



PROBLEMS AND SOLUTION PROPOSALS FOR SMEs IN TURKEY

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Volume 2 (2012) | ISSN 2158-8708 (online) | DOI 10.5195/emaj.2012.26 | <http://emaj.pitt.edu>

Abstract

The purpose of this project is to present the problems the SMEs' encounter during providing management and financial requirements, probe how they can solve mentioned problems with as less help as possible within their own organization and offer the employer solutions in micro dimensions. While the SMEs' definitions will be located in the second part, the third part will include the weighting of their advantages and disadvantages. In addition to that, the fourth part will introduce suggestions to solve the problems in question that the SMEs come across. Rounding off, part five will discuss the selection of financial instruments during the stage of providing financial requirements for the SMEs, the mistakes done during their application and offer further solution offers for mentioned problems.

Keywords: SME, The Mistakes, Solution Offers, Management, Financial Requirements



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Problems and Solution Proposals for SMEs in Turkey

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I. Introduction

KOBİ (SME) refers to the Small and Medium Sized Enterprises and such kind of businesses generally have the biggest shares in their countries' economies as well as they have vital places for the developed countries and developing countries and in each development plan, the most important roles and responsibilities have been provided to the SMEs. In this direction, in Turkey where the economic instability pervades, it is more than important to develop and support SMEs that are accepted as the economic stability even in the crisis situations indeed.

Due to the fact that most of the SMEs in Turkey are individual companies far from institutionalism, it makes economic development based on the managerial skills of the business owners obligatory. Because of this reason, it is also very important not to repeat the failures of the business owners until today.

The biggest obstacles in front of the business owners in Turkey are misusing the capital, managerial problems, difficulties for meeting the finance requirements and lack of marketing activities.

The purpose of this article is to examine the problems that SMEs in Turkey face with in the stage where the managerial and finance requirements have been provided and how to solve these problems within their own organizations by minimum support and to provide solutions towards business owners in the micro scale.

II. Description of SME

As is seen in entire world, SMEs do not have unique description in Turkey. Many unities

and organizations could describe themselves in some certain criterion. This case has derived from separation of qualitative and quantitative specifications that show differentiation within the bodies of SMEs in accordance with the support provided to SMEs by organizations and foundations indeed. On the other hand, in spite of the fact that both qualitative and quantitative specifications could not be sufficient to measure the size of SMEs, it is also difficult to understand them by using only one description.

The general quantitative specifications of SMEs could be defined as follows: independent management, the person who takes risk are entrepreneur, the competition power in the current markets, the marketing power in the active market, close cooperation between business owner and staff, cost of business and composition of the expenditures of business owner, low profile of experring level. The quantitative specifications are given below.

- Independent management, the decisions taken in SMEs have been taken by entrepreneurs and it states that other businesses or individuals do not have any effect on management. To be independent, in other words, purposes of SMEs have been defined by the business owners.
- If the person undertakes the risk called as entrepreneurs and the implementations have been carried out by the entrepreneurs, the responsibilities brought by the decisions are fully belonged to the entrepreneurs. In other words, the person who combines production factors to produce goods and services and undertakes the risk is called as entrepreneur.
- The competition power in the active markets states that the competition powers of SMEs are lower than big businesses. Depending on the low of competition power, it is very important to increase the competition in the markets if more than shares have been provided than encouragements and supports.
- The marketing power in the active markets defines the advantage that is provided in

accordance with the price, amount and terms conditions together by the firms in the active fields of SMEs. When comparing with large-scale firms, such kind of advantage is very little.

- The close relationship in terms of business owners and their staff refers that business owners have established very close relations with their staff apart from business depending on that numbers of staff and managers in SMEs are low.
- Combination of business costs and expenditures of business owners refer that the income obtained from SMEs or credits that have been used are used in the firm and personal expenditures of the business owners as well.
- Low profile of experting in the management states that the education level of the managers in SMEs are generally low and in order to reorganize this case, the budget has not been allocated for both staff and business owners and the management understanding that is not professional has been still continuing.

If we should state general qualitative specifications of SMEs; these are number of staff in the firm, the capacity size, capital amount, endorsement, the value of machine park and the rate of export and import. These rates are completely used to measure the size of firm. Generally, when reviewing the definition of SME, the easiest standards that have been faced are the numbers of staff and endorsement.

In order to show the differences in the definition of SME, the definitions of SMEs in Turkey are as follows:

SME DEFINITIONS IN TURKEY

In accordance with the Cabinet decree issued in Official Gazette dated 18.11.2005 and numbered 25997 in Turkey, the SME is defined as follows. (<http://www.resmigazete.gov.tr>, 2005).

Table2.1:Classification of SME in official gazette

TL	Annual Net Sales Revenue or Financial Statement	Number of Staff
Micro	C<1,000,000	0-9
Small Business	1,000,001<C>5,000,000	10-49
Medium-sized business	5,000,001<C>25,000,000	50-249

Source: Official Gazette dated 18.11.2005 and numbered 25997

On the other hand, in the definition of TÜİK (Turkish Statistical Institute), quadruplet classification has been made in small and medium sized business. According to this, the businesses that recruit 1-9 staff are called as micro sized business; the businesses that recruit 10-49 staff are called as small sized business; the businesses that recruit 50-99 staff are called as medium sized business and the businesses that recruit more than 100 staff are called as large sized business (Müftüoğlu, 2007).

According to the Turkish Eximbank, whatever its legal status, SME is belonged to one or more than one real or legal persons and it recruits less than 250 staff who work annually and its financial budget and annual net sales income does not exceed twenty five million YTL and it is called as independent business and has manufacturer, manufacturer-exporter specifications and the micro, small and medium sized business are called as "SME". The classification of SME has been done in parallel to the Cabinet Decree. (<http://www.eximbank.gov.tr>, 2011).

Additionally, Turkish Republic Prime Ministry Undersecretariat of Foreign Trade defines the SME as the business that acts in the manufacturing industry and employs between 1-200 staff and keeps the account as well as it is called as the business whose fix capital amount does not exceed TL in correspondence with 2 million USA

Dollars as of net balance sheet value except land and building (Atıcı, 2006).

Various criterions have been used by the chambers in Turkey such as number of staff, sales amount, capital amount, working field, salary distribution, manufacturing amount in the SME and almost all chambers have SME definitions. The commonly used criterion within these definitions is number of firm's staff and endorsement of the firm.

The most well-known definition of SMEs that have been constituted almost all businesses in Turkish economy has been done by KOSGEB (Small and Medium Industry Development Organization) and the SME is called as the companies that employs between 1 and 250 staff and whose shares not more than 25% do not have belonged to large businesses. (<http://www.kobilerim.com> 2009).

III. Advantages and Disadvantages of SMEs in Turkey

Due to the fact that SMEs have more advantages than large scaled firms, they have also disadvantages. The said advantages and disadvantages are given below.

ADVANTAGES OF SMEs

SMEs that follow the markets closely, know the requirements of their customers well and could establish close coordination with their staff are more flexible than large scaled firms in the subjects of manufacturing, marketing and services. Due to the fact that such kind of flexibility provides flexibility for the changes occurred in external environment on time and place, SMEs could slur over many negativeness by less disadvantage (Akgemci, 2001).

Although the product range and production amount of SMEs are limited in comparison with the large scaled businesses, this production and product range could be carried out by less investment if compared with large-scale businesses. In spite of the fact that the SMEs could sustain their activities

by less product and production in proportion to large businesses, they could be less affected against negativeness even if they lose markets. On the other hand, depending on the limit on the product, the costs arising from storing and product problems shall be lower than large scaled firms.

By the way, since therefore small sized enterprises have been mostly carried out their activities by limited productions, they could present supply in the sectors where the demands are limited.

In accordance with the size of SMEs and depending on that they have attempted to carry out their activities by less technology, SMEs could have latest technological products by lower costs than large scaled enterprises.

If the investment cost is low for SMEs, the entrepreneurship of the business owners could be increased. According to the obtain finance of SMEs, European Union and governmental supports are ready and this situation provides advantage for obtaining finance for SMEs to be newly established.

Depending upon that the entrepreneur has been carried out duties such as human resources, production manager, business manager, foreman, marketing manager and in accordance with the goods and service providing capacity of SMEs and thanks to investment possibility at lower cost and number of staff to be recruited than large scaled enterprises, they could make low costed investment.

On the other hand, due to the fact that the number of staff is less, the management in SMEs is easiest than large scaled enterprises. As per to practical activities, when the number of recruited staff has been increasing in the business place, the efficiency has been decreasing. The decision taken by the coordinator or group who does not have any sufficient information about the goods and products and attempt to find a solution in this way could be wrong and the appropriate solutions could not be found accordingly. The decisions in SMEs have been taken mostly in consultation with the negotiations made by active participants of production and if these decisions are applied, the success rate of such kind of decisions could be increased (Ekinici, 2003).

Due to the limited number of staff in SMEs, the relations between the business owner and staff could be promoted and developed so the cooperation mechanism could be strengthened when comparing with the large scaled enterprises.

DISADVANTAGES OF SMEs

Many disadvantages of SMEs are also composed of problems at the same time. The problems of SMEs shall be respectively reviewed under the headline of “Problems that SMEs have faced with”. In this headline, the conspicuous disadvantages of the SMEs shall be shortly stated.

The problem has been faced to recruit qualified staff.

Due to the fact that they have limited production capacity, the costs are high.

In spite of the fact that their managerial style is traditional, the decisions could be emotional. This case causes some problems in terms of managerial and organizational senses.

They have been carried out labor-intensive manufacturing and they have not performed sufficient investment for technology so that they could not benefit from the advantages of technology.

They could not follow up the commercial developments in international markets and domestic markets.

Due to the fact that there is lack of training and they have been far away from international markets, their products could not be produced in western standards and they could face with customer loss. This case has also resulted from limited activities towards exportation.

Because of tax, they have been directed to black economy and they could face with sanctions and legal penalties in the future

On the other hand, in spite of the fact that the educational level is low, they are open to negativeness because they could not keep the financial records regularly. Because of limited capitals of SMEs, the contents of the investments could be limited.

Owing to the fact that certain parts of incomes earned from businesses have been used in the individual expenditures of business owners, they do not have any efficient financial plans.

They have faced some difficulties to find resources to cover their investment and financial requirements as against large scaled firms. Their competition powers are not sufficient in comparison with the large scaled enterprises. They could face with troubles to meet the conditions of state tenders if we compare with the large scaled enterprises.

IV. Problems Faced by the SMEs in Turkey

The most important qualitative specifications of small and medium sized enterprises are that the entrepreneurship, management and ownership of these enterprises have been collected by the same person. That person is the business owner and these specifications of those businesses have collected together the most important problem of SMEs. It is not right to expect that the person having required financial possibilities must be good entrepreneur and manager (Müftüoğlu, 2007).

In this direction, it is possible to review the problems under the headlines such as managerial problems, problems to meet financial requirements that SMEs have faced with and problems that SMEs have faced in domestic and international markets.

MANAGERIAL PROBLEMS

Reasons of Managerial Problems

The non-professionalize is the most important problems in the management. In spite of the fact that the business ownership in the SMEs and management has been implemented by the same person and the business owner is the unique authorized person in the decision making process and due to the limited applications to organizational consultancy, the problem could be occurred. Another factor in this problem is the requirement for development and ambition. Sometimes, SMEs

ownerships do not want to develop themselves because of some reasons such as not to want to leave the management to the professional managers and not to take into the consideration of the risks resulted from the development and they continue to carry out their production by their limited capacity. It is not easily accepted situation for the business owner who directly established the company by great endeavors and devotion and reached the business from small scaled to medium scaled enterprises to institutionalize his/her business. The enterprises that delay this decision and do not hand over the management of the business to the professional managers have faced difficulties indeed (Müftüoğlu,1993).

In the first establishment process of the SMEs, due to the fact that it does not have sufficient capital and the market place is not clear and the vicinity of the domicile of the business owner could be seen as criterion, the problem for SMEs could be occurred to select the place. This problem could be seen as a minor problem for the business owner however, at that time, the business owner could face with some problems particularly in the process of storing and it could affect the activities of SMEs in terms of cost and marketing share accordingly.

In spite of the fact that there are not any preventive approaches for the problems, then, the minor problems could cause major problems. The business owners do not get any managerial and technological support from out of the businesses because of additional costs.

However, when the problems increased, the cost has also raised for the businesses and the continuation of the business activities have been negatively affected respectively.

The feasibility activities could not be carried out before investment and any professional support could not be obtained regarding this matter. Due to the additional costs and feasibility studies for SMEs, it could not be preferred by SMEs.

SMEs do not make any periodical plans then they could not make any estimation about the income resources or problems that could face with in the future. Planlessness is one of the biggest obstacles in front of the SMEs for the development.

On the other hand, owing to the fact that human resources have not been greatly considered, each staff could carry out each activity, terms of references have not been defined and due to the fact that there is not any hierarchical structure and the organizational schemes have not been organized by professionals, the structural problem for SMEs could be occurred. Besides, staff has been looking for new jobs and because of staff circulation; the continuation of the works and businesses could be interrupted.

Because, the decisions have been taken by the business owners and their relatives and the views and proposals of the staff could not be taken into the consideration, the problems could be occurred in the production processes and lack of communication has been faced.

Depending on the activity area, the staff and business owner do not have any professional training out of the company and they could not develop themselves in the relevant subjects and there is lack of qualified and experienced staff so that the training problems could be observed for the SMEs.

By virtue of the SMEs are generally family companies and they spend money for their individual needs by using firm incomes, the intensive fund expenditures could be occurred and the continuation of the firm's activity could be affected indeed.

When the SMEs could not be supported by external auditing, they could not observe their failures within the firm and this causes auditing problems within their own bodies and companies as well.

Solution Proposals towards Managerial Problems

Due to the fact that the business ownership and managements in the SMEs have been collected by the same person and the business owner has the unique authorization in the decision making process, the requirements towards external management and organizational consultancy support have been increased. The business owners

should have been supported periodically by the consultancy firms in the private sector.

SMEs could be professionalized in their own sector and they should have become professional in their own organizations. In this direction, the business manager should work together with the human resources manager and finance manager in the first stage.

In the establishment process of the business, the ultimate attention must be paid for the selection of business place. In this direction, the feasibility must be carried out indeed in the process. By this means, stocks costs could be decreased and activity expenditures could be minimized.

The SMEs could hasten to perform their projects. In this direction, the feasibility activities should be carried out before performing the project through the support provided by business and consultancy firms.

Due to the fact that any preventive approached could not be provided for the problems to be occurred, the small problems could become major problems indeed. In this direction, it is essential to follow up and monitor not only its own sector but also domestic and international sectors. The bulletins, research articles, economy programs should be closely monitored and observed and the close negotiations and contacts must be established together with other firms in the sector regarding this issue.

The best solution formula for the SMEs that could not easily employed qualified staff is to train their own employers. In this direction, the business owners should abstain from recruiting or employing their own relatives and close friends who do not have any experience and qualifications as well. On the other hand, if the business owners employ their own relatives and families, the managerial problems could be occurred and the balance could be broken.

In accordance with the activity subject, the budget must be allocated for professional training for the staff and business owners and in the activity area, they should develop themselves and they

should participate in the trainings to train the qualified personnel indeed.

Although the SMEs are generally family companies, the individual expending should not be made by the firm incomes and in this direction, the fund should not be removed from the firm.

V. Problems Faced in Finance Requirements

Generally, while talking about the problems of SMEs, one of the first things comes to mind is financial problems. The reason is that one of the most important factors is finance for the business to act. The SMEs could face with some problems when procuring this factor. When the SMEs could face with some difficulties regarding financial resource procurement, they could experience input procurement, manufacturing, marketing and training problems extensively (Ekinci,2003).

Although the SMEs have financial advantages such as independency and benefiting from encouragements, some factors such as lack of financial information, insufficient observation in the financial systems development and business owners are responsible for the individual assets, credit volume and credit cost could create some financial disadvantages for SMEs.

Under the direction of this information, the reasons and solution proposals for the problems arising as a result of covering the financial requirements in the SMEs are given as follows:

Financial Information Problem and Solution Proposals of Business Owners

Financial Information Problem of Business Owners

The most important reason for the SMEs to face with the financial problems is arising from the business owners. Particularly, when the business owners as the business manager undertake all activities and works, the problems could be

increased. Although the professional management requires the experting, in the first establishment stage, such kind of possibility could not be possible. In the first stage, the situation that could be considered as normal will leave its location to another place where the specialization is subject. Because, due to the fact that the business owners do not have sufficient information in terms of financial management so that it could be seen as short term problem, this problem has long term affect indeed.

As a result of this lack of information, there could be some negativeness so that the qualifications in the customers could not be defined well, the risk undertaken in the credited sales could not be well assessed and the effective collection policy could not be monitored (Ekinçi, 2003). The negativeness arising from lack of financial information belonged to the business owners are given below:

Depending on that any respective finance departments have not taken part in the SMEs, the finance resources could not be found by the experts and the cost effective ones among the resources could not be evaluated indeed.

SMEs that mostly use the labour intensive technology could not be benefited from auto finance that has been provided by means of the amortization. (Tutar and Küçük, 2003).

The external accouters have been prepared a balance sheet for the income and expenditures rather than showing the failures of the firm and they could provide support to firm for financial resources. Because of insufficient financial information, the business owners could not understand the position of the firms over the balance sheet in terms of financial meaning and they could not take necessary precautions previously.

Due to the lack of information, the business owners could face with some problems in the taxes. Although mainly business account summary has been recorded, they cannot benefit from legal possibilities because they do not use the amortization methods in accordance with the balance sheet basis and they do not make provisions against doubtful receivables.

On the other hand, lack of financial information affects the activities that have been carried out together with the banks negatively. In spite of the fact that the credit types that are not related to covering the requirements have been preferred and the ultimate attention has not paid to reimburse the installments, the credibility of the firm has been negatively affected in the coming periods. However, it is essential to pay attention to reimbursement of the firms to both individual and commercial credits. Additionally, if the business owners use the credit under the direction of bankers' targets instead of their own financial structure, the cash flow of the firm could be damaged and the sustainability of the activities could be endangered.

Depending on the black economy in Turkish economy, the attitude of the business owners could cause foreshorten in the financial term and the credit institutions could assess the firm negatively. On the other hand, because of black economy, the legal penalties have been faced and the support coming from the credit institutions have been interrupted and as a result of legal sanctions, the firms could go bankrupt.

Solution Proposals

A separate finance department must be established in SMEs and professional managers should be recruited in this department.

Due to the lack of financial information, depending on that the business owners could not understand the position of the firms over the balance sheet financially, the business owners should be short term trained in the fields of financial analysis and balance sheet reading techniques.

In order not to damage the cooperation with the bank and other financial organizations, the business owners should pay ultimate attention to the credit reimbursement of the business and individual payments and a system must be established to follow up the credit terms.

Problems related to the capital structures and Solution Proposals

Problems related to the Capital Structures

The capital structures of SMEs are composed of two types. The first one is the initial capital occurred in the establishment of the businesses. The initial capital is generally accepted as the first investment amount. It is possible to convene the initial capital resources of the SMEs in Turkey in two items. The first one is the individual savings of the business owner and the second one is the debt provided by the close friends. Owing to the fact that business owners do not want to enter into the interest obligation, their individual savings are composed of primary capital in the establishment of the business. However, they could face with the limited equity capital problem. Although they consider performing the project having maximum profitability rate, they could not carry out such kind of project by using their limited equity capitals (Ekinici, 2003). In addition to this, this capital is not sufficient depending on covering the primary finance by the equity capital. In other words, lack of equity capital is very important problem in this sense.

As a result of unplanning the primary capital and wrong calculation of the primary investment, the business owners will be faced with great problems in the future. Generally, the businesses have been conflicted with the primary capital and business capital and as a result of this, they could experience serious problems. For this reason, the difference between these two capital types must be defined well and the regular plans must be developed towards the operation of these capitals (Ekinici, 2003).

The working capital refers to the investment that has been made economic values to transform into the money in the calculation period. In the balance sheet, the returned values (current actives, returned values, circulation currency and economic values), current money, free securities (short term financial assets), receivables and stocks business capitals are composed of the business capital (Sariaslan, 1994). One of the most important failures that have been done in the establishment

processes of the SMEs is to disregard the working capital amount while the investment amount has been defined. One of the important parts of the limited capital has been depending on the fixed assets; the working capital could not be considered well for the sustainability of the business activities. However, in terms of investment success, it is more than important to define the investment amount as much as to distribute them between the returned values (Düzce, 2007).

Solution Proposals

Since the first finance requirements in the SMEs have been covered by equity capitals, it is very well known that it is not sufficient. It means that lack of equity capital is very important problem. In this direction, the partnerships must be established to initiate new projects where the equity capital will be sufficient and to increase the equity capitals accordingly.

Business owners could face with troubles in the future if they could not use this initial capital with the plan and if they wrongly calculate the first investment amount. In this direction, the fixed and floating assets must be distributed balancedly.

The Problems Regarding the Inflation and Solution Proposals

Problems Regarding the Inflation

While the position of SMEs has been defining in the inflationary environments, it would be easier to understand the problems by taking into the consideration of the relations between saving and credit. Because of the inflation, the section that practices economy shall demand for the real interest to protect the saving against inflation. However, these high interests could be reflected as high credit cost automatically. Off course, this case has dissuasive effect on the firms that plan to make new investments. Apart from the import input prices because of the inflation, if the prices of the domestic inputs have increased then the firms shall be forced to engrossing but at the same direction, the requirements of the firms regarding business capital have been increased and the liquidity has been negatively affected. Because, if the input prices are increased but the product prices are not increased

respectively, the auto finance possibilities of the SMEs could be restricted and they could face with financial difficulties. Besides, if the procurements are made in cash but the sales activities are made in installments, the cash balances of these firms could be highly destroyed (Düzce, 2007).

Such kind of negativeness because of the inflationist environments have resulted from melting the low capitals of SMEs and the external resource requirements could be necessary as well as the business owners could face with serious dangers in the management of the firm and the financial crisis could be occurred.

Solution Proposals

It is more than important for SMEs to turn the disadvantages of the inflation to advantage so that the SMEs should define the discount very well in the installments selling and should also define the stock management indeed. In this direction, a good price strategy should be defined in the installment selling and the stockpile should be performed especially in the period where the prices are decreased respectively.

Against the price escalation based on the inflation, the credits should have been kept as inactive in the periods where the low rate interest policies have been carried out and the cash credit utilization should be prevented in high interest period.

Credit Interest, Guarantee and Date Problems and Solution Problems

Credit Interest, Its guarantee and Date Problem

As we have mentioned previously, the main problem in the businesses is that they do not have any separate finance department and the business owners do not have finance experience or information. On the other hand, it could cause problems for the SMEs in the banking activities. The main problems are composed of credit interest, warranty and date.

One of the biggest problems of SMEs is that they could not become indebted to low interest. When reviewing the reasons of this, the following reasons could be observed.

- Based on the scales of SMEs, they could have low production capacity and lack of sustainability principle,
- Although the SMEs are using the credit for their business capitals, it could be a risk factor for creditor depending on the individual requirements of some part of the credits,
- They do not have sufficient deposit money to bargain with the banks,
- They do not have enough information to bargain with the banks in terms of finance,
- Due to the fact that they have some troubles to find external resources, they could not compete with the banks.

Another problem of the SMEs is the issue of credit warranty. When reviewing the reasons of this, the following reasons could be observed.

- In case of bankruptcy, the small scaled business owners could lose their assets in the business and also all their individual assets. The business owners who do not want to take such kind of risk could hesitate to use credit,
- Because of the size of SMEs and the vulnerability in their management, the credit organizations could see them risky and against the credit to be used, they could demand for material warranty to protect them accordingly,
- Due to the fact that business owners have registered their properties that have been obtained through the business, instead of the registered properties on the firm, the firms could warranty against their own risks,
- In the stage where the properties that have material warranty value have been provided as guarantee, they could not be used efficiently and effectively,
- The engineering vehicles and machines that the businesses have been operated their activities could not be considered to have material value by the credit institutions or these could be assessed as lack of warranty values.

- The business owners could provide memory warranty to credit institutions for other firms and for this reason, other firms could undertake the resource risk against the debts of other firms,
- Against the commercial activities, the dates of the cheques provided by debtor are long termed and the credit institutions could not see the long termed cheques as warranty as well as the SMEs could not create any finance against the cheques.

On the other hand, one of the subjects that the SMEs could face with difficulties financially is the due date in the credits. Although the due date problems in the debts could not be taken into the consideration mostly, when the debits arrive to maturity, the cash problem could be occurred in the firms and the sustainability of the firms could be under risk accordingly. When reviewing the reason of this problem, the following reasons are taken into the consideration.

The due date of the future collection that has been done by the businesses could be dispersed so this situation could delay the reimbursement of the debts.

- Due to the fact that the businesses have organized reimbursement plan for their commercial debts and these debts are closed to the reimbursement time, the cash problem are occurred,
- Regarding the mid-term reimbursement issue of the short term credits, they do not have any sufficient information,
- The long-term investments such as business place investment, vehicle procurements, businesses capital expenditures that will not be returned will be carried out by short-term debts.

Solution Proposals

Rather than the activity expenditures, the highest expenditure items of the SMEs are composed of the unpaid interests. In this direction, the SMEs should work with several credit institutions and should get in touch with many credit institutions. In this direction, they should

increase the possibility to benefit from low rate interest advantages accordingly.

Even if the SMEs have used credit for the business capital, due to the fact that a part of the credits have been used for the individual needs, these could be a risk factor for the lenders so the business owners should not take funds for their individual requirement in any way. When they use the individual credits for their individual requirements, they could easily control their individual expenditures and in this case, there will not be any fund outflow from the businesses and credit institutions will trust the enterprises indeed.

If the real estates shall be procured by the interest obtained from the enterprises or by income, such real estate should be registered on the firm. At that time, the real estates will be based on the warranty of the credits and the business owners shall not be forced to provide individual warranties.

The businesses should stay out of cheque and bill processes that have been known as memory document in the markets that will affect negatively the cash flow.

The businesses should not use the short-term credit utilization that will exceed 25 percent of their endorsement. In case of intensity of the short-term credits, in accordance with the priority of the dates, they should strengthen the cash flow by expanding the short term credit risks to long term. On the other hand, the vehicle purchasing for the businesses should not be short termed.

THE MARKETING PROBLEMS THAT THE ENTERPRISES FACED IN THE DOMESTIC MARKETS

Regardless the fact that the crisis in the international markets affects Turkey directly and the intervals of such kind of crisis have been decreased and their effects have been growing, if the structures or organization of the SMEs in their current models could not be changed, there would be serious dangers. Based on this, the SMEs should spare no effort to minimize the effects of the crisis in the domestic markets.

The initial problems faced in the procurement of the resources from the domestic markets are occurred if the SMEs' procurement department could not act effectively so that the low quality and expensive rough materials procurement could be faced. On the other hand, the limited possibilities of the marketing researches should also play important role in this direction.

The SMEs have procured the necessary input to produce material through the private sector, KIT and abroad. Because of increasing the exchange rates, the import activities are expensive and the additional charges done by the private sector firms that have provided input have forced the SMEs. By this way, the interest rate of the SMEs has been decreasing because of expensive rough materials.

In spite of the fact that the production of the SMEs are in the few amount, the prices in the rough material and intermediate goods and other procurement conditions have not been affected in the favor of the SMEs. They are forced to buy the said inputs by high prices. In other words, monopolistic effects have affected the performance of the SMEs negatively.

One of the problems in the procurement of essential rough materials and intermediate good refer that the rough materials could not be purchased on time and the desired goods could not be provided on time. This case are directed the businesses to the rough material storage and as a result of this, the resources have been wasted.

The SMEs do not have serious organizations regarding the establishment of the marketing. There are some failures in searching, looking and evaluating the target markets.

Because of economic reasons, the qualified marketing staff could not be employed.

There are some failures in searching for the sales, development, advertisement and promotional efforts as well as planning them.

They could face with some difficulties in the price determination. As we have mentioned in the previous subject, when the increasing in the cost

and these could not be reflected into the prices, the SMEs could not have profit or less profit accordingly.

The strategic faults could be done when defining the customers. In order to take the order, it is also a fault to wait for the customer to sell the goods (<http://www.hydra.com.tr> 2011).

The SMEs like big companies do not benefit from the discount when they cover their rough materials requirements based on the serial and mass production.

MARKETING PROBLEMS FACED IN THE FOREIGN MARKETS

It is inevitable reality that the export activities are very important for the country economy and institutions. The exports play very important role in the development of the country's economy. Based on this, it is more than important that SMEs composed of 99% of the country's economy should be successful in the export activities. However, nowadays, the share taken by the SMEs in the export activities are very small. The factors that affect the success of the business in the international markets are as follows: the enterprises want to take part in the international markets, their produced goods and services should be compatible, they should have sufficient financial and human resources, they should have concrete marketing approach in the international sense. In order to get into the market, an enterprise should have sufficient manufacturing capacity, technical and commercial information, qualified staff towards capital and finance. On the other hand, the relevant amendments should be performed in the manufacturing, sales policies and distribution system (Karadal, 2001).

Essentially, the chronic problems of SMEs in the export are resulted from the unenforceability of the export marketing thought and approach. The export problems of the SMEs could be handled in two different groups as "the problems that the SMEs could face in the national and business level" (Akgemci, 2001).

The problems of SMEs in the international levels are as follows:

- The SMEs do not follow up a planned strategy to develop their export activities,
- The purposes to develop the small industry sector and to increase the contribution of this sector to the export activities should not be defined well.
- The current purposes should not be directed towards the performing the export of the small industry sector,
- Even if there is a target defined to support the SMEs, the precaution taken and applications are not in accordance with this purpose,
- There is not any organization to coordinate the demand markets for the SMEs.
- The domestic marketing conditions are more attractive than the international markets,
- The current applications in the export are not in favor of the SMEs.
- Bureaucratic obstacles,
- Lack of encouragement precautions,
- Incoordination of the SMEs.

The problems of the SMEs in the business level are as follows:

- Difficulties to find credit for the financing of the production towards export,,
- Difficulties to find cheap and qualified rough material.
- The export marketing activities could not be covered because of limited resources,
- Sales development and promotional activities are very expensive,
- Lack of quality
- Falsity in the external pricing.
- Failure marketing strategies,
- The electronic trade could not be used sufficiently.

VI. Conclusion

Depending on that the investment cost is low for the SMEs and the business owners could have possibility to become entrepreneur, the SMEs are composed of 99% of the country economy and additionally, they have some advantages rather than the big businesses as well as it is well known that if these advantages could be used, there will be great benefit and contribution to the country's economy.

The SMEs that could follow up the markets closely know the requirements of the customers very well and could establish close relations with their staff are more flexible than the large scaled firms in terms of production, marketing and service. Such kind of flexibility provides adaptation to the changes that will occur in the external environment on time and on place.

Due to the fact that the sustainability of the activities of the SMEs could be provided by less product and production rather than the large scaled enterprises, they are less affected by the negative circumstances even if they lost markets and the cost arising from storing and product problems are lower than the large scale enterprises. By using this advantage, the business owners are in the position that they could compete with the large scaled enterprises.

Depending on the lack of educational level of the SMEs, the budget must be allocated for the training activities for the staff and business owners and they should be supported and encouraged to develop themselves in their activity field as well as they should participate in the trainings to increase the qualified staff so that the SME's contribution will increase in the country economy.

They could not follow up the commercial developments in the international markets and domestic markets and they could stay regional to the developments. On the other hand, depending on the lack of training and far away from the international markets, they could not catch the western standards so they could loss the customers. In this direction, the organizational recoveries should have been performed to cope with the relevant problems.

In comparing with the large scaled enterprises, their competition capacities are weak and they have trouble to carry out the principles of state tenders and these are the obstacles for the SMEs to develop themselves. The SMEs and business owners should come together and make a deal in the partnership issue.

Because of that the business ownership in the SMEs and the management activities are collected by the same person that person is the

business owner and these specifications of those businesses have collected together the most important problem of SMEs. It is not right to expect that the person having required financial possibilities must be good entrepreneur and manager.

It is more than important for the SMEs to train their own staff because they face with some problems for the requirement process. In this direction, the business owners should abstain from recruiting or employing their own relatives and close friends who do not have any experience and qualifications as well. On the other hand, if the business owners employ their own relatives and families, the managerial problems could be occurred and the balance could be broken.

A separate finance department must be established in SMEs and professional managers should be recruited in this department. In order not to damage the works with the bank and other financial institutions, the business owner should pay ultimate attention their individual expenditures and their reimbursement as well as a system should be established to follow up the date of the credits.

Apart from the activity expenditures, the SMEs' highest expenditure item is composed of unpaid interests. In this direction, the SMEs should work together with several credit institutions and should get in touch with many credit institutions. Then, the possibility to be benefited from the low rate advantages could be increased.

The businesses should not use the short-term credit utilization that will exceed 25 percent of

their endorsement. In case of intensity of the short-term credits, in accordance with the priority of the dates, they should strengthen the cash flow by expanding the short-term credit risks to long term. On the other hand, the vehicle purchasing for the businesses should not be short termed.

Generally, in the stage where the managerial and finance requirements of the SMEs in Turkey, it is seen that the problems to be faced is based on the information and ability of the business owners.

VII. References

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