



MICROFINANCE CENTRE

Financial inclusion in Turkey

May 27th, 2014

Research on financial inclusion

- First research project in Turkey comprehensively assessing the level of financial inclusion
- Funded by MetLife Foundation, the assessment looked at the dimensions of access and the level of usage of financial services by individuals and SMEs
- Both international and local sources of data were used

with financial support from **MetLife
Foundation**

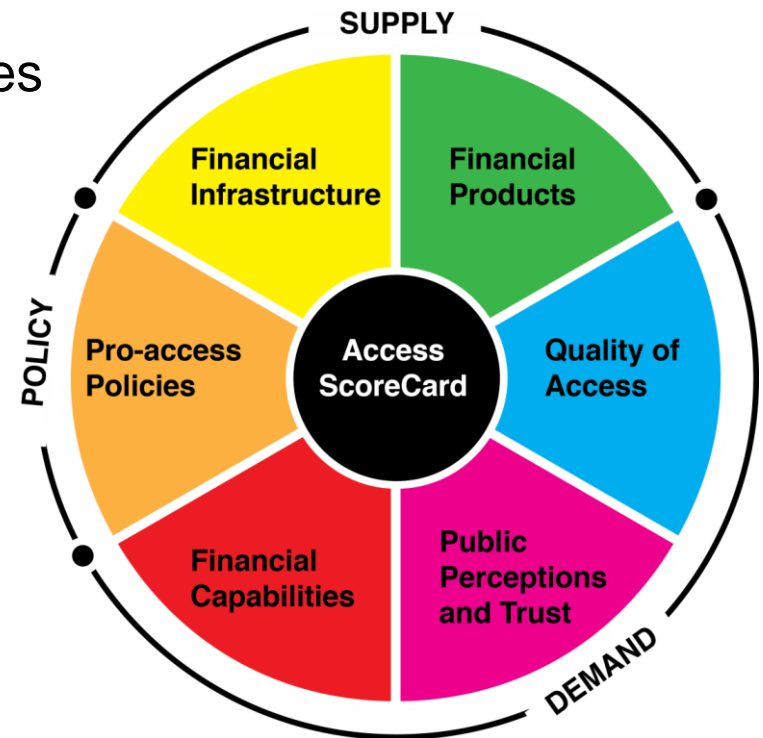


Data availability and quality

- Information about financial services usage levels available chiefly from international sources - low availability of local data
- Good local sources of information about various aspects of access, in particular about banking infrastructure, trust and confidence, and financial capability.

MFC approach to measuring financial inclusion

- **Total Financial Inclusion (TFI) Index** generates a simple measure of national financial service use. It captures overall scale of exclusion as well as by products type.
- **Access to Finance Scorecard (AFS)** captures diverse aspects of access and usage issues from three key perspectives:
 - supply
 - demand
 - policy



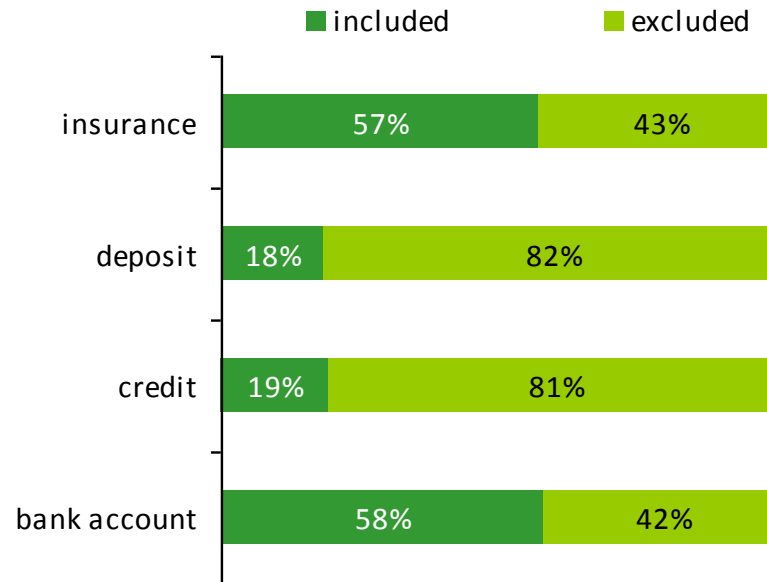


RESULTS

Financial inclusion of individuals

Usage – Total Financial Inclusion (TFI) Index

Individuals



Key issues:

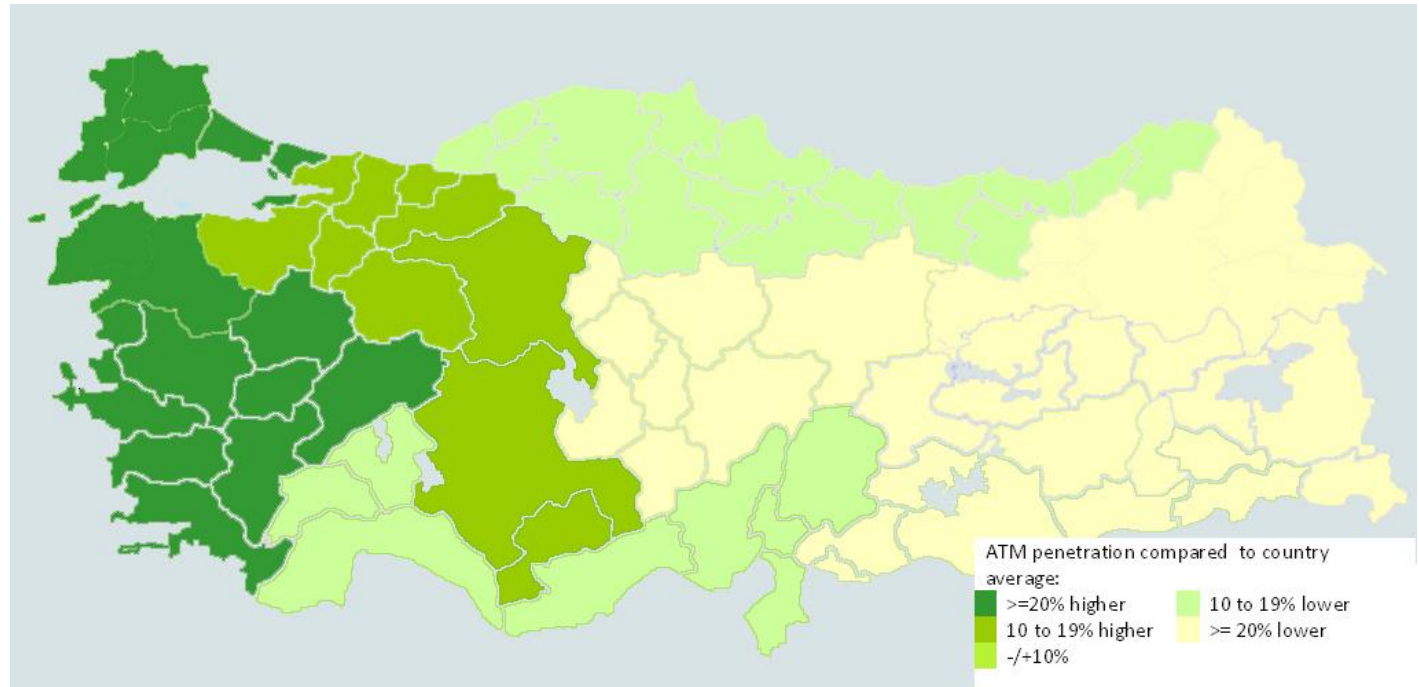
- Pockets of exclusion – women, youth East Anatolia population, microenterprises
- High credit card penetration – risk of overuse leading to over-indebtedness
- Declining saving rates among individuals

Access to Finance Scorecard - Individuals

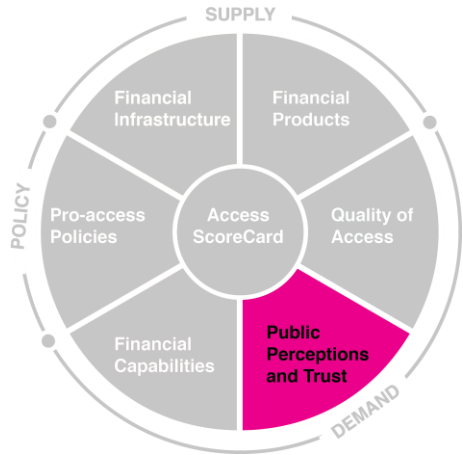


+ good variety of financial institutions (various types of banks, post offices, insurance companies)

- very uneven geographical ATM and branch penetration

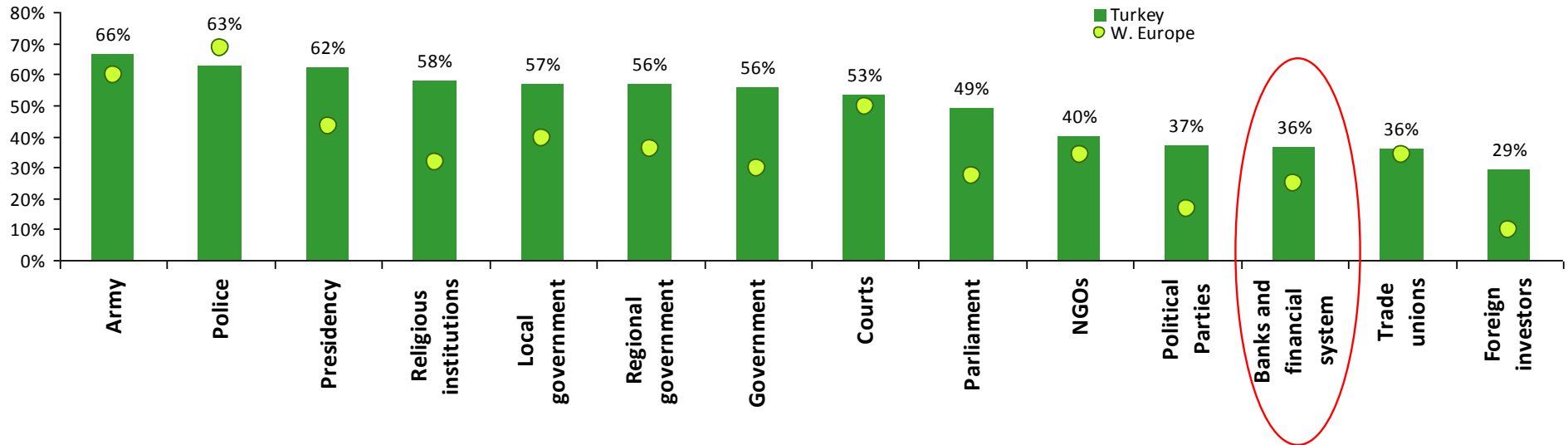


Access to Finance Scorecard - Individuals



- low consumer confidence - more pessimists than optimists regarding economic and financial situation

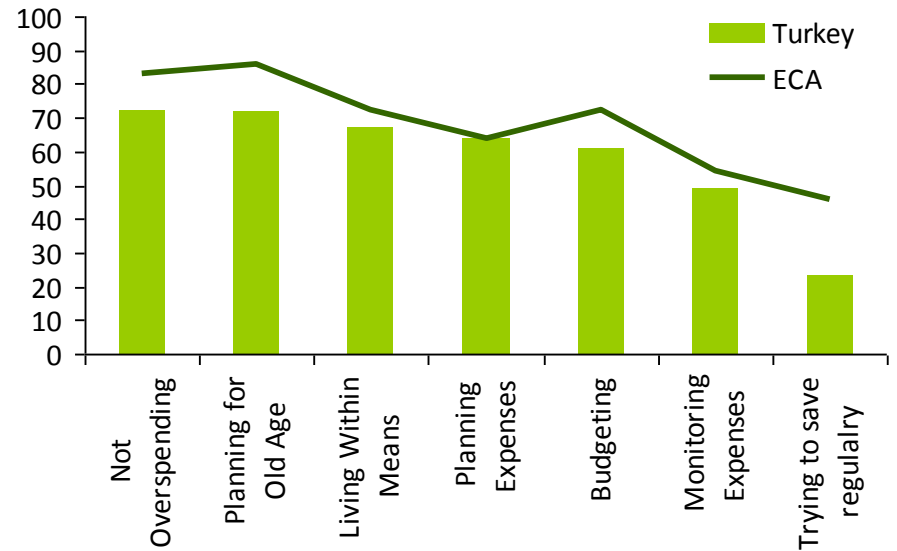
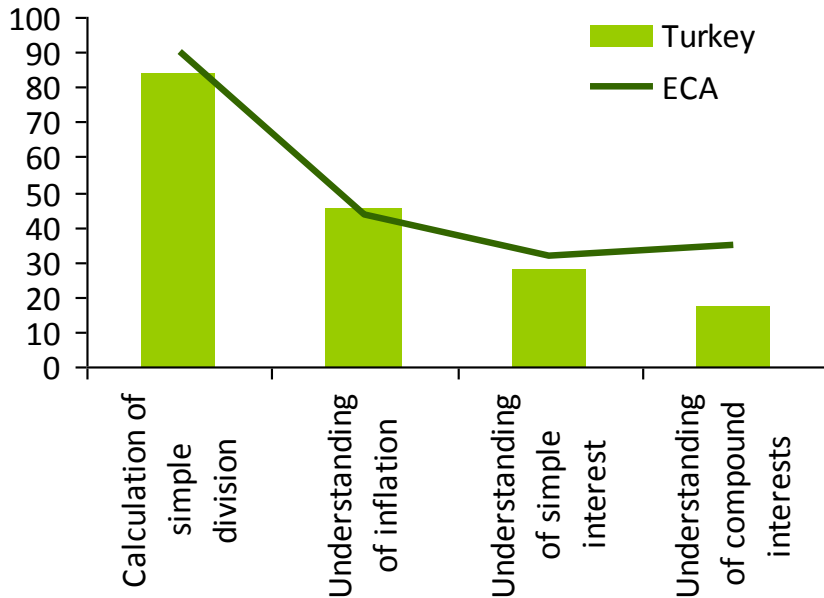
- low trust in banks and financial system



Access to Finance Scorecard - Individuals



- low financial education
- poor financial practices, mainly lack of saving habit



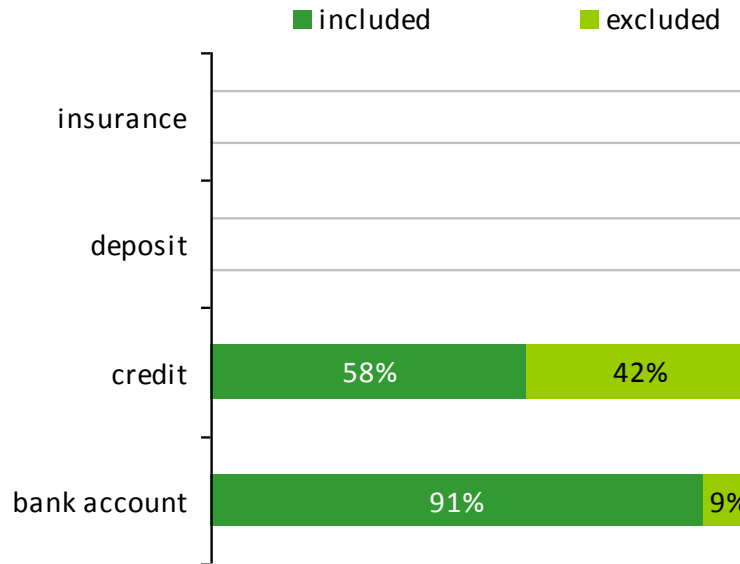


RESULTS

Financial inclusion of SMEs

Usage – Total Financial Inclusion (TFI) Index

SMEs



Key issues:

- High use of bank credit, but below trade credit use
- Low use of leasing, factoring or overdraft facilities
- Declining share of SME loans volume in total bank loan

Access to Finance Scorecard - SMEs



- + over half of deposit banks and all private participation banks offer various types of SME credit – cash and non-cash loans, in addition various bank account facilities
- + leasing and factoring are provided by specialized companies
- only two MFIs serve entrepreneurs with microcredit
- only two public loan funds provide low-interest loans

Access to Finance Scorecard - SMEs



+ government focus is on improving financial inclusion of SMEs

+ Turkey is one of the co-chairs in SME Finance Sub-Group of the Global Partnership for Financial Inclusion (GPFI).

A number of programs exist to support micro, small and medium-sized enterprises:

- KOSGEB: consultancy, training, technology development, innovation, quality improvement, export orientation, interest rate subsidies.
- The Turkish Guarantee Fund (KGF) provides guarantees to SMEs applying for bank credit.
- The SME Venture Capital Investment Trust (KOBİ A.S.) is a risk capital intermediation.



CONCLUSIONS

Conclusions

- Usage - high percentage of the unbanked population, low saving rates
- Good supply of finance, with banking infrastructure, however, uneven distribution between regions
- On the demand-side - financial education worse than the in ECA countries
- In the policy area - a number of efforts underway to remove barriers and improve financial inclusion, although effectiveness has not yet been measured
- Reasonably good supply of SME financing, conditions of access seen by SMEs as improving
- High interest rates are the main limiting factor, mitigated by state-subsidized credit availability
- On the demand side: lack of information about the level of financial capability and attitudes
- Policy area: government focus on improving financial inclusion of SMEs
- Data availability: low availability of local data sources regarding the financial service usage levels
- Data quality: poor disaggregation of data by socio-economic groups, hence little information about usage and access to financial services by low-income and vulnerable groups



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Thank you!