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Abandoning Microfinance in Turkey: An Explanatory Study

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ABSTRACT

Microfinance has brought a change in the economic life of the participants of the society by providing an opportunity to the financially disadvantaged individuals to be employed and be financially independent. Microfinance is a financial instrument that can be utilized to combat poverty and other challenges hindering the progress of countries. It has managed to impact the lives of thousands of families within Turkey and on a global level too. Recently, it has been observed that the number of clients of microfinance has decreased. Therefore, the objective of the research is to identify the reasons of dissatisfaction among microfinance borrowers which leads to their separation from the microfinance institution.

A total of 150 drop-out clients from Turkish Grameen Microfinance Program have been considered through the random sampling method for the research via the survey method of face-to-face interviews. Change in income level of the drop-out clients was an important reference in the method of microfinance as an instrument against poverty. The recommendations of this research like repayment period and microcredit limit can be considered and these suggestions may contribute to better managerial strategies and organizational plans for the development of microfinance institutions.

Conceptual Review on Microfinance

Microfinance is a form of banking where specialized loans are offered at low interest rates. Generally, microfinance refers to savings and credit. However, it also includes various other financial services like insurance and payment services. The microfinance services are provided to those individuals living in both urban and rural areas who have limited access to the formal financial sector.

Client retention and creating client loyalty are inevitable factors for any microfinance institution to progress; as drop-out of clients can cause inefficiency in the controlling and monitoring system of the microfinance institutions (Rahman, 2014). Drop-out of borrowers from microfinance is a major problem because their complaints adversely affect the image of the institution and discourages other people from utilizing the benefits of microfinance. Drop-out clients provide the most genuine feedback because they are not under the influence of the microfinance institution any more. To gain reliable information about client exit is one of the most difficult tasks faced by any microfinance institution. Clients often do not express openly the reasons of their business failure. A number of microfinance institutions have experienced a drop-out of clients because of management problems. Sometimes, fraudulent transaction committed by the staff of the institution can lead to clients resigning from the microfinance institution. Microfinance institutions face risk as a result of default from the borrowers. Natural disasters like floods and earthquakes are also risk factors as borrowers engaged in agricultural activities are not able to make the repayments. Some clients switch to other microfinance institutions primarily in the interest of innovative products being offered by other institutions.

The main research question is to investigate the reasons of drop-out of clients from microfinance. The purpose of the conducted research is to assess the reasons of separation from microfinance services. Clients who have withdrawn from microfinance have been considered as an audience for the research in order to measure the overall impact of the program. These clients have benefited from microfinance services but after a period of time separated from the system. Therefore, this research aims to understand the reasons of separation from microfinance so that appropriate recommendations can be made and clients can be encouraged to borrow from microfinance institutions. Feedback from drop-out clients can improve the credibility of the research and yields to important information (Barnes, 2000). Moreover, questionnaire approach is used as the primary research design which not only exemplified the client perspective as a result of program participation but also illustrated intangible factors like gender relationships and self-confidence (Barnes, 2000).

1. Retrospective Review of Related Research on Microfinance

The concept of microfinance is not a very old concept. Microfinance started gaining recognition in the 1980's. Microfinance emerged formally when Professor Muhammad Yunus from Bangladesh addressed the banking problem faced by the poor people through a program of action-research. In 1976, Professor Muhammad Yunus with his graduate students in Chittagong University designed an experimental credit program to serve the people. The experiment produced very successful results after which it was implemented in hundreds of villages. After entering into an agreement with the rural banks, he disbursed and recovered huge quantity of loans. However, the bankers refused to take the project forward at the end of the pilot phase, as they feared it to be too expensive and risky to sustain in spite of the positive results shown by microfinance. Therefore, the Grameen Bank was founded in 1983 with the support and aid from donors. After the success of Grameen Bank, other specialized microfinance institutions were established, and many commercial banks also followed Grameen Bank's example and started to specialize in microcredit, with the aim to fulfill the needs of those who cannot be facilitated with conventional financial facilities. Today Grameen Bank serves more than 4 million borrowers and focuses its services to the lower strata of the

economy. The concept of microfinance is common in most of the countries. Some countries have garnered expertise in the field of microfinance. For instance, the government of Indonesia has provided supportive conditions for the lenders and the borrowers of microfinance. In Indonesia, special village-based microfinance institutions have been established. These non-bank institutions provided subsidized farming credit for small-sized farmers (Yunus and Weber, 2007).

The Microcredit Summit Campaign of 2006 had aimed to reach 175 million of the world's poorest families by the provision of microcredit especially to women by the end of 2015. The total number of microfinance institutions around the world as of 2010 are 3,652. The total number of clients is approximately 205,314,502 and out of this more than 50% of the loans were given to women (Yayla, 2012).

Sub-Saharan Africa was among the three regions that showed high numbers of borrowers and savers as compared to global averages in 2009 (Rooyen, Stewart and De Wet, 2012). The operating and administrative costs within the Sub-Saharan Africa Region are above that of other countries. Despite the high costs, microfinance institutions in Africa are among the most productive in terms of borrowers and savers as compared with global averages. In 2003, women represented 61 % of the total borrowers from the microfinance institutions in Africa. In the present period, the microfinance industry is undergoing a crisis. In spite of this, microfinance is on an increase in Africa. The micro-credit and micro-saving within Africa has had a positive impact on the income and livelihood of people (Lafourcade and others, 2005).

There is a huge potential of microfinance in Brazil as the country has a developed financial market in terms of retail banking. Therefore, the experienced micro entrepreneurs can contribute to a great extent to the microfinance industry in Brazil. However, the latest statistics depict the fact that Brazil has only managed to meet 2 to 3 % of the demand for microfinance products. The microfinance institutions face problems due to hyperinflation which hinders their growth. In Brazil, there are 16.4 million micro enterprises out of which approximately 8.2 million are potential customers for microfinance products. However, currently only 1.1 million micro enterprises are current clients of microfinance products (Chakravarti, 2015).

Development Challenges and Microfinance

Poverty and unemployment continue to be some of the significant challenges for development in Turkey. According to the basic basket of expenditures considered by the Turkish Statistical Institute about 18% of Turkey's population is facing poverty. Approximately, 12.8 million people are below poverty line in Turkey according to the statistics of 2011 and poor people lived mostly in rural areas. Approximately, 20% of the population earns less than 2\$ a day (Ateş and Ögütoğulları, 2012). In 1999, there was a severe earthquake in Turkey after which poverty accelerated in Turkey (Korkmaz and Bayramoğlu, 2007). The demand for microfinance is by people who have low income and are unable to finance the needs of daily life but have the skills to progress if necessary capital is provided to them. The scope for microfinance in Turkey is enhanced by the inclusion of people who want to develop or establish micro enterprises.

Poverty is a diverse development challenge that varies across different countries and every country has a different culture. Alleviation of poverty by the establishment of microenterprises requires diverse models with regard to different countries. Therefore, every country should design the system of microfinance with regard to their culture and people. Due to significant income disparity among the segments of the population there is a need to tailor services to specific markets and to include non-loan products such as savings deposits, insurance, products to deal with remittances, and even pension funds. In the long run, microcredit can have an impact on female empowerment as women become financially stable and are able to participate in decision making issues within domestic and social sphere (Obaidullah, 2008).

Instrument of Microfinance for Poverty Alleviation

Studies question the effectiveness of microfinance on poor and on people who are below poverty line. Mostly the clients of microfinance tend to be around the poverty line therefore

the effectiveness of microfinance is higher for poor people than for people who are below poverty line. This is because microfinance institutions may not succeed in including the destitute individuals in their portfolio because of the problems of self-exclusion, or lack of sustainability of their participation. So the standard model of microfinance becomes incapable for the inclusion of impoverished individuals. Microfinance is one of the most appropriate instruments for poverty reduction as consumption is increased due to better economic conditions after participation in microfinance (Leikem, 2012).

Financially disadvantaged people have the need for financial services so that they can manage their scarce financial resources in an efficient manner. Microfinance institutions provide diverse payment services, money transfers, insurance and micro-entrepreneurship deposits and loans. Poor people constitute a major proportion of the total population of every country and access to financial services usually enables the poor people to collect assets and to reduce their vulnerability from external shocks. The poor people usually finance their needs by taking loans from costly and informal means and receive saving services through rotating saving clubs but these methods have a very high rate of risk and fraud (Yayla, 2012). The poor actually do not have adequate resources with which they can achieve stability in their lives. They have the required talent to progress but they are unable to utilize their talents because their advancement is hindered by financial instability. Microfinance can be used to combat the phenomenon of deprivation of goods and necessities, eventually aiding to enhance the standard of living of the borrowers. The microfinance institutions are capable of mobilizing savings and provide credit to the people. In Turkey, the borrowers of microfinance usually engage in microfinance businesses that have a high turnover rate so they can use these rates of return to make the repayments to the microfinance institutions (Burritt, 2003).

Microfinance cannot erase poverty all of a sudden but can be used as a weapon against poverty and other development challenges. It can be used to make sustainable contributions to consolidate the system. Microfinance is not the solution for abject poverty. For instance, destitute people who have no means of livelihood cannot make efficient use of microfinance as they have no means of repayment. So other development initiatives should definitely be encouraged (Yayla, 2012). According to a research, microfinance does not alleviate poverty but it is an instrument to convert the needs of poor people to effective demand. Microfinance is not a miracle solution for poverty so it must be integrated with social development program in order to achieve significant results (Günel and Aytulun, 2006).

2. Supply of Microfinance in Turkey

The demand of financial services by the financially disadvantaged people is significant, hence, cannot be ignored. Mostly, people are engaged in some sort of income-generating activities. Microfinance can provide adequate assistance so that these people can be facilitated (Dincer, 2014). Accordingly the supply of microfinance should be sufficient to fulfill the demand. An explanation of the microfinance institutions is provided below:

Maya Enterprise

In 2001, Foundation for the Support of Women's Work¹ received financial support and Maya Enterprise was established. The Maya Enterprise has a diverse credit portfolio for different segments of the society. The Maya enterprise is a business development program and it has various products in its portfolio. Some of the projects of the Maya Enterprise are "Maya We" which focuses on the business diversification and "Maya Family" which facilitates domestic needs like bills and expenses (Günel and Aytulun, 2006:). Maya Enterprise targets women with already existing businesses. Mostly, the members of the Maya Enterprise are single, divorced or widowed women so they support them in finding employment opportunities.

Maya Microeconomic Support initiated the services of microfinance with the disbursement of ₺1 million which was financed by national and international donors. The disbursement of

¹Foundation for the Support of Women's Work is a non-profit organization known as Kadın Emeğini Değerlendirme Vakfı (KEDV) in Turkey (Günel and Aytulun, 2006:).

credit was 66% for production, 26% for services and 8% was allocated for other sectors (Ateş and Ögütöğulları, 2012). As of 2004, the Maya Enterprise had 712 clients and the loans were utilized for businesses in agriculture, trade and the services sector (Artukoğlu, 2009). The credit ranges from ₺100 to ₺900 and the maturity of the loan is from 3 to 12 months (Yayla, 2012).

Turkish Grameen Microfinance Program (TGMP)

TGMP was started in 2003 in the city of Diyarbakır. This program was started in Diyarbakır on 18th July 2003, by the President of Turkey; Recep Tayyip Erdoğan gave ₺500 to individual women and with a total of ₺6000 microcredit was initiated with the loan disbursement to 1553 women. The credit was mostly used for manufacturing the handicrafts (Saatçi and Özçam, 2013). TGMP follows the principles of the Grameen Bank which comprises of discipline, unity, hard work and courage (Obaidullah, 2008).

One of the primary motives of TGMP is based on the principle that the poor people can utilize their abilities in self-employment ventures if they are given access to capacity-building trainings and capital in the form of microcredit. The microcredit system is not based on the financial possessions of women but on the evaluation of her ambitions to work towards the future building on her potential. The belief of microcredit system is that all people, including the destitute people, are equipped with endless talents. TGMP is known as the bank of the poor and in the long run it aims to facilitate approximately 19 million poor people of Turkey (Korkmaz and Bayramoğlu, 2007). The graphical illustration of the members of TGMP is shown in Figure 1. It can be seen that the member count increased rapidly from 2007 till 2012. After that the member count became stagnant which is because of lack of funds as a result of which microfinance loans could not be extended.

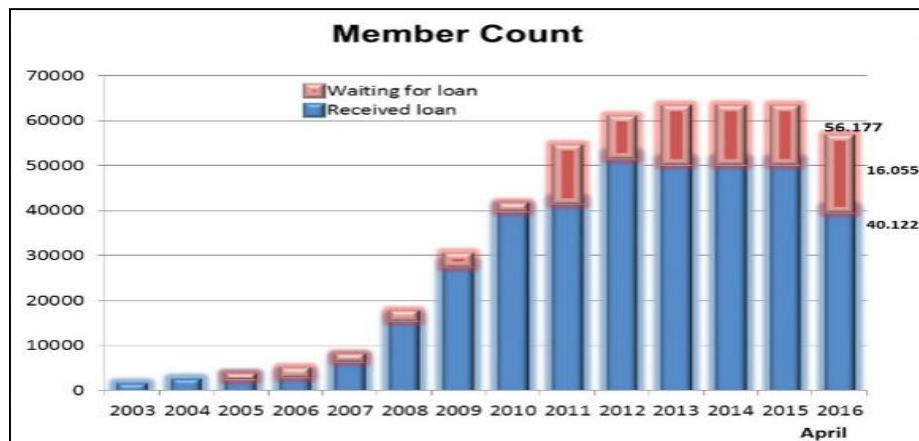


Figure 1. Member Count of TGMP

General Directorate of Social Assistance and Solidarity

One of the well-known institutions for poverty alleviation within Turkey is General Directorate of Social Assistance and Solidarity². It supports people who are in a dire need for aid or rehabilitation. General Directorate of Social Assistance and Solidarity initiated the Social Risk Mitigation Project (SRMP) in 2001 which was aimed to provide resources to financially disadvantaged people and to strengthen institutions that contribute to this cause. In the period of 2002-2007 Local Enterprises Program was initiated which aimed to provide employment opportunities to people who had no resources to initiate a business. With the aim to provide assistance, the organization distributed a total of ₺1,797 million in 2008 and ₺2,379 million in 2009, respectively (Yayla, 2012).

Types of Loan offered by TGMP

² General Directorate of Social Assistance and Solidarity is known as Sosyal Yardımlaşma ve Dayanışma Genel Müdürlüğü (SYDGM) in Turkish (Yayla, 2012).

TGMP offers five types of loans. It initially offered only Basic Loan to its borrowers and this is repaid within 1 year. Then the Entrepreneurial Loan was started to support borrowers to develop their existing businesses. Later, the Animal Husbandry (Livestock) Loan program was launched in 2005 which is especially provided by the rural branches of TGMP. This loan is usually provided 6 months before the Muslims' religious festival of sacrifice. Afterwards in 2013, the Social Development Loan and Communication Loan have initiated and are successfully being offered to the borrowers till today (Yayla, 2012).

In 2011, TGMP launched the insurance program which protects the micro-credit borrowers. From 2012, micro insurance became a requirement for all the micro-credit borrowers. This program has been introduced in Turkey for the first time and as of June 2012 all the borrowers of microfinance from TGMP are covered by their micro insurance program. The insurance program compensates the borrowers in the case of death or accidents. TGMP provides services in 67 out of 110 provinces, solely on the basis of trust and without any collateral requirements. This is illustrated in Figure 2.

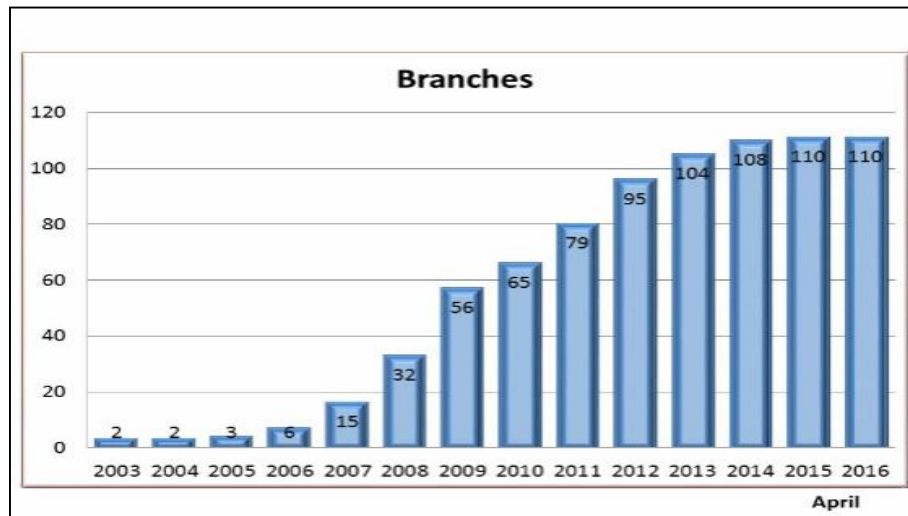


Figure 2. Branches of TGMP

3. Methodology of Study

The methodology used for the study and the tools used to conduct the research are in correlation to the drop out of clients from microfinance. Drop-outs are those clients who faced negative consequences from microfinance resulting in their departure from the microfinance institution. Drop-outs from microfinance provide a useful source of information for the microfinance institutions to improve their performance (Simanowitz, 2000). Therefore, only drop-out clients were selected for the study.

Sampling Procedure and Data Collection

Respondents were selected from Ankara and Konya regions in order to get a detailed view of reasons of separation from the microfinance system³. Convenience sampling technique has been used to select the research audience due to time and budget constraints. This “non-probability” sampling technique is used where subjects are selected because of their convenient accessibility and proximity to the researcher (Rehman, Moazzam and Ansari, 2015).

The research method is qualitative and the non-longitudinal approach is used. The categories of responses from a standardized questionnaire were used as the principal data collection method. A simple selection approach was used to select the audience for the survey. In addition to this, journals and articles were reviewed to gain an in-depth understanding of microfinance.

³ Special gratitude is offered to TGMP General Manager, Halil Orhan for his patience and time in assisting the data collection procedure from the respondents.

4. Statistical Analysis of Survey Results

The analysis has been prepared by using the Statistical Package for the Social Sciences (SPSS) software. The interpretation and results have been made in accordance. The sample size has been determined with regard to the population size of the selected cities (Israel, 1992). As the population size of the microfinance branches of TGMP in Ankara and Konya is approximately 930 so an approximate sample size of 150 has been selected for the research at 10% confidence level.

Table 1. Demographic Profiles of the Clients

	Frequency	Percent
Literate	57	38.0
Primary School	38	25.3
High School	32	21.3
Bachelor	23	15.3
Total	150	100.0

Table 1 shows the demographic profile of the clients of TGMP. Majority of the women are able to read and write. In addition to this, about 15 % of the women are Graduates and are considered to be well educated according to the educational standard of Turkey. Approximately, 21% have completed High-School.

Table 2. Types of Loan

	Frequency	Percent
Basic Loan	79	52.7
Entrepreneurial Loan	35	23.3
Social Development Loan	24	16.0
Animal Husbandry Loan	4	2.7
Communication Loan	8	5.3
Total	150	100.0

Table 2, shows the loan portfolio of clients. Out of the total respondents, approximately 52% received the Basic Loan. TGMP started its microcredit activities with the initiation of the basic loan. In addition to this, 16% of the respondents received the Social Development Loan. Social Development loan is granted to entrepreneurs who have a unique business idea or who require financial assistance to improve their existing business. It is also offered to the experienced members of TGMP who seek further financial resources to establish their business (Yayla, 2012). Animal Husbandry Loan is granted at distinguished time of the year so it was received by about 2.7% of the respondents.

Table 3. Client Exit due to Insufficient Credit Limit

	Frequency	Percent
Yes	124	82.7
No	26	17.3
Total	150	100.0

Table 3 illustrated that 82% of the respondents claimed that with review of the current expenditures, the credit limit was not enough to finance the business requirements. Therefore, insufficient credit limit was an important reason of separation from microfinance as the clients were unable to make enough savings.

Table 4. Client Exit due to Service Fee Charged on Loan

	Frequency	Percent
No	48	32.0
Yes	102	68.0
Total	150	100.0

Table 4 shows the results for service fee being the reason of separation from microcredit. 68% of the respondents claimed that service fee was an important reason of separation from the

program. They suggested that the service fee should range from 5% to 10%. Interest rates or service fee should be reduced to retain clients to microfinance. On the other hand, 32% of the respondents disagreed and claimed that service fee was not heavily charged and it was not an important reason of exit from the system.

Table 5. Government should Support Microfinance Program

	Frequency	Percent
Strongly Disagree	3	2.0
Disagree	2	1.3
Neutral	11	7.3
Agree	83	55.3
Strongly Agree	51	34.0
Total	150	100.0

In Table 5, 55% of the respondents agreed and 34% of the respondents strongly claimed that the Government should provide financial support to TGMP in order to provide more funds to TGMP. However, 7% of the respondents were neutral in their opinion. Research shows that microfinance can be one of the remedies for poverty and support from the government can lead to the initiation of new programs that would generate employment opportunities for the people.

Table 6. Satisfaction from Microfinance

	Frequency	Percent
Not at all Satisfied	3	2.0
Not Satisfied	20	13.3
Neutral	16	10.7
Satisfied	86	57.3
Very Satisfied	25	16.7
Total	150	100.0

Table 6 showed the satisfaction of microfinance by the clients. In general 16% of the clients were extremely satisfied by the microcredit system and 57% were satisfied by the services of TGMP. However, a small percentage of about 15 % were not satisfied with their experience of microfinance.

Table 7. Microfinance can Solve Poverty

	Frequency	Percent
Strongly Disagree	4	2.7
Disagree	12	8.0
Neutral	8	5.3
Agree	77	51.3
Strongly Agree	49	32.7
Total	150	100.0

Table7 analyzed the consent to which microcredit solved the issue of poverty within Turkey. Approximately 10% of the respondents disapproved and claimed that microfinance has no impact on poverty. However, 84% of the respondents strongly claimed that microfinance can solve poverty within Turkey. Microfinance is effective in regional development as it is an important component of the financial market of the economy. Microfinance institutions participate in social responsibility by providing financial resources to the women. Therefore, microfinance loans have a great potential to struggle against poverty (Korkmaz and Bayramoğlu, 2007). The success stories of the members of TGMP in the media have confirmed that TGMP has helped women to boost their income and can be used as an effective strategy against poverty (Yayla, 2012).

CONCLUSION

Microfinance in Turkey can not only improve the economy of the country but can also lead to the deepening of the financial markets by providing financial services to the people of the lowest financial status. Microfinance has managed to impact the lives of thousands of families within Turkey (Dincer, 2014). The conducted research has confirmed that microfinance has brought a change in economic thinking with the idea that the financially disadvantaged people can also impact the economy. Expectations of women had a direct impact on their experience of microfinance. Among the respondents, women who had other sources of income did not consider microfinance credit to be sufficient to fulfill their needs. On the other hand, women who were near the poverty line made very adequate use of the credit. In contrast to this, women who had other sources of income or other job opportunities preferred to withdraw from the system because their expectations could not be fulfilled.

TGMP does not discriminate among the members on the basis of individual's income level in the decision of eligibility for the credit. Microfinance may not necessarily increase income for everyone but they do provide a range of options for the people to protect themselves against mishaps. The research showed that the majority of the respondents experienced an increase in monthly income which is a success-factor for TGMP.

Microfinance institutions should consider increasing the credit limit. The credit limit is not considered enough to conduct a microfinance business and clients expect an increase in the credit limit to carry out a microfinance business. The insufficient credit limit is complemented with the inability to make enough savings as it can be seen from Figure 5. According to the study, the respondents considered that microcredit barely meets the financing needs of the borrowers. Entrepreneur members benefited from the current limit of microcredit because microcredit enables them to purchase products from wholesalers in large quantities and get discount as they are able to pay in cash (Yayla, 2012).

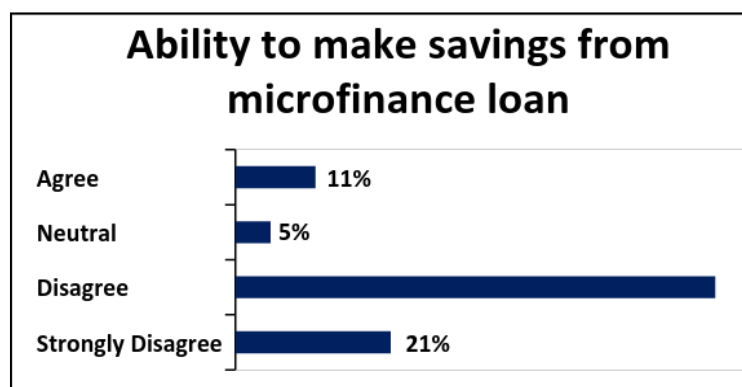


Figure 3. Ability to Save from Microfinance Loan

The study has tried to interrogate the reasons of departure of clients from the microfinance system. After conducting the research via questionnaires, interviews and case studies, recommendations were prepared to increase the client retention ratio. With regard to the conducted research, some respondents considered weekly meetings to be a hurdle for them in conducting their businesses. Most of the respondents desired for a change in the weekly repayment schedule because they were unable to make the repayments to the personnel of TGMP. The repayment schedule is proposed to be changed to a monthly basis so that the borrowers can be facilitated. Therefore, microfinance institutions should consider a change in their repayment schedules. The weekly schedule also results in additional operating costs for the microfinance institution but the management of TGMP considers it important for the maintenance of discipline in the payments. Therefore, for the microfinance sector to realize its potential, the human and institutional capital should collaborate to match its financial sources.

RECOMMENDATIONS

Increase in Supply

It has been confirmed from previous research that there is an untapped capacity for microfinance in banks and the non-governmental organizations. The gap between the supply and demand of the microfinance institutions is vast. The funds from the government and from donors are not sufficient enough to meet the large demand for microfinance as only 5% of the poor have access to the financial services. Therefore, a microfinance strategy of banking with the poor is workable and the microfinance institutions can become profitable and sustainable by employing this strategy.

Increase in Credit Limit

The credit limit should be increased so that women can be provided with more financial support for their businesses. Insufficient credit limit was found to be related to the dissatisfaction of microfinance in the conducted research. Therefore, a plan should be made to increase the credit limit to provide better prospects of profit to the borrowers. According to the borrowers, the loan amount is not sufficient to finance the expenditure of carrying out the business. Moreover, increase in the credit limit would also benefit the microfinance institution as the service fee received from the borrowers would increase with regard to the credit disbursed. Therefore, this can benefit both the microfinance institution and the borrowers (Yayla, 2012).

Rate of Service Fee

Microfinance institutions require finances to carry out their operating activities. Therefore, they charge an interest rate to the members. Hence, TGMP charges a service fee from its clients to finance the necessary expenses (Yayla, 2012). Presently TGMP disburses credit amount of a maximum of approximately ₺15,000. Along with this amount, it charges a service fee of 15% on the disbursed principal amount. Other than this amount, TGMP does not require any collateral or possessions as a guarantee from the borrowers.

Government Support and Adequate Legal Framework

Constraint of funds is being faced by microfinance organizations owing to lack of adequate legal framework. Their status limits their access to funding opportunities and hinders them from receiving funding from international organizations. Moreover, insufficient regulatory framework results in lack of government support and this is one of the primary reasons of failure of microfinance. The research reinforced the fact that government support is an inevitable component of support for the microfinance institutions. The government of Turkey should introduce appropriate framework for the support of microfinance. In Turkey, there are no specific microfinance guidelines for the non-governmental organizations. A specific regulation should be implemented to specify the criteria for the minimum capital requirements and the capital adequacy ratio. This can bring a great change for the clients of microfinance and also for the existing non-governmental organizations that are engaged in microfinance. Government support can facilitate the microfinance institutions in spreading awareness among the society about the microfinance program and to provide services to the people who are not otherwise served by any other institution (Yayla, 2012). In addition to this, the stakeholders can provide an enabling environment for the progress of microfinance through the coordination of donor and investor activities. The stakeholder education should be broadened because the stakeholders can accelerate the microfinance sector by supporting the establishment of a various financial demonstration models (Burrirt, 2003).

Human Resource Development

Microfinance is a labor-intensive industry so the Human Resource management function should be developed and the recruitment policies should be well-defined and appropriate compensation packages should be introduced for employees.

The personnel play the most important role in the client satisfaction as all the clients directly interact with the personnel. The drop-out of clients is directly related to the behavior of the

employees. The employees should try to provide feedback to the borrowers in the shortest period possible as the borrowers insisted on urgent feedback to their credit demands from the loan officers. Microfinance institutions should focus on efficient fieldwork as an inevitable need for the progress of the microfinance institution so that the borrowers can be motivated and supervised (Obaidullah, 2008).

Innovative Training Methods

Entrepreneurship training should be more rigorous and better training methods should be introduced for the entrepreneur clients in order to provide better guidance to the borrowers of the Entrepreneur Loan. This recommendation was derived from the phenomenon that in some cases women set up businesses for products that sometimes have a saturated market as they lack diverse skills and knowledge required for carrying out a successful business with regard to its demand and supply analysis. This results in supply surplus of some products as many women in the same district are involved in identical fields of businesses. Therefore, microfinance institutions should provide maximum information to women about their planned businesses. In addition to this, microfinance institutions should have agreements with international markets so that these women can sell their products in large scale markets (Yayla, 2012).

Product Diversification

Microfinance industry is one of the very few industries that are product-driven instead of market driven. The micro finance institutions attract products according to the needs of the broader population. The products are priced in such a way that the revenue covers the full cost of expenses and enables profitability. In addition to this, clients should be provided with other services like the facility to transfer money within the country to other family members (Burritt, 2003).

Potential of Islamic Microfinance in Turkey

Islamic microfinance means that loans are given on an interest –free basis. These interest free loans are called Riba loans. The system of Riba can be very beneficial for implementing microfinance in the country. Actually the concept of Islamic microfinance can aim to promote entrepreneurship and elevate economic justice by the provision of loans to the rich and the poor alike (Siddiqi, 2008).

Riba or interest is charged on the conventional financial contracts. Therefore, Islamic Riba-free contracts are seen as a method to increase financial inclusion. The system of Islamic microfinance can be implemented so that the underserved groups in the rural areas can be supported. The microfinance institutions can expand their reach by offering Islamic financial services in areas where people are reluctant to use conventional financial services (Obaidullah, 2008). It is a mutual effort to accelerate business development and to achieve social development instead of profit maximization. The system of extending interest free loans is called Qard-e-Hasan. It is based on the fact that the lender gives interest-free loan to the borrower and the borrower returns the loan on the promised date. Interest-free microfinance institutions have started to increase. For instance, Akhuwat is a microfinance institution in Pakistan (Rehman, Moazzam and Ansari, 2015).

Turkey has tried to stabilize the level of poverty prevailing in the country. The people of Turkey have better financial access as compared to the people of other countries. Microfinance services offered in Turkey do have any Sharia-related issues because of their non-financial nature; therefore, can easily be converted to the mode of Islamic microfinance (Obaidullah, 2008). At micro level, non-governmental organizations should recognize sustainability as the core factor of development and establish linkages with banks and capital markets

The recommendations provided in this study can become a component of an improvement scheme for TGMP and other microfinance institutions. TGMP can utilize the findings of this research to increase client satisfaction. TGMP can use this research to expand their outreach within the country. The suggestions can be employed in the form of pilot schemes and applied

in some provinces of Turkey. In the case of positive results, these changes can be applied in all the cities of Turkey.

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