Review of Socio-Economic Perpectives **Civelek, M. et.al, pp. 13-27**
Vol. 3. Issue: 1/ June 2018

DOI: 10.19275/RSEP046
Received: *15.10.2017*
Accepted: *22.04.2018*

HOW PERCEPTIONS OF BANK FINANCING CONSTRAINTS DIFFER AMONG CHARACTERISTICS OF SMEs: EVIDENCE FROM TURKEY

Mehmet Civelek
Tomas Bata University in Zlin, Czech Republic.
E mail: civelek@fame.utb.cz

Ibrahim Dursun
Prof. Dr., International University of Sarajevo, Sarajevo, Bosnia and Herzegovina.
Email: idursun@iud.edu.ba

Ashiqur Rahman
Tomas Bata University in Zlin, Czech Republic.
Email: rahman@fame.utb.cz

Abstract

The aim of this study is to identify and compare the differences based on various characteristics (such as size, legal structure and age) of SMEs and their perceptions of some problems related to accessing bank financing. The issues that could be perceived as obstacles by SME executives are high amounts of required collateral, high costs of credits and uncertainties in long term interest rates. In this regard, the research question can be formed as whether a firm' size, age and legal structure differ in terms of perceived bank credit obstacles. The data was collected by face-to-face surveys from one thousand Turkish SMEs in 2011 and 533 of them were investigated with regard to the specified purpose of this study. All of the firms were located in Ankara, Turkey, had gained credit from banks in last three years, and were members of Ankara Chamber of Commerce (ATO). P values from Chi Square and Z tests were used in order to analyze the sample, to find differences between selected factors and to show if the differences are statistically significant or not. The empirical results of the study demonstrate that perceptions of bank loan problems are reduced for older SMEs. However, the findings do not confirm dissimilarities between the different sizes and legal structures of enterprises with respect to their perceived level of bank credit obstacles. This might be the result of the similar effects of regulations of the Turkish government, Basel Committee and Turkish Banking Sector on these firms.

Keywords: Financial Constraints, Access to Bank Credit, SMEs, Turkey.

JEL Classification: G21, L26, O16.

Citation: Civelek, M., Dursun I, & Rahman, A. (2018). How Perceptions of Bank Financing Constraints Differ Among Characteristics of SMEs: Evidence from Turkey, Review of Socio-Economic Perspectives, Vol 3(1), pp. 13-27, DOI: 10.19275/RSEP046.

1. Introduction

The importance of SMEs increases worldwide due to their provision of new job opportunities, playing a key role in the economic growth of countries, and being easily adaptable to changes in business environment even during economic crisis. SMEs have limited size, limited capital power, limited markets and struggle to achieve diversification (Civelek et al., 2016b) and they can promote entrepreneurial and innovative operations (Erdogan, 2015). 90% of firms are SMEs around the world, and they supply more than 50% of the global workforce (IFC Issue Brief: SMEs, 2016).

According to European Commission's Annual Report of 2014/2015, SMEs create 67% of the workforce and the percentage of SMEs in non-financial sector is 99.8% in EU28 countries. As for Turkey, the rate of SMEs is more than 99% (EC, 2015) and 79% of workforce is provided by these firms (World Bank, 2011). These numbers serve as convincing evidence that SMEs are the backbone of developed and developing economies including Turkey. Although Turkish SMEs have significantly-positive characteristics with regard to job creation and the size of their sector in Turkish economy, they are not immune to difficulties especially to gain access to finance. This can be the result of having fragile economy and facing with several global financial crises in the last decade for Turkey.

In relation with difficulties experienced by SMEs in accessing bank financing, previous studies focused on obstacles, such as the amount of required collateral (Rahman et al., 2016b; Rahman et al., 2016c; Wangmo, 2015), the high cost of bank transaction fees (Ardic et al., 2012), and high interest rates (Abdesamed and Abd Wahab, 2014; Yildirim et al., 2013). Regardless of extensive empirical research around the world about financial constraints on SMEs, still financial difficulties experienced by SMEs are considered as one of the main barriers for SMEs to grow and sustain their businesses. In this regard, this paper examines whether or not these factors exist and could constraint SMEs to access to finance in Turkey.

The purpose of this study is to identify and define the dissimilarities between several sizes, legal structures and ages of firms in connection with the perception of various problems that firms could face when attempting to access bank financing, such as high levels of collateral required by banks, high credit expenses for firms and uncertainties in long term interest rates. This study focuses mainly on funding from banks, analyzes the firms that have received bank loans in the last three years and examines the problems separately. For these reasons, this study may have a significant contribution to the literature by providing better understanding of the similarities or differences of characteristics of firms in the scope of their perception of problems that they face to receive bank credits. By revealing the fact that most common issues could differ based on some key characteristics of SMEs, this paper may help governments, institutions, banks and SMEs to find effective solutions to cope with these constraints in the process of funding. The rest of this paper is structured as follows: section one clarifies the theoretical literature in relation to the various characteristics of SMEs and identifies different obstacles that SMEs encounter when they attempt to receive funds from banks. The method, research methodology, and the characteristics of the data will be provided in section two. Section three presents a summary of the results while discussion section will be shown in section four. Limitations and recommendation of this paper will be briefly explained in the final part.

2. Statement of a problem

As it has already specified by many researchers in the literature, sector of SMEs plays a vital role especially in development of economies, in job creation and in market competition that enable to improve the level of GDP and also the quality of products (Belas and Sopkova, 2016; Belas et al., 2015). Civelek et al. (2016a) state that although SMEs face obstacles to reach capital markets, banks are essential players for the funding of SMEs. Some studies also posit that the primary source of external funding for SME financing is bank credit (Dong and Men, 2014; Wangmo, 2015). However, process of gaining bank financing is not easy for SMEs, so they encounter various limitations because of the enforcement of banks and governments especially in developing countries. This is because banks in developing countries have lack of sufficient information about firms and also property rights and legal rules are not well-developed and well-defined (Le and Nguyen, 2009).

In relation with the amount of collateral that banks ask for, Yildirim et al. (2013) clarify that the amount of provided collateral by SMEs enables banks to protect themselves against the credit default problem. Banks are disposed to give credits for firms that have well-structured balance sheets, suitable assets to collateralize and favorable credit history (Abdesamet and Abd Wahab, 2014). Furthermore, collateral can reduce some problems such as moral hazard, asymmetric information and monitoring cost (Yildirim et al., 2013). In consideration of high costs of credits, Le and Nguyen (2009) present a reason that asymmetric information between businesses and banks causes an increase in the costs of credits for SMEs. Especially in developing countries, banks need to use well-developed monitoring methods to be informed from SMEs and firms can be exposed to pay the costs of these methods (Kon and Storey, 2003). With regard to the problem of interest rate, SMEs face with higher interest rates when they apply to bank credits (Ardic et al., 2012) because interest rate relies on the hazardousness of firms (Ogubazghi and Muturi, 2014). By charging higher interest rates to SMEs, banks put themselves under protection against the risk of non-repayment of credit (Wangmo, 2015). Moreover, the interest rates for bank loans usually fluctuate in developing countries due to not having stable market.

In this regard, entrepreneurs might be concerned about the uncertainties in long term loan rates so they can be discouraged to apply for bank credits. Even though firms have already gained the loans, they can feel that banks might ask for higher interest rates during the payback period of their credits. This issue can be another obstacle that firms face to have loans from banks.

In the context of characteristics of firms, Fatoki and Odeyemi (2010) bear out that size, age and ownership structure have effects on receiving bank loans. Makler et al. (2013) also prove the existence of positive relationships between ages, sizes of firms and having reduced credit constraints. Furthermore, the authors result that compared with non-group affiliated firms, group affiliated companies can have lowered obstacles to accessing to finance. However, Erdogan (2015) finds that age, size, business group affiliation have no impact on to perceive credit access as a constraint. In the matter of size of firms, SMEs have reduced opportunities to access financing in comparison with large companies (Dursun, 2016). According to Beck et al. (2007), small and large businesses differ especially some of constraints of financing such as necessity of collateral, procedures of banks, payment of interest and insufficient knowledge about credit conditions. For instance, Makler et al. (2013) describe that large enterprises have more advantages to collateralize bank loans than small firms. This is because larger businesses are less likely to have opaque financial statements (Canton et al., 2013) and they are more likely to have higher level of assets (Rahman et al., 2016a) than smaller enterprises.

Corresponding to the age of a firm, Makler et al. (2013) infer that ages of businesses should be negatively related with funding obstacles. When businesses are more experienced, access to finance become easier for them (Berger and Udell, 1995). Because of having been operating for more years, SMEs might be more informed about banking instruments to apply for them (Le and Nguyen, 2009) and also they can provide sufficient assets to guarantee the required collateral by loan providers (Zarook et al., 2013). Kira (2013) and Yildirim et al. (2013) make it clear that the legal structures of firm effect obtaining financing. Owner of sole proprietorships is only one person that is obliged for all liabilities of a firm (Yildirim et al., 2013), whereas, corporate businesses have legal personalities that are under different tax liabilities, and they have income and assets separately (Harhoff et al., 1998). According to Cassar (2004), non-incorporated firms have less chance to gain bank loans than incorporated businesses.

As already noted elsewhere in this current study, high costs of credits, a high amount of collateral requirements and uncertainties in the long term interest rates are some of the vital problems that SMEs experience with accessing of bank financing. But these problems can be perceived differently by SMEs regarding to their legal structures, ages and sizes. In this regard, the study will be pointed out why the perceptions of bank loan obstacles for Turkish SMEs might differ in relation to their characteristics.

3. Methods

The data was collected from SMEs located in ten different regions of Ankara, Turkey. By applying probability sampling method, a thousand firms were selected for the sample. The enterprises carry their businesses in different sectors such as, mining, construction, manufacturing, transportation, real estate, agriculture, service industry and financial services. The data was gathered from these enterprises by face to face surveys in 2011 and the respondents are owners, shareholders, managers of the firms and workers in department of accounting of these businesses. Moreover, the questionnaire was consisted of 23 enquiries and first ten questions were related with location, year of establishment, sector, basic products, percentage of sales (import, export), total net sales in the year of 2010, total assets in balance sheet, number of employees of firm and the title of the respondents. Other 13 questions were asked to the respondents regarding the problems and obstacles they have faced in bank financing process, and external sources they have used for financing.

66% of these firms are in micro segment and have workers lower than 10 people. The rest of businesses were classified under the segment of both Small and Medium-sized firms. Small enterprises have employees fewer than 50 (10-49) people whereas the number of worker for medium enterprises is between 50 and 250 (Turkish Official Gazette, Resmi Gazete, 2012). The data also consists of SMEs that have various legal structures namely, sole proprietorship, limited company and joint-stock company. The limited and joint stock companies were categorized under the name of incorporation. In relation with firm age, the enterprises were classified as “older” that operate for ten or more than ten years and “younger” that exist less than 10 years.

The structure of the sample with regard to sizes, legal structures and ages of the firms was as follows; 59% microenterprises (316 respondents), 41% small and medium sized enterprises (217 respondents); 40% sole proprietorship (213 respondents), 60% Limited and Joint Stock Company (320 respondents), 58% of firms (311 respondents) were established 10 and more than 10 years ago, 42% of enterprises (222 respondents) carry their businesses less than for 10 years. To analyze the problems that SMEs faced, 533 firms that used the bank credit in the last three years were chosen. In accordance with the objective of the study, three following bank credit problems were selected, “Banks ask for collateral that is higher than the requested credit by SMEs”, “The costs of credits are expensive”, “The uncertainties exist in long term interest rates” to identify the differences of firms’ perceptions regarding ages, sizes and legal structures of businesses. These problems were evaluated by using five point Likert Scale (1-totally disagree, 2-disagree, 3-partially agree, 4-agree, 5-totally agree).

The answer of partially agree was eliminated due to the fact that is somewhat uncertain response for the analyses. The following three hypotheses were developed with regard to the purpose of the study;

H1: Statistically significant differences exist between sizes, legal structures and ages of firms and the statement that banks ask for collateral that is higher than the requested credit by firms. The study supposes that firms that are smaller, structured as a sole proprietorship and younger are more likely to agree with this statement than larger, incorporated and older enterprises.

H2: Statistically significant differences exist between sizes, legal structures and ages of firms and the fact that costs of credits are expensive. The study assumes that enterprises that are smaller, structured as a sole proprietorship and younger are more prone to agree with this issue than larger, incorporated and older businesses.

H3: Statistically significant differences exist between sizes, legal structures and ages of firms and the opinion that long term interest rates are uncertain. The study suggests that businesses that are smaller, structured as a sole proprietorship and younger are more agreed with this notion than larger, incorporated and older businesses.

By using Pearson statistics at 1% level of significance, the sample was analyzed and statistically significant differences and dependences were found between selected factors. P value that is lower than 5% significance level causes the rejection of the null hypothesis and the acceptance of alternative hypothesis. The null hypothesis suggests that no statistically significant relationship exists between the variables. The calculations were performed by using MS excel and a free statistical software that is available at http://www.socscistatistics.com/tests. By using Z score, statistically significant differences for individual replies were analyzed. The calculations were made by applying open source software that is available at: http://www.socscistatistics.com/tests/ztest/Default2.aspx.

4. Problem Solving

The results for the evaluation of dissimilarities between various characteristics of SMEs in the perception of the chosen bank loan problem were presented in table 1.

Table 1. Assessment of the Differences Among Sizes, Legal Structures and Ages of SMEs in the Perception of the Selected Statement

Banks ask for collateral that is higher than the requested credit by firms.	Total	Micro	SMEs	Sole Proprietor -ship	Incorpo -ration	Older than 10 years (10+)	Young -er than 10 years (10-)	p value Z-score M/SMEs SP/I 10+/10-
Completely agree and agree	406	209 66.14	140 (64.52	127 (59.62)	222 (69.38)	184 **(59.16)**	165 **(74.33)**	0.6965 0.0203 **0.0002**
Partially agree	71	58 (18.35)	39 (17.97)	48 (22.54)	49 (15.31)	66 (21.22)	31 (13.96)	0.9124 0.034 0.0323
Completely disagree and disagree	56	49 (15.51)	38 (17.51)	38 (17.84)	49 (15.31)	61 (19.62)	26 (11.71)	0.5418 0.4413 0.0151
Total:	533	316	217	213	320	311	222	
chí - square/		1.961		6.8037		**14.27**		
p-value		0.742		0.1466		**0.006**		

Source: Own calculation.

According to table 1, the results for P values from Chi Square suggest that significant differences exist between ages of firms with regard to the problem that "Banks ask for collateral that is higher than the requested credit by firms". In relation with firms' ages, the P value from Chi square illustrates that the result is significant at 1% significance level ($p<0.01$). The study finds that 165 (about 74%) out of 222 younger firms' respondents agree and totally agree with this bank loan problem. However, 184 (about 59 %) out of 311 older enterprises agree and totally agree with the same statement. On the other hand, the results do not find any significant differences between various sizes, legal structures of firms and their perceptions of the selected problem.

The P values from Chi Square are not significant at 1% confidence level for both sizes and legal structures of SMEs. The results from table 1 confirm that the study can partially accept the hypothesis 1, due to rejecting the fact that perceptions of micro enterprises and firms that are structured as a sole proprietorship in relation with the chosen problem are increased more than Small and Medium-sized Enterprises and Incorporated firms.

Table 2. Assessment of the Differences Between Characteristics of Firms in the Perception of the Chosen Statement

Costs of credits are expensive.	Total	Micro	SMEs	Sole Proprietorship	Incorporation	Older than 10 years (10+)	Younger than 10 years (10-)	p value Z-score M/SMEs SP/I 10+/10-
Completely agree and agree	390	237 (75.00)	153 (70.51)	147 (69.01)	243 (75.94)	**207 (66.56)**	**183 (82.43)**	0.2501 0.0767 **0**
Partially agree	95	53 (16.77)	42 (19.35)	43 (20.19)	52 (16.25)	74 (23.79)	21 (9.46)	0.4472 0.2460 0
Completely disagree and disagree	48	26 (8.23)	22 (10.14)	23 (10.80)	25 (7.81)	30 (9.65)	18 (8.11)	0.4472 0.238 0.5418
Total:	533	316	217	213	320	311	222	
chí square/ p-value		3.1991 0.5250		8.1736 0.0854		**19.841 0.0005**		

Source: Own calculation.

Table 2 illustrates some of findings with regard to the assessment of differences between ages, sizes and legal structures of SMEs and their perceptions of the selected bank financing problem. Considering the problem that costs of credit are expensive, the p value from Chi Square is significant at 1% level for the length of doing business ($p<0.01$). This result confirms the existence of statistically significant differences between the firms that operate less than ten years and ten or more than ten years in relation to the specified constraint. It is shown in the table that 183 (about 82%) respondents from 222 younger enterprises agree and totally agree with the problem whereas about 67% of respondents in older firms agree and totally agree with the same fact. The P value from Z score (0.000) is also significant at 1% significance level and it demonstrates that younger businesses are in tendency to perceive the chosen fact as a problem when attempting to gain access to bank financing by comparison with older businesses. Hence, the results prove that statistically significant differences do not exist between various sizes and legal structures of SMEs with respect to the above mentioned problem. P values from both Chi Square and Z score are not significant at 1% significance level.

Hence, the findings from Table 2 suggest that microenterprises and SMEs and also firms structured with sole proprietorship and incorporation do not differ from each other to perceive the high costs of credits as a bank loan problem. There has been considerable argument to confirm the hypothesis 2 partially, because of not accepting the facts that SMEs and incorporated firms are less likely to perceive the chosen issue as a financing obstacle compared with smaller enterprises and the firms that are structured as a sole proprietorship.

Table 3. Assessment of the Dissimilarities Among Characteristics of Firms in the Perception of the Selected Fact.

The existence of uncertainities in long term interest rates.	Total	Micro	SMEs	Sole Proprie -torship	Incorpo -ration	Older than 10 years (10+)	Young er than 10 years (10-)	p value Z-score M/SMEs SP/I 10+/10-
Completely agree and agree	233	139 (43.99)	94 (43.32)	84 (39.44)	149 (46.56)	**121 (38.91)**	**112 (50.45)**	0.8807 0.1052 **0.0080**
Partially agree	129	67 (21.20)	62 (28.57)	52 (24.41)	77 (24.06)	86 (27.65)	43 (19.37)	0.0511 0.9282 0.0278
Completely disagree and disagree	171	110 (34.81)	61 (28.11)	77 (36.15)	94 (29.38)	104 (33.44)	67 (30.18)	0.1031 0.101 0.4295
Total:	533	316	217	213	320	311	222	
chí - square/ p-value		5.1918 0.2681		8.2826 0.0817		**13.993 0.0073**		

Source: Own calculation.

Table 3 demonstrates the results that are connected with the evaluation of differences between characteristics of SMEs in the perception of the selected issue. In consideration of the perception of the problem that “Interests rates are uncertain for future terms”, Table 3 shows that no significant differences are in existence between small and larger enterprises and also sole proprietorship and incorporation. Both P values from Chi Square and Z score are not significant at 5% significance level. However, in relation with age of firms, the P value from Chi Square is significant at 1% level ($p<0.05$) hence the results support the existence of statistically significant differences between younger and older SMEs. Around 50% of 222 younger firms agree and totally agree with the chosen fact whereas the percentage of older enterprises is 39%. The P value from Z score is also significant at 1% significance level and confirms that the perceptions of younger businesses are increased with the selected bank loan problem in comparison with older enterprises.

Owing to the fact that, P values from Z score for both legal structure and size of firms are not significant, the hypothesis 3 can be partially accepted. By having no significant result in relation with sizes and legal structures of firms, the study cannot provide an explanation that the perceptions of the selected problem for larger enterprises and businesses that are structured as incorporation are reduced in comparison with smaller and non-incorporated firms.

According to the findings in relation with the ages of SMEs, significant differences exist between the perceptions of younger and older enterprises in relation with the bank loan problems. Moreover, the study proves that executives of younger Turkish SMEs are more agreed with the selected statements to perceive them as problems to gain bank finance than executives of older firms. In this context, the study has similar results with the study of Beck et al., (2006); Makler et al., (2013) and Canton et al, (2013). In the study of Beck et al. (2006), the scholars found that the perception of younger businesses for financial obstacles were increased compared with older firms. The results of Makler et al. (2013) also proved that older firms perceived reduced credit constraints in comparison with younger businesses. Canton et al. (2013) analyzed SMEs in the European Union and showed that the level of perceived bank loan constraints by younger firms was higher than older SMEs.

However, the results of the study in relation with dissimilarities between sizes and legal structures of businesses do not present any significant differences in the perceptions of the selected issues. Furthermore, the study also bears out the facts that the perceptions of the bank loan problems are not increased for micro enterprises and sole proprietorships by comparing with SMEs and incorporated firms. These results are not compatible with the studies of Beck (2007), Fatoki and Odeyemi (2010), and Makler et al. (2013) because these studies found that larger firms faced with reduced constraints in comparison with smaller firms.

With respect to the legal structures of firms, the findings of the present study have also similar results with the study of Beck et al. (2006). Beck et al. (2006) did not find any significant results that the level of perceived financial obstacles of a business group is reduced. On the other hand, the results of the current study do not have compatible results with the studies of Kira and He, (2012) and Kira, (2013). In their study, Kira and He (2012) stated that corporations and limited firms might gain easier access to finance than partnership and a sole proprietorship firm. In this context, Kira, (2013) also affirmed that the probabilities of facing with funding obstacles were higher for firms that were structured as sole proprietorship than incorporated SMEs. With regards to the contrast of the results of the study from other related studies, some arguments can be provided from the literature to support these findings. For instance, Berger and Udell, (2006) claimed that the legal, judicial and bankruptcy environments played an active role to influence credit availabilities by doing some important regulations. The researchers also clarified that different kinds of taxes and regulations could provide advantages or disadvantages for SMEs to access credit. Therefore, implementation and enforcement of Turkish government, Basel Regulations and Banking sector in Turkish market may have same effects on different sizes and legal structures of firms to make them perceive these problems similarly. Moreover, Saeed and Sameer, (2015) enlightened that when bank concentration decreased, SMEs and large firms faced with reduced obstacles in the market. A large number of banks are in existence in Turkish banking sector so the competition between them might be increased. Hence, SMEs and large firms may encounter increased constraints in the market.

5. Discussion

Despite facing with bank loan obstacles is an unavoidable situation for SMEs across the globe, this fact can be reduced not only by convenient strategies, policies and enforcement of all policy makers such as governments, institutions and banks but also efforts of owners and executives of enterprises. Existences of incentives and subsidies of governments, developed institutions and legal systems in the economic environment also provide more opportunities to increase credit availabilities for SMEs. According to World Bank 2016 Doing Business Index, the strength of Turkish legal rights for getting credit is 3 on a 12 point scale, while the index for European and highly income countries are 6.4 and 6 respectively. Hence, Turkish government should improve the legal rules and bankruptcy laws for borrowers and apply effective implementations such as credit protection to reduce the obstacles of gaining loans.

Moreover, majority of banks in both developing and developed states perceive that guarantee programs are the most common and efficient way of encouraging and financing SMEs (Beck et al., 2008). However, in comparison with EU institutions, a firm's scale limit of Credit Guarantee Fund (KGF) in Turkey is few. Also the value of Guarantee of KGF is not so high in the banking system of Turkey and banks are not prone to give guarantees (Tunahan and Dizkirici, 2012). Therefore, Turkish government should make some regulations to solve these problems because these kinds of guarantee programs make contribution to improve relationship between banks and SMEs and the interest rates that banks charge to SMEs can be reduced (Posey and Reichert, 2011). According to Berger and Udell (1995), by having longer relationship with banks, firms face with less interest rates and lower collateral because banks can have more information about businesses, asymmetric information decreases between them so banks can provide better contract conditions. For these reasons, banks and enterprises should have close ties between each other to cope with lending constraints.

At last but not least, awareness of credit conditions, improvement in the size of the banking sector, and competitiveness in the market mitigate the obstacles to access to bank credits for SMEs (Dong and Men, 2014). Considering to knowledge of credit conditions, Small and Medium Enterprises Development Organization (KOSGEB) plays a crucial role to inform entrepreneurs in Turkey. KOSGEB not only creates awareness for loan terms, but also provides support and improvement activities for SMEs. However, KOSGEB should not be the only option to educate entrepreneurs. In this regard, KOSGEB should collaborate with universities to increase the level of financial literacy in Turkey. Although some examples are in existence in various cities in Turkey, it should spread country-wide.

6. Conclusion

The objective of the present study was to identify and compare the differences between various sizes, ages and legal structures of SMEs in the perception of the selected bank financing problems. The investigated statements that could be perceived as problems by SMEs are the high amount of collateral that are asked by banks, the high costs of credits and the existence of uncertainties in long term interest rates. The data was collected in 2011 by face to face surveys with 533 SMEs that had received bank loans, located in different regions of Ankara in Turkey, were operated in various sectors and were the members of Ankara Chamber of Commerce.

The empirical results of the study confirm that younger SMEs perceive more difficulties in access to bank financing than older firms. On the other hand, the results of the study do not find any dissimilarity between different sizes and legal structures of businesses in respect to their perceptions of bank loan problems.

Although the study has significant results regarding differences and similarities between some characteristics of enterprises in the perceptions of bank credit constraints, the study has various limitations. The first limitation is that the study only focused on three facts that could be bank financing problems, therefore, other studies can look these issues from a broad perspective and may include more statements. Moreover, the study only consider three characteristics of firms so some different characteristics such as locations, sectors of firms and characteristics of firms' executives can also be analyzed by future researches. Another significant limitation is that the data examined for this study just consists of information from SMEs in one of cities in Turkey. Thus, new studies can gain a data from various cities in a country or include different developing and developed countries to have a wider perspective.

Acknowledgement:

The authors are thankful to the Internal Grant Agency of FaME TBU No. IGA/FaME/2017/010: "Financial Constraints on Economic Activities" for financial support to carry out this research.

References

Abdesamed, K. H., and Wahab, K. A. (2014): "*Financing of Small and Medium Enterprises (SMEs): Determinants of Bank Loan Application*,", African Journal of Business Management, 8(17), 717-727.

Ardic, P. O., Mylenko N., and Saltane, V. (2012): "*Access to Finance by Small and Medium Enterprises: A Cross-Country Analysis with A New Data Set*,". Pacific Economic Review, 17(4), 491–513.

Beck, T., Demirguc-Kunt, A., Laeven, L., and Maksimovic, V. (2006): "*The Determinants of Financing Obstacles*,", Journal of International Money and Finance, 25, 932-952.

Beck, T. (2007): "*Financing Constraints of SMEs in Developing Countries: Evidence, Determinants and Solutions,*", Financing Innovation-Oriented Businesses to Promote Entrepreneurship.

Beck, T., Demirguc-Kunt, A., and Levine, R. (2007): "*Finance, Inequality and The Poor*".

Beck T., Demirguç-Kunt, A., and Martinez-Peria, M. S. (2008): "*Bank Financing for SMEs Around The World: Drivers, Obstacles, Business Models And Lending Practice,*", World Bank Policy Research Working Paper Series.

Belás, J., Bartos, P., Kljucnikov, A., and Dolezal, J. (2015): "*Risk Perception Differences Between Micro, Small and Medium Enterprises,*", Journal of International Studies, 8(3), 20-30.

Belás J., and Sopková G. (2016): "*Significant Determinants of The Competitive Environment For SMEs in The Context of Financial and Credit Risks,*", Journal of International Studies, 9(2), 139-149.

Berger A., and Udell G. (1995): "*Relationship Lending and Lines Of Credit in Small Firm Finance*,", The Journal of Business, 68(3), 351-381.

Berger A., and Udell, G. (2006): "*A More Complete Conceptual Framework for SMEs Finance*,", Journal of Banking and Finance, 30, 2945–2966.

Canton, E., Grilo, I., Monteagudo, J., and Zwan, P. W. (2013): "*Perceived Credit Constraints in The European Union*,",Small Business Economics, 41, 701-715.

Cassar, G. (2004): "*The Financing of Business Start-Ups*,", Journal of Business Venturing, 19(2), 261-283.

Civelek M., Ključnikov A., Dobrovič J., and Hudáková, M. (2016a): "*A Model of Measurement of The Quality of Business Environment In SME Segment*,", Journal of International Studies, 9(2), 251-263.

Civelek, M., Rahman, A., and Kozubikova, L. (2016b): "*Entrepreneurial Orientation in The Segment Of Micro-Enterprises: Evidence From Czech Republic,*", International Journal of Entrepreneurial Knowledge, 4(1), 72-89.

Dong, Y., and Men, C. (2014): "*SME Financing in Emerging Markets: Firm Characteristics, Banking Structure and Institutions*,", Emerging Markets Finance & Trade, 50(1), 120–149.

Dursun, I. (2016): "*Küçük ve Ortaboy Ölçekli Işletmelerin Finansmana Erişim Sorunları ve Nedenleri*,", Maliye Araştırmaları Dergisi, Research Journal of Public Finance, 2(1), 1-19.

Erdogan, A. I. (2015): "*Which SMEs Perceive Access to Finance As An Obstacle to Their Operations?: Evidence From Turkey,*", Journal of Economic and Social Development, 2(2), 13-19.

European Commission. (2015): "*Annual Report on European SMEs 2014/2015. SMEs Start Hiring Again,*", SME Performance Review, Final Report.

Fatoki, O, and Odeyemi, A. (2010): "*The Determinants of Access to Trade Credit by New SMEs in South Africa,*", African Journal of Business Management, 4(13), 2763-2770.

Harhoff, D., Stahl, K., and Woywode, M. (1998): "*Legal Form, Growth and Exit of West German Firms: Empirical Results for Manufacturing, Construction, Trade and Service Industries,*", The Journal of Industrial Economics, 46(4), 453-488.

IFC (International Finance Coorporation, World Bank Group), (2016): "*IFC Issue Brief/Small and Medium Enterprises,*", Washington DC.

Kira, A. R., and He, Z. (2012): "*The Impact of Firm Characteristics in Access of Financing by Small and Medium-Sized Enterprises in Tanzania,*", International Journal of Business and Management, 7(24), 108-119.

Kira, A. R., (2013): "*Determinants of Financing Constraints in East African Countries'SMEs,*", International Journal of Business and Management, 8(8), 49-68.

Kon, Y., and Storey D. J. (2003): "*A Theory of Discouraged Borrowers,*", Small Business Economics, 21(1), 37-49.

Le, N. T. B., and Nguyen, T. V. (2009): "*The Impact of Networking on Bank Financing: The Case of Small and Medium-Sized Enterprises in Vietnam,*", Entrepreneurship Theory and Practice, 867-887.

Makler, H., Ness, W. L., and Tschoegl, A. E. (2013): "*Inequalities in Firms' Access to Credit in Latin America,*", Global Economy Journal, 13(3-4), 283–318.

Ogubazghi, S. K., and Muturi, W. (2014): "*The Effect of Age and Educational Level of Owner/Managers on Smmes' Access to Bank Loan in Eritrea: Evidence From Asmara City,*", American Journal of Industrial and Business Management, 4, 632-643.

Posey, R. L., and Reichert, A. K., (2011): "*Terms of Lending for Small Business Lines of Credit: The Role of Loan Guarantees,*", The International Journal of Business and Finance Research, 5(1), 91-102.

Rahman, A., Civelek, M., and Kozubíková, L. (2016a): "*Proactiveness, Competitive Aggressiveness and Autonomy: A Comparative Study From The Czech Republic,*", Equilibrium, Quarterly Journal of Economics and Economic Policy, 11(3), 631-650.

Rahman, A., Rahman, M. T., and Kljucnikov, A. (2016b): "*Bank Size, Relationship Lending and SME Financing: Evidence From Bangladesh,*", Actual Problems of Economics, 9(183), 294-307.

Rahman, A., Rahman, M. T., and Kljucnikov, A. (2016c): "*Collateral and SME Financing: An Analysis Across Bank Size and Bank Ownership Types,".* Journal of International Studies, 9(2), 112-126.

Resmi Gazete, (2012): "*Küçük ve Orta Büyüklükteki Işletmelerin Tanımı, Nitelikleri ve Sınıflandırılması Hakkında Yönetmelik*:", 04 Kasım 2012 tarih ve 28457 sayılı Resmi Gazete.

Saeed, A., and Sameer, M. (2015): "*Financial Constraints, Bank Concentration and SMEs: Evidence From Pakistan*,", Studies in Economics and Finance, 32(4), 503-524.

The World Bank. (2011): "*Turkey Improving Conditions for SME Growth Finance and Innovation*,", Report No. 54961-TR.

The World Bank 2016 Doing Business Index, http://www.doingbusiness.org/data/exploretopics/getting-credit. (Access: February 8th, 2017)

Tunahan, H., and Dizkirici, A. S. (2012): "*Evaluating the Credit Guarantee Fund (KGF) of Turkey As A Partial Guarantee Program in The Light of International Practices,*", International Journal of Business and Social Science, 3(10), 79-92.

Wangmo, C. (2015): "*Small Medium Enterprise (SME) Bank Financing Constraints in Developing Countries: A Case Study of Bhutan*,", International Journal of Arts & Sciences, 8(5), 569–590.

Yildirim H. S., Akci Y., and Eksi I. H. (2013): "*The Effect of Firm Characteristics in Accessing Credit for SMEs,*", Journal of Financial Services Marketing, 18(1), 40-52.

Zarook, T., Rahman, M. M., and Khanam, R. (2013): "*The Impact of Demographic Factors on Accessing Finance in Libya's SMEs,*", International Journal of Business and Management; 8(14), 55-65.

http://www.socscistatistics.com/tests

http://www.socscistatistics.com/tests/ztest/Default2.aspx