance, credits and taxes and to help their members build modern workshops.

The Confederation is in complete harmony in its functioning with the Ministries of Industry, of National Education, of Commerce and the People's Bank which is the unique bank of our community.

We can summarize the cooperatives in our sphere as follows :

- 1- Credit and Guarantee Cooperatives ,
- 2- Craftsmanship Cooperatives,
- 3- Consumption Cooperatives,
- 4- Small Estates Construction Cooperatives,
- 5- Housing Estates Cooperatives.

Social security of our community is enacted in 1972.

The most important help for our members has been achieved through the Small Industry Development Center (KUSGEM) and through the National Industrial Training Scheme, starting in 1973 in Ankara.

### Credit and Guarantee Cooperatives :

The place of the People's Bank ;

This Bank is the unique credit source of our members. Its capital is 1 Billion Turkish Liras. Its principal functions consist of meeting the credit demands of our members who form the biggest group of the middle class (through credit cooperatives' guarantees), to see to that our types of enterprises resist internal and external competition through joint enterprises, to provide equipment needed by our members, to create sources for marketing and educational facilities.

With a new project concerning the Bank, our community would have a voice in the administration.

The Bank has 280 branches throughout the country and 400,000 craftsmen and tradesmen are benefited from one credit. Although these credit limits are not sufficient to meet the demands of our members, the gap is going to be bridged through newly created Social Security Agency (BAG-KUR) and through the National Funds.

The Credit and Guarantee Cooperatives, around 500, assure financial relations between the member and the branch. These cooperatives are organized in 20 regional unions and in a Central Union in Ankara entitled to defend the credit interests of its members by the Bank and by the State. This Union supervises also the programs, the educational facilities concerning its members.

Actually, these cooperatives are getting interested not only in the credit problems, but also in the problem of providing raw materials and try to find new sources of financing our members.

### Craftsmanship Cooperatives .

These cooperatives have been created with the goal of providing raw materials with reasonable prices, of manufacturing collectively tools and equipments according to the standards, of



marketing finished goods in suitable time. Some of them function in production and some in consumption process

The most successful cooperatives are those that deal with the making of hunting rifles, onnix, Siirt blankets and meerschaum pipes in which the foreign businessmen are very interested.

The Ministry of Industry and Technology which gives foundation credit with % 3.5 interest and operational credit with % 6 is dealing with the promotion and furtherance of these cooperatives.

While opening credits, the Ministry takes into account the usefulness of manufactured goods to the economy, the possibility of exportation and so on. This kind of cooperatives are promoted by the Ministry with various credits.

In Turkey and abroad, the Ministry is taking part in the international fairs. There is some research going on over samples and designs.

#### Small Estates Construction Cooperatives

Ministry of Industry and Technology is entitled to promote small industry enterprises in the frame of Development Plans, to execute policy related to them. The Ministry tries also to bring together all local small enterprises in the same estate, to procure raw materials for them, to help solving production and marketing and quality control problems as well as to help them in training and social solidarity problems. This kind of enterprises is the starting point to build big enterprises. In the production process, they are easily specialized on some goods requiring a particular dexterity, and help big industry in sub contracting.

The dominant character of small industry which concentrates upon handwork helps solving the unemployment problem in our country. With the development of this sector we will be able to

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create a powerful middle class and assure a balanced development among regions.

Since 1964, for construction of 20.000 workshops, the state has given 730 million liras of credit, and almost half of these workshops have been effectively operating now. In 38 other small estates are being constructed.

These estates constructed with modern conditions and according to the urbanism requirements are very useful for craftsmen who can pass from repairing to manufacturing. Members of cooperatives meet % 40 and the state % 60 of construction expenses. In underdeveloped areas state participation reaches % 80, even % 90 of the total expense.

The promotion measures are taken in the framework of the development plan and government policy. Each year, a fund has been taking place in the state budget for spending for that purpose.

#### Housing Estates Cooperatives :

The possibility of building houses for workers by credits has been accepted in 1950 whereas this right for craftsmen has come into being in 1972 by the Social Security act for Craftsmen and Tradesmen. This establishment has been created by the premiums paid by the members. There is no big share of the State.

These cooperatives are organized at least by 10 persons. The projects approved by both local municipality and the General Administration of Social Security Establishment gets until % 80 of credit.

We want to give some explanation about Social Security act of Craftsmen and Tradesmen (in Turkish - BAG-KUR): This Security system guarantee the future of the assured or of his family in case of death, work accident, and disability. The case of sickness is depending upon a new project of law. Our members pay % 13

of their monthly income as primes. The retirement age, 60 is going to be 55 with a new law project.

The funds in the bill are allocated for

- a- Credit for the workshops construction ,
- b- Credit for housing,
- c- Credit for fundation and operation.

In the preparation of this Social Security act which is an important asset for the Social Security of our members, and in its execution our Confederation has played an important part and we have three members in its board of directors.

Small Industry Development Center in Gaziantep (KUSGEM) :

This center created according to an agreement between Turkish Government and UNIDO began to work in 1970. The pilot project has been executed for 5 years in Gaziantep and according to the result the branches would be set up throughout the country.

The project helps the planning and the fundation of the Pilot Project Center and the Small Estate in Gaziantep.

The agreement asserting that the responsibility of the fundation, execution and control of the project would be up to the Ministry of Industry and Technology has set up a board of directors consisting of the representatives of the Ministries of Technology and of National Education, of State Planning Office, of People's Bank, of our Confederation and of the project manager. This board is fully competent to direct and control of the functioning of the Center.

Our Confederation has made his best for the fundation and the good functioning of the Center which has the goal to be useful for our community. But, due to the fact that all initiative is in the state there has been important delay in the fundation

of the center, and up to now, this gap cannot be bridged yet. Plants which should have been completed long ago are not delivered yet.

Our purpose of explaining these facts in an international meeting is to try to show the importance of the future cooperation between UNIDO and our organization which has no bureaucratic obstacles in its working.

The Small Industry Development Center :

This center works to realize :

- to make researches on economic problems related to our community and to prepare feasibility reports.
- to work on planning and developing studies in Small Industrial Estates,
- to give technical and management advice, to prepare short training programmes, to set up consulting services on production, finance and marketing problems,
- to organize selling and marketing arrangements including those of cooperation between big and small industry by means of subcontracting and government purchase.
- to manufacture as prototype of tools and equipment used by our members.

Our main purpose in the model Industrial Estate in Gaziantep is to broaden the works throughout Turkey for the benefit of all craftsmen and tradesmen.

The National Industrial training scheme set up with the cooperation of UNIDO and began to work in 1973 has differently carried out its work. For two years, Ministry of National Education and ILO has taken part in the works.

The board of directors in which our organization takes part determines policy including training of administrators; UNIDO officials got in touch with related officials. And as a result a close cooperation among interested ministries and industrial establishments has been secured. But, in spite of the goal of the scheme is very large and the financial situation is sound, that the meetings of the board of directors are much less than we expect, make difficulty for the project to reach its end. The negative impact of this situation should be taken into account.

### Our Training Functions

We prepare training programs in order to teach apprentices and assistant-masters methods for the manufacturing of equipments with reasonable prices and with good quality, to instruct our craftsmen about methods assuring their smooth passing from reparation to manufacturing, from manufacturing to mass production, to be able subcontracting big firms. Since 1963, with the efficient cooperation among Ministries of Industry, National Education, the People's Bank and our Confederation, there have been courses in vocational schools in provinces. Between 1963 - 1974, almost 21.000 masters, assistant-masters and apprentices have taken courses and have succeeded in them. We observe with satisfaction that in the workshops of the masters attending the courses, there take place new and more efficient work methods.

The other problems which we have been working on can be summarized as follows:

In our rapidly industrializing country, especially the manufacturing industry should know its occupation at the best. Because of the lack of a law arranging the work of apprentices and masters, their relations with customer, it is generally easy to set up a reparation work (or whatever it is) without enough technological knowledge concerning the job. This is our most important concern.

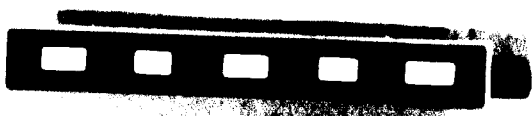
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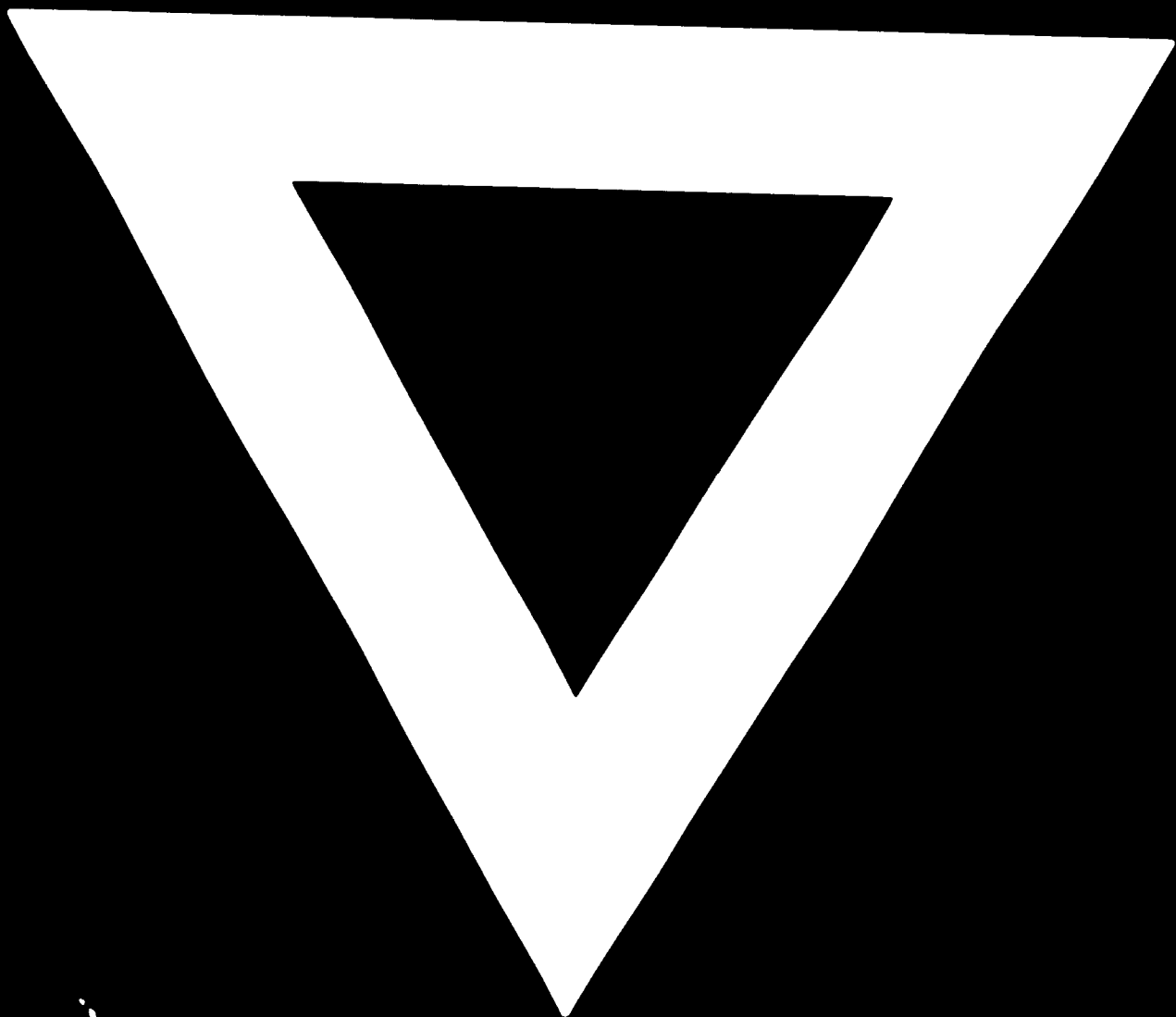
At this point we can assert that the help of UNIDO to developing countries in the betterment of small and medium-sized industrial enterprises, would be much more efficient; This aid can be either technical, financial and we think that it is our duty to call the attention of ONUDI for more efficient help for the small industry in developing countries.

We believe the danger of big industry or of large surfaces (department stores) for smaller ones can be overcome of setting up of sound, resistant to concurrence small workshops which would unify their capitals and their manpower. Because of this fact we deeply believe that as in most european countries, there should be new promotional measures for the development of the small industry. In the taxation we are after a simple system instead of very complicated one actually in force in Turkey; we think that P.V.A. is suitable for our purpose.

Because we are an important pressure group, our demands generally influence positively the government. In order to require new measures concerning us to be taken we should know methods used in developed countries, and choose the best ones suitable to our needs.

We estimate that other members of UNIDO too, face almost the same problems which we have shortly dealt with. Due to this reason we believe that this meeting on self help would be very fruitful for all the participants and with this belief we sincerely greet you.





**76.01.16**