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A Survey About the Expectations of Turkish Companies from the State on Financing[1]

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Abstract: In Turkey for companies to achieve more abundant and cheaper financial products and services, as a demander, an organiser and a supporting power, state's positive contributions play an important role. In this context, the Turkish companies' expectation from the state were tried to be determined. For this purpose, from January to August 2019 a questionnaire was delivered to 350 companies among which 328 were found to be valid. Primarily the general and financial structures of the companies were determined and then their expectation from the state was found. As of the consequences; companies generally require the state to support companies through monetary incentive and tax incentive. Even though the requirements of the companies alter as to companies' sizes, one of the most important choices is the easing of guarantees.

Keywords: Financial Requirements, Expectations from the Government, Incentives

1. Introduction

Financial system is the most dynamic supporter of economic development. It is evident that, companies attain financial products and services much easier in countries where financial system is better organised, strong, reliable and effective. Those countries are developed countries having high democratic standards with true rule of law, property rights, and apply commercial code under true justice and also deserve high respect. At those countries due to their reliability foreigners also deposit their savings as a result which supply of financial sources are abundant and higher than the demand for financial sources. This is why depositors are asked even for a fee to keep their savings under secure conditions and companies find an opportunity to satisfy their financial requirements at any amount required and without giving severe counter guaranties and at some cases under negative interest rates.

[1] The study is produced from the thesis named "Financial Requirement of Companies in Turkey: New Financial Products and Services Analysis".

To the contrary, at developing countries where political instability, progress in democratic standards and socioeconomic problems are dominant, the companies lag the opportunity to attain comfortable the financial resources where global deposits amount around 200 trillion dollars.

In Turkey, the wars, the riots made until the foundation of the republic and the military ques, unstable political climate of coalition governments, the fiasco saving in bonds, private sector, private bankers, banking crises, limited the reliability and growth of financial system.

Today with the help of the mechanisms initiated at 24th January 1980 through the realisation of the free market economic conditions, we going through to a stability from a serious economic crisis. Yet the crisis has brought Turkish financial system to a very critical position, CDS, interest rates, foreign exchange parities has risen, companies' attaining financial products and services hardened, economic growth has slowed down an employment has risen. In years 2017 in spite of the military que attempt, with the stimulus reached through the leverage effect of KGF (Credit Guarantee Fund) additional counter guarantee funds, economic growth to 7.4% and keeping this in mind a new program can be initiated.

Together with NEP (New Economic Programme) we may expect a new success story. The main target of this period can be to expect the establishment of political and economic stability, Turkey attaining economic and political reliability achieve an increase in the credit rating, decreasing the CDS, increase the flow of foreign funds, decrease the inflation rate and the funding costs; through which the companies would receive more abundant fund with cheaper and easier conditions. So as Turkey would reach to a new era stability and economic development.

2. Literature

When foreign literature studied regarding the subject generally; companies look for the development of the financial system and are in need of diverse financial sources.

Huang (2010) in his paper, studied 90 developed and developing countries during 1960 to 1999. In this study it was questioned whether developed political structures have any positive impact on the improvement of the financial systems. Panel data method was used in the study and liquid borrowings special credits, central banks' commercial assets were taken as variables to measure financial growth and under impacts of these variables, the effects of political structures on economic growth was measured. The final outcome however showed that it has strongly effected the developing countries.

Ardıç, Miyelenko and Saltane (2012) made a survey studying the credit problem of the small and medium sized (SMEs) companies following 2008-2009 financial crises. Cross country analysis method was used and improvement total revenue figures were analysed. As to the findings: "Global SME lending volume is predicted at 10 trillion US$. 70% of which is in high income OECD countries. On average, SME loans constituted 13% and 3% of GDP in developed and developing countries respectively." were concluded.

Fowowe (2017) in his survey used data for 10888 firms across 30 African countries and concluded that, financial constraints exert a significant negative effect on firm growth. In the survey cross sectional regression analysis was used where the variables were employment versus limitations to reach business environment (electricity, tax rates, working regulations, etc.). The findings of the survey say that the access to finance has very important role on the growth of the companies and the measure and precautions used in Africa is consistent with the goal.

Kersten, Harms, Liket and Maas (2017) in their survey, discussed the effects of politics on SME finance through proposals an limitations. The study was made by multivariate analysis and used finance-investment, company performance, employees, productivity and wages policies as variables. A measure findings of the study shows that, SMEs' equity capital, company performance and employment parameters have improved due to the easier access to finance and did not have a measure effect on profitability and wages.

For the same question, when studied in Turkey is evaluated SMEs are found incapable to achieve alternative credit opportunities and most of them have no clear knowledge about credit facilities.

Şamiloglu (2000) in his study made in Adana questioned the problems faced by SMEs in relation to attain credits. As to this study; credit interest rates, equities and inability to have credits are the basic problems. The first difficulty in attaining foreign credits is the high interest rates. Banks limit SMEs' when they approach for credits through 38% enforcing, 25% unjust, 20% deterrent request over counter guarantees and bails.

Bayrak and Akdis (2001) focused to the weakening of the SMEs' contributions to the macroeconomics of the country due to ongoing financial problems and looked for alternative solutions questionnaire applied to SMEs' at selected cities. The questionnaire was prepared with SPSS programme. SMEs' were generally established with own equities. Therefore, it concluded that banks should ease the attainment of funds to SMEs' and some new alternatives solutions to these problems through bearing and factoring like products, together with governments financial and corporate support was necessary.

Delice (2001) has made a survey in Kayseri and Nevşehir, studying the convey of Eximbank credits to exports. In this survey 37% of the replying companies expressed their inadequate information about available credits and 30% of the accusing abundance and complexity of the bureaucracy as the reason of their inability to reach financial sources.

Karabicioglu (2007) studied the sources of problems where SMEs' face in attaining finance and the tools used to overcome them. In the study a questionnaire shared with 50 companies show the way these companies preferred as to solve these problems. Through a Chi Square test, the frequency of facing financial problems, presence of financial problems, the frequency of credit usage differentiated as the type of banks, frequency of using leasing, factoring and risk capital variables as the scale of the companies are analysed. The study showed that, SMEs' need a system to attain information about solving financial problems formation of incentives and tax exemptions were necessary.

Er et al. (2015) in their paper studied the traditional and alternative financial sources for entrepreneurs. In order to improve the effectiveness of angel investors and venture capital's entrepreneurial advising services must increase, entrepreneurial courses must become a chapter in formal education, supportive services and activities for entrepreneurship must be organised and an organisation to form the coordination between entrepreneurs and investors must be formed. While at participation banks, fund supply surplus must be supported "mudaraba" be better explained and "mudaraba" funding companies must receive for exemptions.

3. Methodology and Result

3.1. Methodology

A survey was prepared to find the answers to the questions regarding whether the companies had financial requirements differ as to the size of the companies, if they demanded new financial products and services and what were the requirements of these companies from the financial system and from the state.

The aim of the study was to find out the financial requirements of the companies in Turkey through explaining the financial procedures and process and work out new financial products and services analysis. In this context, 41 questions under 10 main topics were delivered to the participant companies.

The data was collected through a survey. The survey was delivered to the participants face to face and through internet.

During January to August 2019, measured replied 41 questions and out of which 328 were fund eligible for evaluation.

3.2. Result

The participant companies were studied under too sectors. 35% of them were in the services and 65% of them were in production sector. 34% of the participant companies had a total balance sheet value of 26-125 mio TL while 46% had a paid in capital of 1-50 mio TL companies with a labour force of 51-250 counted 36% while 35% had 11-50 and 14% had 251-500 employment. 92% of the companies indicated to use credits when their credit usage is evaluated; 38.9% had a credit accounting between 10-50 million TL. Among all, 135 companies replied to use foreign credits. When the average payback period is examined 42.5% had a 2-23 months' payback period. And none of the companies indicated the use of credits with a … longer than 48 months. 130 companies informed to use bank credit letter and which 50.8% used an average 1-10 mio TL letter of credit.

82% of the participant indicated that they needed new credits. Non the previous credit applications of the companies are evaluated. 37% of the companies have refused story for their credit applications whole 65% are not refused.

At a past of the study the interrelation between the expectations from the state and the other variables are examined. The answers to the question of the relation between the expectations of the sectors from the state; (with 5% statistical reliability) here is a consistent relation.

As shown in the table, the most important three expectations of the prediction and services sectors are in sequence, new monetary incentives, new tax incentives and new guarantee and bail incentives. The companies present in both sectors generally expressed that they needed material incentive and had rather lower expectations for import and export incentives. As most of the participating companies in this study is of medium scale, their material incentive expectations due to being at the growing stage, should be counted as normal.

Table 1. Expectations from the State *As to sectors

		Sector			
		Production Sectors		Services Sectors	
		Frequency	Answers %	Frequency	Answers%
Expectations from the State	New Monetary Incentives	116	36,3%	75	30,1%
	New Tax Incentives	93	29,1%	77	30,9%
	New Guarantees Bail Easing	67	20,9%	66	26,5%
	New Export Easing	24	7,5%	24	9,6%
	New Import Easing	20	6,3%	7	2,8%
Chi Square Test Results		Chi-square 18,832 df 5 Sig. ,002*			

Number of employees and expectations from the state (with 5% statistical significance) has a significant correlation. As seen at the table; while new monetary incentives are the most important expectation for companies with 0-10 and 51-250 employees. Companies which are generally medium sized, rank their import easing measures as the least important while companies with 251 and more employees skipped to answer this question.

Table 2. Expectations from the State * As to Number of Employees

		Number of Employees (Person)									
		0-10		11-50		51-250		251-500		More than 500	
		F	C %	F	C %	F	C %	F	C %	F	C %
Expectation from the State	New Monetary Incentives	38	33,9%	76	28,9%	77	39,7%	0	0,0%	0	0,0%
	New Tax Incentives	26	23,2%	90	34,2%	54	27,8%	0	0,0%	0	0,0%
	New Guarantees Bail Easing	23	20,5%	72	27,4%	38	19,6%	0	0,0%	0	0,0%
	New Export Easing	20	17,9%	17	6,5%	11	5,7%	0	0,0%	0	0,0%
	New Import Easing	5	4,5%	8	3,0%	14	7,2%	0	0,0%	0	0,0%
Chi Square Test Results		Chi-square 74,591 df 10 Sig. ,000 F: Frequency C%: Percentage of correlated variable within the questionnaire									

Yearly total balance sheet value and expectations from the state (with 5% statistical significance) has a significant correlation.

New monetary incentives, new tax incentives and new guarantee and bail easing measures precision preferred as the expectations from the state for all sizes of companies. As the total balance sheet values increase, the expectation of new exports easing measures become less important. While import easing measures ranks as the last expectation for companies with a total balance sheet value of 126-250 million TL, new tax incentives rank as important as guarantee and bail easing measures.

Table 3. Expectations from the state * As to Yearly Total Balance Sheet Value

		Annual Financial Balance Sheet Total (TL)									
		Up to 3 Mio TL		3-25 Mio TL		26-125 Mio TL		126-250 Mio TL		More than 250 mio TL	
		F	C %	F	C %	F	C %	F	C %	F	C %
Expectation from Government	New Monetary Incentives	48	35,3%	72	31,4%	61	33,7%	10	43,5%	0	0,0%
	New Tax Incentives	37	27,2%	77	33,6%	52	28,7%	4	17,4%	0	0,0%
	New Guarantees Bail Easing	29	21,3%	53	23,1%	47	26,0%	4	17,4%	0	0,0%
	New Export Easing	20	14,7%	19	8,3%	8	4,4%	1	4,3%	0	0,0%
	New Import Easing	2	1,5%	8	3,5%	13	7,2%	4	17,4%	0	0,0%
Chi-Square Test Results		Chi-square 55,103 df 15 Sig. ,000*,									

Participating companies' credit utilisation and their expectations from the state (with 5% statistical significance) has a significant correlation.

The companies who attain credit rank new monetary incentives, new tax incentives and guarantee and bail easing measures as the consecutively important expectations from the government, whereas companies who do not attain credit, prefer new monetary incentives, new tax incentives and import easing measures as their important expectations.

Table 4. Expectation From the Government * Usage of Credit

		Are You Still Using Credit?			
		Yes		No	
		Frequency	Answers %	Frequency	Answers %
Expectation from the State	New Monetary Incentives	168	32,6%	23	42,6%
	New Tax Incentives	158	30,7%	12	22,2%
	New Guarantees Bail Easing	127	24,7%	6	11,1%
	New Export Easing	47	9,1%	1	1,9%
	New Import Easing	15	2,9%	12	22,2%
Chi-Square Test Results		Chi-square 62,391 df 5 Sig. ,000 F: Frequency C%: Percentage of correlational variables within the questionnaire			

Participating companies' average credit maturity periods and their expectations from the state (with 5% statistical significance) has a significant correlation.

While companies with an average credit maturity period of 12 months, expect rank, new tax incentives as the priority expectation from the state, companies with 12-47 months' average maturity, expect new monetary incentives to rank first. The importance of the expectation of guarantee and bail easing measures increase parallel to the increasing maturity period.

New credit requiring companies' and their expectations from the state (with 5% statistical significance) has a significant correlation.

New monetary incentives for new credits requiring companies and new tax incentives for companies and which do not require credit rank as their prior expectations from the state. Meanwhile, guarantee and bail easing measures are more important for new credit requiring companies compared to non-requiring ones.

Table 5. Expectations from the State * As to Attaining Credit

		Average Maturity of the Credit					
		0-12 ay		12-23 ay		24-47 ay	
		F	C %	F	C %	F	C %
Expectations from the Government	New Monetary Incentives	53	32,3%	81	32,0%	34	34,7%
	New Tax Incentives	60	36,6%	70	27,7%	28	28,6%
	New Guarantees Bail Easing	37	22,6%	65	25,7%	25	25,5%
	New Export Easing	12	7,3%	25	9,9%	10	10,2%
	New Import Easing	2	1,2%	12	4,7%	1	1,0%
	Total	76	100,0%	108	100,0%	43	100,0%
Chi Square Test Results		Chi-square 17,018 df 10 Sig. ,070 F: Frequency C%: Percentage of correlated variable within the questionnaire					

It has been determined that there is a significant relationship (according to 5% statistical significance level) between the new loan requirement status and the expectations from the government. New monetary incentives for companies with new credit needs, and new tax incentives for companies without new credit needs are the most important government expectations. In addition, guarantee facilities are more important for companies with new credit needs than those without new credit needs.

Table 6. Expectations from the Government* Needs of New Credit

		Do you need a new credit?			
		New		No	
		Frequency	Answers %	Frequency	Answers %
Expectation from the Government	New Monetary Incentives	162	34,4%	29	29,6%
	New Tax Incentives	139	29,5%	31	31,6%
	New Guarantees Bail Easing	116	24,6%	17	17,3%
	New Export Easing	39	8,3%	9	9,2%
	New Import Easing	15	3,2%	12	12,2%
Chi-Square Test Results		Chi-square 24,549 df 5 Sig. ,000 F: Frequency C%: Percentage of correlated variable within the questionnaire			

Non expectations from the state is evaluated, compared to all, new monetary incentives rank first and this is followed by new tax incentives. Even though the preferences differ as to the scale and structures of the companies, guarantee and bail easing measures also show up as an expectation. For developing Turkish economy, state would play an important role if a coordinated effort with companies and her support for financial sector be in live with demands of real sector. Once the sectors are supported through state incentives and easing measures the growth of companies would be easier.

When New Economic Programme (NEP 2019-2020) is studied, the participating companies' expectations coincide with the context of the programme. This may be a sign to accept that during the preparation of the programme, the expectations of the companies were inquired and included. The policy measures stipulated within NEP, aiming to support sectors which help to close the foreign trade deficit and to initiate new incentives, when sooner put into practice will help within existing conditions strengthen the companies.

5. Conclusion and Discussion

The survey aims to find out the companies' requirements and expectations from the financial system and from the state. The findings show that, companies expect the financial system to prepare the conditions to reach, financial products and services more abundantly, easier and cheaper, and from the state; to initiate new tax reductions, tax rebates, lower employment taxes and costs to allow companies lower their financial and operative costs and utilise more of their own sources and equities. Even more specifically; small, medium and big companies' prior expectation is to see project evaluations to become the main reason of credibility instead of guarantees and bails.

The expectations of very big companies from the financial system are:

- Improving the financial markets
- Crediting the export oriented projects and
- Crediting import substituting projects

The expectations of these companies from the state are:

- New tax incentives
- New monetary incentives
- New export easing measures
- New import easing measures

In order for these expectations of the companies to come true,

- Local deposits must increase
- Foreign fond inflow must increase
- The guarantee and bail requirement problems the fund suppliers (who dominate the financial system and set the conditions) must be solved
- The maturity mismatched problem of sources and uses of funds must be solved.

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