

Can SMEs in developing countries resist crisis? An analysis on Turkish and Albanian cases

Canan Şentürk – Hidayet Keskin – Yasemen Kiriş–Perihan Türköz –
Hakan M. Kiriş

Abstract

SMEs have an important role in terms of their economic share in developed and developing economies, though there are different definitions of SME among various organizations and countries. Today, instead of giant industries, SMEs having gained importance in the developing economies, become advantageous being economic enterprises having the capability of quick adjudication, working with less capital but more intense labor and having low cost of management and thus having cheap production. In short, the concept of *small is beautiful* becomes important in the current economic conjuncture with giant firms.

In this context, SME definition and SME's role in Turkish and Albanian economies will be dealt with. It will be also questioned whether SMEs in developing countries resist crisis or not.

Keywords: SMEs, Turkish SMEs, Albanian SMEs.

INTRODUCTION

Small and Medium Size Enterprises (SMEs) are the dynamic and gripping elements of improving economies, as they are in the world. Generally, SMEs can be defined as economic enterprises requiring little capital, having the quality to make a quick decision, working with manual labour and in low level of management expenses and manufacturing with low expenses.(Uludağ, Serin; 1990) Small enterprises, at the same time, are the

enterprises that are dynamic, innovative assessing the opportunities in time. (Erken, 1990)

These enterprises possess an important feature for industrialization, strong urbanization, optimum distribution and commercial applications within the social and economical structure of countries. In the said developed and developing economies, SMEs are profit-focused and creating value added enterprises contributing to employment drastically, decreasing the problem of unemployment, leading economic growth and transition of thought to the action. Thus they play an active role in determining the policies and strategies of all the countries. (Türköz, 2008)

In this regard, SMEs play a central role in the world economy. Recent empirical studies show that SMEs contribute to over 55% of GDP and over 65% of total employment in high-income countries. SMEs and informal enterprises, account for over 60% of GDP and over 70% of total employment in low-income countries, while they contribute over 95% of total employment and about 70% of GDP in middle-income countries. In the European Union countries, for example, there are some 25 million small businesses, constituting 99% of all businesses; they employ almost 95 million people, providing 55% of total jobs in the private sector. Important contribution is also on exports and on productivity growth.

1. DEFINITIONS OF SMALL AND MEDIUM-SIZED ENTERPRISE (SME)

Today, micro or small enterprises are not equal with unsuccessful firms any more. This new condition is different from the past. Any firm can be successful and it can be small class also. (Erkan, 1990). On the contrary SMEs are dynamic and innovative enterprises and evaluate opportunities on time. Definition of SMEs and their size criteria is a controversial subject. There are various opinions about SMEs size measurement criteria and their amount. (Dinçer, 1994).

Institutions which working on SMEs case can make several definitions. Limits of SMEs definition generally changes according to economic size of countries. Thus SMEs phrase have economical meaning rather than legal meaning. Most of countries accept that number of employee is a common measurement of SMEs definition.

According to some institutions number of employee have more importance, for the others enterprises turnover have more importance in SMEs definition.

World Bank's definition of SMEs : (WB)

- micro scale; less than 50 employee,
- small scale; 50 employee,
- medium scale; 50-200 employee.

In European Union, the new definition of SME includes those with fewer than 250 employees. (CEC, 1999) This group is further disaggregated into micro enterprises (with fewer than 10 employees), small enterprises (with 10-49 employees) and medium sized enterprises (with 50-249 employees). Micro enterprises would include self-employed people working for themselves with no employees.¹¹¹

Eurostat has made re-arrangement on statistics of EU by enterprises scale.(Yilmaz, 2004)

- Not employee (micro)
- 1-9 employee (micro)
- 10-49 employee (small)
- 50-249 employee (medium)
- 250-499 employee (large)
- More than 500 employee (large)

2. PLACE AND IMPORTANCE OF SMEs IN THE WORLD

¹¹¹ Sometimes the term small, medium and micro-sized enterprises (SMMEs) is used rather than SMEs.

In European Community, every three people out of 25 (12%) in 1985 were free from business. Therefore, a research has been made to achieve an important increase in employment in Europe. The results of the research show that one solution to achieve this rise is Small and Medium Size Enterprise (SMEs). It is noted that SMEs, the significance of which become clearer for resolving employment problem, have gained importance also in Europe after 1970s.(Bulmuş, Oktay, Törüner; 1990)

Some policies are also tried to be prepared enabling competition and formation of small enterprises making changes in the production, sale and management, besides the policies aiming to increase the employment in the small enterprises which have been monitored till now in the countries developed in the first decades of 21st century.(Sariaslan, 1994)

Table 1. Share of SMEs in Some Countries (%) (2004)

	USA	Germany	Japan	France	England	South-Korea	India	Turkey
SMEs in Total Enterprises (%)	97,2	99,8	99,4	99,9	96	97,8	98,6	99,5
SMEs in Total Employment (%)	50,4	64	81,4	49,4	36	61,9	63,2	61,1
SMEs in Total Investment (%)	38	44	40	45	29,5	35,7	27,8	56,5
SMEs in Total Value Added (%)	36,2	49	52	54	25,1	34,5	50	37,7
SMEs in Total Export (%)	32	31,1	38	23	22,2	20,2	40	8
SMEs in Total Credits (%)	42,7	35	50	48	27,2	46,8	15,3	4

Source: YILMAZ, B., “Kobi’lerin Finansman Sorunlarına Bir Çözüm Önerisi: “Risk Sermayesi Finansman Modeli””, (available at <http://www.dtm.gov.tr/dtmadmin/upload/EAD/TanitimKoordinasyonDb/Beytullah.doc>), (accessed March, 14, 2008).

It is seen that SMEs form a major part of total enterprises in the countries in Table 1 in the period between 1045 and 1970, emphasizing large size enterprises, economic growth and rehabilitation activities are implemented in the world. However, in this period, it is understood that SMEs have superior features compared to large size enterprises. In several countries, SMEs' role in creating employment and enabling competitive atmosphere, have gradually increased. In 1970s, the conjuncture on economic crisis has become effective in such a case. On the other hand, after the economies of scale have begun to decrease, SMEs have begun to construct the basis of macro economies' policies in many countries because SMEs have contributed to the usage of sources economically, the employment and income distribution after the depression in 1970. Contrary to the large enterprises focusing on the manufacturing of products the demand of which have showed high or low income elasticity, are the units affected least by the economic crisis.(Yılmaz, (accessed March, 14, 2008)) Once the economies of developing and developed countries are analyzed, indicators of SMEs disclose the significance of this sector clearly. Although SMEs show agricultural and structural differences country to country, an invariable fact is that these enterprises have great contribution to the economies of whole world countries.

SMEs constitute the basic source of materials, ideas, process and service that large enterprises cannot do or do not want to do. Because aiming to benefit from the cost advantage of economies of scale, large enterprises implement a policy of manufacturing a product for a long period due to the big investments for the machines, tools, devices and labor force. However, SMEs do not have such problems as maintaining a large scale investment. Because their economies are small and they possess more elastic structure when compared to large enterprises.(Efe, 1998)

SMEs remain important not only in developing countries but also in developed and industrialized countries. In these years of 21st century, in developed countries, the policies aiming to increase employment of small enterprises, observed up to now, are postponed and it has been tried to

constitute some policies enabling formation and competition of small enterprises making changes in production, sale and management. In developed countries, policies of small enterprises should be to improve alive, livable and dynamic enterprising, not focusing on increasing employment. (Sariaslan, 1994) Despite these difficulties, in all countries, there can be made such a generalization that SMEs constitute about 99% of enterprises. Despite the change from one country to another, SMEs constitute 40-80% of employment and 30-70% of gross national product. 5% of the SMEs are of the statute of large enterprises. This data designates a superiority of small enterprises upon large ones. One of SMEs small but important characteristics is that they are in a leading position to improve industries and technologies. SMEs are densely existed within the enterprises implementing innovative studies. By decreasing cost of communication, SMEs technical opportunities will increase and thus, SMEs' achievement in global market will improve. Contribution of SMEs to the employment is also important. (Küçükçolak, 1998)

Regardless of the level of economic growth, in all countries SMEs are the basis of economic and social order in terms of numerical and job creation capability. In almost all of the countries, SMEs constitute nearly all of the enterprises. According to this, in all countries, SMEs have an active role. (KOSGEB, 2000, 1993) Consequently, today, with the globalization of world markets, developed and developing countries are more aware of the capability and elasticity of SMEs to keep up with the social and economic changes. Thus, they focus on incentive economic measures to increase their competition capability and technological level. In short, in the world, the concept of "Small is Beautiful" is common.

3. ADVANTAGES AND DISADVANTAGES OF SMEs

3.1. Advantages of SMEs¹¹²

¹¹² See also Table 7.

Small and medium size enterprises have become popular in the world especially since 1960s. In 1973, a book about SMEs were published in USA named "Small is Beautiful" by E. F. Schumacher and this work aroused great echo in the world. In his book, the writer denotes the superiorities of SMEs as such:

- SMEs have a competitive structure.
- SMEs are more efficient.
- SMEs keep up with the new demands and new technology easier.
- SMEs' working styles are not monotonous or boring.
- SMEs are more enduring to the economic crisis.
- SMEs have a more successful role in increasing employment and arranging income.

It can be stated as a result that thanks to these features explained by Schumacher, SMEs have been leading enterprises in the industrialization of Western Countries since 1960.(Çarıkçı, 2001) Furthermore, SMEs;

- Provide more production and product variety with less investment.
- Create employment opportunity with low investment cost.
- Contributes to the reduction of employment working with intense effort technologies and employing, generally, low qualified employee.
- Affected less by the economic fluctuation because of their elastic structure.
- Keep up with the change and variety in demand easier.
- Are susceptible to benefit from technological innovations due to their elastic structure.
- Enable a balance in integral development.
- Reduce the instability in income distribution.
- Foster private savings.
- Complement and support large industry enterprises.
- Are the balance and stability elements of economic and social system.

Before all else, owning a small enterprise provides entrepreneur two fundamental advantage to compete with large enterprises. These are; to establish close relations with customer and operational staff, and to be more elastic in terms of marketing, production and service than large enterprises.

Entrepreneurs of SMEs are individuals who know local market they are in and realize the features and requirements of the market, and establish close relations with the customers and sellers. Especially, close relations with the customers provide superiority to these enterprises, which large enterprises cannot possess.

SMEs, observing the market closely, understanding the requirements of customers better and having intimate relations with its employee, have more elasticity than the large ones in terms of manufacturing, marketing and service. As this elasticity enables harmony with the changes in outside in time and on-site, SMEs pass over many troubles lightly with less damage. Right along with these, SMEs may obtain some advantages in some surroundings. (Yilmaz, (accessed March, 14, 2008)

SMEs' advantages are:

- SMEs provide the strength of element of “balance” income spectrum. This balance gains importance in terms of both social and economic sides. These enterprises are the sources of new ideas and discoveries. They contribute to the industries for providing required elasticity.
- SMEs have the opportunity to make a decision more quickly. Because they work with less expense of management and general operating, they have faster and cheaper production.
- SMEs play an important role in creating private initiatives. Also they enjoy large shares in employment and training. These enterprises are the first establishments in which many qualified workers receive technical training.
- SMEs constitute an effective way to expand the manufacturing and industrialization to the whole country.

- SMEs are of the situation to be the manufacturer of intermediate goods and inputs of large industrial enterprises.
- SMEs may be effective in increasing quality of life providing some opportunities for small investments to use labor force, raw material and financial sources that cannot be used because of social and political reasons.
- SMEs possess a significant role to fulfill the function to reflect small savings and family savings directly to the investments.
- It is observed that the relations between employee-employer improved in a closer and more positive environment.
- In the war economy, when large industries are damaged, small enterprises take an important function.

In a report of European Community about SMEs, the contribution of these enterprises to the economic system are summarized as the following; “these enterprises constitute a required part of commercial and industrial structure because of their numbers and studies about different cases; effects over all sectors having a field of manufacturing, trade and service; contributions to employment and level of welfare.”

3.2. Disadvantage of SMEs¹¹³

- Fail to provide professional administrator: The opportunities of small enterprises to possess a functional management style, are limited. Many small enterprises share the problem of not having managers specialized in their fields. This quality makes up a vital problem in their managing. At the beginning, enterprises may fulfill whole tasks about functions of the enterprise without needing any help. However, while growing, entrepreneur cannot fulfill these tasks alone or may have difficulties in managing.
- Fail to provide required capital: SMEs have some troubles in providing long term investment capital. Furthermore, they cannot pay loan of small quantity at a low rate of interest. Or at the time when they need loan, the loan may be cancelled. Right along with these, SMEs cannot find the

¹¹³ See also Table 7.

opportunities to reserve required fund to supply the risks because they do not have enough capital in the first years of marketing.

- Fail to provide enough labor force: One of the most vital problems of enterprises is to provide qualified and facile worker. Different factors affect their difficulty in providing staff. Generally small enterprises cannot provide equal employee benefits and wages to the large ones. Confidence and prestige that is provided by large enterprises causes people to work in these enterprises.

- Rules arranging economic life: Laws about minimum wage, working hours, worker health and environmental pollution sometimes cause important problems for SMEs. The expenses to gather tax withholding and insurance premium of wages; to arrange required documents and to convey premiums, tax withholdings and value added tax periodically to the related institution may be much more when compared to the large ones.

On the other hand, trade unions raise difficulties for SMEs by demanding the same rise of wages and employee benefits from all of the enterprises without discriminating them as large or small.

- Tax Laws and the system of taxation: Taxes and the system of taxation have an important role because SMEs are generally depend financially on savings of individuals, family members and close friends. Although there are some legal decisions in favour of them, tax laws and taxes are important problems for SMEs.

- Limited opportunities of research and development (R&D): SMEs have some important disadvantages about research and development when compared to the larger ones. Research and development requires important expenses and specialized staff. Before all else, they cannot reserve source for them and cannot find many opportunities to employ required staff. Competitive strength of small enterprises is low if compared to the enterprises having research and development opportunities. In such a situation the most rationalist way to follow is that some small enterprises, coming together, may found a center of research and development.

Government may partially solve the problem by letting SMEs benefit from its R&D center in a return for a certain price.

- **Privileged Attitudes:** One of the SMEs' disadvantages is that they lack strength to struggle against monopolistic attitudes and large interest groups. Likewise, SMEs experience difficulties as they generally become ineffective in the relations of entrepreneurs with the trade unions and government agencies and in the most of the demands.

On the other hand, SMEs cannot oppose much to the unfair competition created by economic unities in the market. Therefore, today, in many countries, some laws are laid down to keep the studies of economic unities (Cartel and Trust) under control.

Working under some risks are valid for all enterprises but there are more risks for small enterprises. Larger ones generally undertake the production and distribution of goods that have constant and prescribed demand. Thus, small enterprises have to work for the goods having low demand and changeable qualification. Price competition in many business lines, especially in the ones in the industrial sector, is higher when compared to SMEs' large rivals unit cost of which are high.

As long as there is a more detailed division of labor, the efficiency of labor improves and so units of labor costs decrease. Labor displacement and detailed division of labor are peculiar to mass production. Furthermore, some enterprises making mass production, make large amount of purchase. That's why they can buy materials of higher quality at a lower figure. This situation is while increasing efficiency of material, decreases the expenses of unit cost. On the other hand, large enterprises enjoy a great advantage in terms of cost of financing. Large enterprises take up a loan of large amounts. Moreover they can get this loan in more appropriate conditions.

According to these explanations, because of the negative competition, lack of general administration, especially the lack of total participation of low level workers to the decisions taken by the owners or partners, not employing

specialist and financial consultants in the enterprise, lack of an expert group in financing and lack of department, lack of capital and financial planning, not taking enough support from the banks and other financial corporations, not benefiting enough from capital market, lack of product development, lack of coordination between production and sale, not showing the activities of modern marketing, not to be able to participate in the activities such as bidding because their small size, littleness of business sites and residential areas, risk of bankruptcy and losing its independency, not to be able to provide specialized staff, legislation and bureaucracy, SMEs may be called disadvantageous.

Table 7. A Comparison of Small and Large Firms (Advantages and Disadvantages)

	Small Firms	Large Firms
Marketing	Ability to react quickly to keep abreast of fast-changing market requirements. (Market start-up abroad can be prohibitively costly.)	Comprehensive distribution and servicing facilities. High degree of market power with existing products.
Management	Lack of bureaucracy. Dynamic, entrepreneurial managers react quickly to take advantage of new opportunities and are willing to accept risk.	Professional managers able to control complex organisations and to establish corporate strategies. (Can suffer an excess of bureaucracy. Often controlled by accountants who can be averse to risk. Managers can become mere “administrators” who lack dynamism with respect to new long-term opportunities.)
Internal Communications	Efficient and informal internal communication networks. Affords a fast response to internal problem-solving; provides ability to recognise rapidly to adapt to change in the external environment.	(Internal communications often cumbersome: this can lead to slow reaction to external threats and opportunities.)
Qualified	(frequent lack of suitably	Ability to attract highly-skilled

Technical Manpower	qualified technical specialists. Often unable to support a formal R&D effort on an appreciable scale.)	technical specialists. Can support the establishment of a large R&D laboratory.
External Communications	(Frequent lack of time or resources to identify and use important external sources of scientific and technological expertise.)	Ability to “plug in” to external sources of scientific and technological expertise. Can afford library and information services. Can sub-contract R&D specialist centres of expertise. Can buy crucial technical information and technology.
Finance	(Can experience great difficulty in attracting capital, especially risk capital. Innovation can represent a disproportionately large financial risk. Inability to spread risk over a portfolio of projects).	Ability to borrow on capital market. Ability to spread risk over a portfolio of projects. Beter able to fund diversification into new technologies and new markets.
Economies of Scale and the Systems Approach	(In some areas scale economies of form substantial entry barriers to small firms. Inability to offer integrated product lines or systems.	Ability to gain scale economies in R&D, production and marketing. Ability to offer a range of complementary products. Ability to big for large turnkey projects.
Growth	(Can experience difficulty in acquiring external capital necessary for rapid growth. Entrepreneurial managers sometimes unable to cope with increasingly complex organisation.)	Ability to finance expansion of production base. Ability to fund growth <i>via</i> diversification and acquisition.
Patents	(Can experience problems in coping with the patent system. Cannot afford time and costs involved in patent litigation).	Ability to employ patent specialists. Can afford to litigate to defend patents against infringement.
Government Regulations	(Often cannot cope with complex regulations. Unit costs of compliance for small firms often high.)	Ability to fund legal services to cope with complex regulatory requirements. Can spread regulatory costs. Able to fund R&D necessary for compliance.

Source: (Xhepa, 2006)

4. SMALL AND MEDIUM-SIZED ENTERPRISES (SMEs) IN TURKEY AND ALBANIA

4.1. A Comparison of Small and Medium-Sized Enterprises Definition in European Union, Turkey and Albania

Small and Medium Sized Enterprises (SMEs) have always taken significant roles in national economics. SMEs, which are the driving sector of economic growth, have an important effect on the economic activity. On the other hand, SMEs, which have flexible structures in the production process are able to manage economic crises more easily than big-sized enterprises.

Turkey which is undertaking preparation for the membership of European Union should take necessary measures, due to the reasons mentioned above, so that it might approach to the standards of SMEs in Europe Union.

One of the main issues concerns the definition of SMEs. All of the Western Balkan countries (except Bosnia and Herzegovina) and UNMIK/Kosovo apply an EC definition of SMEs.¹¹⁴ Most of the countries adopt the EU employment criterion but use different parameters for turnover and asset classification. (OECD, 2007)

Table 2. Definition of Small and Medium Sized Enterprises in European Union, Turkey and Albania

	Criteria of Definition	Micro Enterprises	Small Enterprises	Medium-Sized Enterprises
EU	Headcount: Annual	< 10	< 50	< 250

¹¹⁴ For the EC definition of SMEs, see http://ec.europa.eu/enterprise/enterprise_policy/sme_definition/index_en.htm.

	Work Unit (AVU)			
	Annual Turnover	≤ € 2 million (previously not defined)	≤ € 10 million (in 1996, € 7 million)	≤ € 50 million (in 1996, € 40 million)
	Annual Balance Sheet Total	≤ € 2 million (previously not defined)	≤ € 10 million (in 1996, € 5 million)	≤ € 43 million (in 1996, € 27 million)
Turkey	Headcount: Annual Work Unit (AVU)	< 10	< 50	< 250
	Annual Turnover	1 million YTL (€ 606,000)	5 million YTL (€ 3 million)	25 million YTL (€ 15.15 million)
	Annual Balance Sheet Total	1 million YTL (€ 606,000)	5 million YTL (€ 3 million)	25 million YTL (€ 15.15 million)
Albania	Headcount: Annual Work Unit (AVU)	< 10 (previously <5)	< 50 (previously 6-20)	(previously 21-80)
	Annual Turnover	-	≤40 million <i>Leke</i> (around € 320 thousand)	≤80 million <i>Leke</i> (around € 620 thousand)

Source: (EC, 2003; DPT, 2007; Xhepa & Agolli, 2004)

The micro enterprises definition embodies only the staff headcount criteria – and states that entities employing fewer than 10 persons will be classified as micro enterprises. Small and micro enterprises definition except the staff headcount criteria add to the definition financial indicators as those of the

turnover and balance sheet as well as the ownership and financial independency elements. Small enterprises are those entities that employ fewer than 50 (< 50) persons, and have an annual turnover that does not exceed 40 million *Leke* (around 320 thousand Euro). The capital of the enterprise should be owned by subjects that are classified under this law as small enterprises as well. Medium enterprises are entities that employ fewer than 250 (< 250) persons; the annual turnover of the entity does not exceed 80 million *Leke* (around 620 thousand Euro) and at least 25% of the capital of the firm does not belong to an enterprise that is not small and medium.

4.2. SMEs in Turkey

In the first half of 20th century, because the enterprises were getting bigger and bigger day by day, the thought that SMEs would not be able to surround, came up. However, today, SMEs have survived, moreover, they have become more important because of the improvement in technology, the increase in the tendency of independency in individual and society, and the transition to information society since 1970s.

In our country, in whatever period the economic process is in, SMEs have maintained their economical, social and political importance and have had a significant role to define the countries' policies and strategies. (Diken,1996) However, although SMEs constitute a major part of total industrial enterprises of Turkey for long years, they have not caught enough importance required.(Ören,2003)

As it is known, Turkey experienced a severe economic crisis in the year 2001. This economic crisis has been costly for the Turkish economy and has typically been accompanied by a collapse of output and employment as well as striking declines in real wages. The 2001 Crisis interestingly caused a set of catastrophe and it is worthy to analyze its emergence, mal-administration, and wide damage on the Turkish economy and to show the structure that transformed political climate in the post-crisis period. (Keskin et al., 2008)

Struggling to provide a stable transition to the process of development, getting rid of inflationary instability, the importance of SMEs is comprehended better and the problems of SMEs are tried to be found out and to be solved with the acceleration of European Union process in also Turkish economy, in 2000s. (Ataol, 2006)

Small and medium-sized enterprises (SMEs) play a very important role in the Turkish economy owing to their large share in the total number of enterprises and in total employment.(OECD, 2004a) In Turkey, the number of SMEs including those in the service sector constitutes 99.8% of total enterprises and 76.7% of total employment. The share of SME investments within total investments reaches 26.5% and 38% of total value added is also created by these enterprises. Although the share of SMEs in total exports fluctuates on an annual basis, on the average, it is 10% and their share in total credit volume is 25%. (DPT, 2007)

Table 3. Enterprise distribution, % of Total Enterprises in The Economy (2002).

	Number of workers	Distribution (%)
SME	1-250	99.89
Micro (self-employed)	0	1.38
Micro	1-9	94.94
Small	10-49	3.09
Medium	50-99	0.3
Medium	100-150	0.1
Medium	151-250	0.08
Big-Sized Business	≥251	0.11

Source: TÜİK, (available at <http://www.tuik.gov.tr>), (accessed October, 2, 2008).

Since 2002, within total number of industries, the rate of micro sized firms employing less than 10 workers is 96 %, 32, of small size firms employing 10-49 workers is 3 %, 09, of medium size firms employing 50-250 workers is 50-250.

Table 4. Enterprises Distribution by Sectors (2002)

Sectors	Number of Enterprises	%	Number of Workers	%
Trade	794.715	46,19	2.048.264	32,38
Manufacturing	246.899	14,35	2.043.815	32,31
Transport and Communication	244.490	14,21	500.104	7,91
Services	395.550	22,97	1365.821	21,62
Construction	35.702	2,07	229.400	3,63
Mining	1.809	0,11	80.341	1,27
Electric, Gas, Water Distribution	1.703	0,10	57.591	0,91
Total	1.720.598	100	6.325.036	100

Source: TÜİK, (available at <http://www.tuik.gov.tr>), (accessed April, 15, 2008).

The number of enterprises in out country is 1.720.598, and when industry-specific distribution of enterprises is analyzed (Table 4), it is noted that the biggest share belongs to commercial sector with the rate of 46.19 %. However, manufacturing sector has 246.899 firms, which constitute 14.35 of the total enterprises.

When looked at the dispersal of the enterprises of manufacturing industries according to their sizes (Table 5), the enterprises called as micro size employing 1-9 workers, constitute 89.12% of total enterprises, having the biggest share.

Table 5. Distribution of Enterprises in Manufacturing Sectors, by Scale (2003)

Number of workers	Number of Enterprises	%
0	1.509	0,61
1-9	220.030	89,12
10-49	20.325	8,24
50-99	2.453	0,99
100-150	946	0,38
151-250	719	0,29
≥251	917	0,37

Total	246.899	100
--------------	----------------	------------

Source: TÜİK, (available at <http://www.tuik.gov.tr>), (accessed April, 15, 2008).

At the end of the explanations made, the importance of SMEs for Turkey can be stated as such: (Gücelioğlu, 1994; Alpugan, 1988; Sariaslan, 1994)

- To contribute to decrease the unemployment and to create employment country wide depending on the characteristic of being effective in resource utilization and working with labor-intensive technology
- To keep up easier with the change and variety of demand in a shorter period.
- To complete the improvement of inputs such as raw materials, supplementary materials, operating supplies or semi-manufactures used by large enterprises and thus to form a supplier industry in the economy.
- To perform the economy by fetching the large enterprises to the competitive environment, producing the same goods and providing the same facilities.
- To foster elasticity and innovations
- To form a basis to prevent the migration from small cities to the larger city centers and to enable the region to develop within their own potential, contributing to the rise of regional employment opportunities because they are labor intensive.
- To affect the distribution of income in both functional and regional plane in a positive way by affecting income distribution in a positive way and preventing the gathering of capital in the hands of few people or large industry enterprises.

In our national economy, having an important role especially for employment, SMEs' contributions to the system can be reified as such:

- To manufacture some products of special skill and technic
- To constitute a beginning of improving industries of region
- Resolving the problems of industries of region in terms of repairing and caring

- To help large industrial enterprises via secondary control

In this context, in light of the SMEs' weaknesses in Turkey, attention is focused especially on three areas:

- *Financing*: Increase SMEs' share in the overall volume of bank lending; deploy structures that would enable SMEs to make more and better use of financial instruments such as venture capital and partnerships in financial or real estate investments.
- *Non-financial support*: Develop communication and interaction among service providers, SMEs, trade organisations and government agencies in order to improve the quality of services rendered and expand the number of SMEs receiving them.
- *Technology*: Raise the technological level of SMEs via training programmes and support for R&D to underpin the development of firms' technological infrastructure.

THE ACTIONS TO BE UNDERTAKEN IN THESE THREE AREAS ESSENTIALLY FOCUS ON EDUCATION AND TRAINING, CREATION OF NEW ENTERPRISES, ENHANCEMENT OF SMES' CAPACITY TO TAKE ADVANTAGE OF TECHNOLOGY AND LEGISLATIVE AND REGULATORY PROBLEMS. (OECD, 2004B)

4.3. SMEs in Albania

As the transition in central and eastern Europe enters its second decade, policy-makers and analysts in the region increasingly recognise the importance of a good investment climate as the basis for sustainable economic growth and improvements in living standards (see, for example, EBRD, 1999). In this regard, particular attention is now being paid to the role of small and medium enterprises (SMEs) but so far there is little understanding of the difficulties and constraints facing SMEs. (Muent, Pissarides, Sanfey; 2001)

In its short history of transition to a market economy, Albania has gone through several massive shocks which have influenced the development of the economy in general and the SME sector in particular. The establishment of a market economy was preceded by a period of chaos, demonstrations, destruction of public property and mass emigration in 1991. The newly elected democratic government which came to power 1992 faced the task of not only building the institutions of a market economy but also responding to the urgent needs of the population for food, law and order and economic security. With the bulk of state-owned enterprises hit by severe transformational recession, the liberalisation of entry conditions, privatisation of agriculture, housing and small firms, encouraged the rapid growth of new businesses, almost all small scale enterprises. The rapid growth of agriculture, transport, trade and services led to a recovery from 1993, with the industrial production returning to growth in 1995, after almost 7 years of decline.(Hashi, 2001)

Over the past decade, Albania has undergone a turbulent transition, alternated by periods of relative tranquility and steady growth to major, unforeseen setbacks (IMF, 2003). Albanian economy reveals a low level of competitiveness. In particular the low levels of export and the high trade deficit, point out to the need to take measures which will contribute to fostering the business environment, through promoting the private sector development and attracting Foreign Direct Investments. (Xhepa, 2006)

Small (micro & small) and medium-sized enterprises (SMEs) make important contributions to development. The growth of a healthy, competitive SME sector will be maximized when there is a strong enterprise culture in the society at all levels; a continuous growth in the quality stock of independent business; maximum potential for growth of existing small businesses: and a highly supportive economic, social and stakeholder environment. These are the broad target areas for policy development. (Xhepa, 2006)

Private sector development has been fairly vigorous in the recent past in Albania. GDP growth has been fairly steady at 6% per annum, fuelled by expansion in sectors such as construction, transportation and services. As the end of 2004, micro and SMEs registered and operating in the Albanian economy were about 54,596 firms, which make up to 99% of total firms operating during this year. (Bitzenis & Nito, 2005) Micro and SMEs have provided employment for 56% of total employment, 65% of total turnover of the economy and 45% of total investment generated by private non agriculture sector. In particular, micro enterprises dominate with 94% of total firms operating in the country, while the Small and Medium-sized firms account for about 5%. (Xhepa, 2006)

Table 6. Enterprise Distribution in Albanian Economy (2004)

Firms Size	Number of Enterprises	Annual Average of Employed	Turnover	Investments
(Total Enterprises in The Economy)				
1-4 employed	35,006	53,789	128,438	4,975
5-9 employed	1,860	11,630	60,328	3,297
10-19 employed	906	11,902	65,203	5,164
20-49 employed	559	16,679	78,415	6,517
50 + employed	336	63,283	196,701	34,236
Total	38,667	157,292	529,085	54,189
(By Sectors)				
Industry	4,818	63,104	122,884	25,888
Construction	1,325	16,783	68,988	4,127
Transport & Communication	4,313	16,783	67,012	11,004
Trade	20,258	36,079	244,039	9,881
Service	7,953	24,858	26,164	3,289

Source: (Xhepa, 2006)

As a result, the share of the private sector activity is among the highest in the SEE¹¹⁵ region, at 75% of GDP. The place and role of micro and the SME in

¹¹⁵ South-East European Countries.

these developments is very important; they are widespread all over the country, from the major cities to the remote areas in the villages. Therefore, neglecting their development would mean not to take into account important drives of the economic growth of the country. (Xhepa, 2006)

In short, small and medium-sized enterprises display the highest productivity (the production per employee), especially during 1999-2002, in Albania. Big-sized (large) enterprises low productivity is mainly related to the economies of scales for the micro group, and for the large enterprises what may be an obstacle of the productivity result is that this group is mostly comprised of the big state companies. (Xhepa & Agolli, 2004)

CONCLUSION

SMEs have an important role in terms of their economic share in developed and developing economies though there are different definitions of SME among various organizations and countries. Today, instead of giant industries, SMEs having gained importance in the developing economies, become advantageous being economic enterprises having the capability of quick adjudication, working with less capital but more intense labor and having low cost of management and thus having cheap production. In short, the concept of *small is beautiful* becomes important in the current economic conjuncture with large firms (big business).

Moreover, in both Turkish and Albanian economies, SMEs' share in total enterprises exceeds 90%, and SMEs play a very important role because of creating employment and value added to these economies. In this regard, small (micro & small) and medium-sized enterprises (SMEs) make important contributions to development in both economies.

SMEs, observing the market closely, understanding the requirements of customers better and having intimate relations with its employee, have more elasticity than the large ones in terms of manufacturing, marketing and service. As this elasticity enables harmony with the changes in outside in time

and on-site, SMEs pass over many troubles lightly with less damage. Although SMEs have some weaknesses, they are less affected from economic crises due to its flexibility and abilities which keep up with changed conditions. Besides they absorb economic crises effects and play a role as “compress”. In this regard, SMEs have crucial importance, especially for the developing countries.

Nowadays we have witnessed capitalism’s 2008 global economic crisis. In such a case we can say that SMEs will continue their important role. Because current economic conjuncture has generated not only disadvantages but also advantages for developing countries’ SMEs. We can expect that potential of SMEs’ impulsive force in these countries which have less large firms (big business). Nonetheless lack of policy determinations and implications accrue coordination and promotion problems in SMEs’ activities. Chronic economic problems of developing countries have affected energy of these enterprises, negatively. Briefly, providing necessary opportunities and directions of SMEs has emerged advantageous conditions for developing countries.

REFERENCES

- AKDIŞ, M. (2000), “Global Finansal Sistem, Finansal Krizler ve Türkiye”, İstanbul Beta Yayınları.
- ALPUGAN, O. (1994), “Küçük İşletmeler, Kavramı, Kuruluşu ve Yönetimi”, 2.b., İstanbul: Der Yayını.
- ATAOL C. (2006), “Küçük – Orta Ölçekli İşletmeler (KOBİ) İçin Bankalarda Kredi Değerleme Sistemi ve Bir Örnek Çalışma”, Marmara Üniversitesi, Bankacılık ve Sigortacılık Enstitüsü, Yayınlanmamış Yüksek Lisans Tezi, İstanbul.
- BITZENIS, A., NITO, E. (2005), “Obstacles to Entrepreneurship in A Transition Business Environment: The Case of Albania”, Journal of Small Business and Enterprise Development, Vol. 12, No:4.

- BULMUŞ, İ., OKTAY, E., TÖRÜNER, M. (1990), “Küçük Sanayi İşletmelerimizin Konumu Önemi ve AT'a Girerken Karşılaşılabilecek Sorunlar İle Çözüm Yolları”, Milli Prodüktivite Merkezi Yayını No:426, Ankara.
- ÇARIKÇI, E. (2001), “Ekonomik Gelişmeler ve AB İlişkileri, Türk Cumhuriyetlerinde Ekonomik Gelişmeler ve Türkiye'nin Ekonomik Destekleri”, Tutubay Yayınları, Ankara.
- ÇETİNKAYA, F. (1992), “Esnaf ve Küçük Sanayicilerin Sorunları ve Çözümleri”, II. Türkiye İktisat Kongresi Sosyal Gelişme ve İstihdam Komisyonu Tebliğleri, Ankara.
- DİKEN, A., “Büyüme Sürecindeki KOBİ'lerin Problemleri ve Yeniden Yapılandırılması”, Yeni İpek Yolu Dergisi, Ankara.
- DİNÇER, Ö. (1994), “Stratejik Yönetim ve İşletme Politikası”, Timaş Yayınevi, İstanbul.
- DPT (2007), “Kobi Stratejisi ve Eylem Planı (2007-2013)”, s. 20, (accessed October, 02,2008), [available at <http://ekutup.dpt.gov.tr/esnaf/kobi/strateji/2007.pdf>].
- EBRD (1999), “Transition Report 1999: Ten Years of Transition, European Bank for Reconstruction and Development”, London.
- EC (2003), “The New SME Definition User Guide and Model Declaration”, Enterprise and Industry Publication, (accessed October,02,2008), [available at ec.europa.eu/enterprise/enterprise_policy/sme_definition/sme_user_guide.pdf].
- EFE, B. (1998), “İzmir KOBİ'leri Bütüçte Altında”, İzmir Ticaret Odası Yayını, No: 57, İzmir.
- ERKAN, M. (1990), “KOBİ'lerde Finansman Sorunları ve Dış Kaynaklı Krediler”, A.Ü. Afyon Yıllığı, No:7, Afyon.
- GÜCELİOĞLU, Ö. (1994), “Küçük Ölçekli İşletmelerin KOSGEB'den Beklentileri”, Tes-Ar Yayını.

HASHI, I. (2001), "Financial and Institutional Barriers to SME Growth in Albania: Results of an Enterprise Survey", MOCT-MOST: Economic Policy in Transitional Economies, Volume 11, Number 3.

KAYA, Ş. (2000), "Yeni Teknolojiler, İşletmelerde Küçülmeler ve KOBİ'lerin Artan Önemi", Karizma Dergisi, Yıl:1, Sayı:1.

KESKİN, H., KİRİŞ, H., ŞENTÜRK, C., DEMİREL, O.,(2008), "Economic And Political Interaction Of 2001 Crisis: Implications For 2008 Recession?", Epoka University, International Conference on Management and Economics, Vol. 2., Tirana,Albania.

KOSGEB (1993), "Türkiye'de KOBİ'lerin Orta Ölçekli İşletmelerin Finansal Yapısı, Finansal Sorunları ve Teşvik Sistemi Çerçevesinde Uygulanabilir Çözüm Önerilerinin Geliştirilmesi", Ankara.

KOSGEB (2000), "Dünya'da ve Türkiye'de KOBİ Tanımları",

KÜÇÜKÇOLAK, R. A. (1998), "KOBİ'lerin Finansman Sorununun Sermaye Piyasası Yoluyla Çözümü", İstanbul:İstanbul Menkul Kıymetler Borsası.

MUENT, H., PISSARIDES, F., SANFEY, P.; (2001), "Taxes, Competition and Finance for Ibanian Enterprises: Evidence from a Field Study", MOCT-MOST: Economic Policy in Transitional Economies, Volume 11, Number 3.

OECD (2004a), "Small and Medium-Sized Enterprises in Turkey Issues and Policies", *OECD Publications*, (accessed September, 23, 2008), [available at <http://www.oecd.org/dataoecd/5/11/31932173.pdf>].

OECD (2004b), "The Informal Economy in Albania Analyzes and Policy Recommendations", *OECD Publications*, (accessed September, 23, 2008), [available at <http://www.investmentcompact.org/dataoecd/55/11/35559558.pdf>].

OECD (2007), "SME Policy Index 2007", *OECD Publications*, (accessed September, 23, 2008), [available at <http://www.investmentcompact.org/dataoecd/31/41/38310075.pdf>].

ÖREN K. (2003), "Avrupa Birliği Ve Türkiye'nin Küçük Ve Orta Büyüklükteki İşletmelere (Kobi) Sağladığı Devlet Teşvikleri Ve Kullanım

Alanlarının Karşılaştırılması Nevşehir İli'nde Bir Uygulama”, C.Ü. İktisadi ve İdari Bilimler Dergisi, Cilt 4, Sayı 2.

SARIASLAN, H. (1994), “Küçük ve Orta Büyüklükteki İşletmelerin Finansal Sorunları: Çözüm İçin Bir Finansal Paket Önerisi”, Ankara:TOBB Yayını.

TÜİK, (accessed April, 15, 2008), [available at <http://www.tuik.gov.tr>].

TÜRKÖZ, P. (2008), “KOBİ'lerin Finansman Sorunları ve Bankaların KOBİ'lere Yaklaşımı: Isparta Alan Araştırması”, Yayınlanmamış Yüksek Lisans Tezi, Süleyman Demirel Üniversitesi Sosyal Bilimler Enstitüsü, Isparta.

ULUDAĞ, İ, SERİN V. (1990), “Türkiye'de Küçük ve Orta Ölçekli İşletmeler”, İTO Yayını, İstanbul.

World Bank, (accessed April, 15, 2008), [available at www.worldbank.org].

XHEPA, S. (2006), “Competitiveness And The SME Development In Albania”, (accessed September, 23, 2008), [available at http://www.western-balkans.info/upload/docs/1___Albania_SMEnew.pdf].

XHEPA, S., AGOLLI, M. (2004), “Small And Medium-Sized Enterprises Development Albania”, (accessed September, 23, 2008), [available at http://www.acit-al.org/albanian/eu/SXhepa_AGugu.pdf].

YILMAZ, B., “Kobi'lerin Finansman Sorunlarına Bir Çözüm Önerisi: “Risk Sermayesi Finansman Modeli””, (accessed March, 14, 2008), [available at <http://www.dtm.gov.tr/dtmadmin/upload/EAD/TanitimKoordinasyonDb/Be ytullah.doc>].

YILMAZ, F. (2004), “Türkiye'de Küçük ve Orta Boy İşletmeler (KOBİ'ler)”, (accessed April, 15, 2008), [available at www.isbank.com.tr/dosya/ekon-tr_kobiler2004.pdf].

YÜCEL, H. (2004), “Uluslararası Pazarlara Açılmada Küçük ve Orta Büyüklükteki İşletmelerin Rolü”, İGEME'den Bakış Yılı: 8, Sayı: 26, Ankara.