The Republic of Türkiye

Social Sciences University of Ankara

Institute of Islamic Studies

Islamic Economics and Finance Department

INTEGRATION OF ISLAMIC FINANCE INSTRUMENTS IN KOSGEB SUPPORTS

Master's Thesis

Ümmügülsüm KAYIŞOĞLU

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Supervisor: Assoc. Prof. Dr. Abdurrahman Yazıcı

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ABSTRACT

Microfinance is an essential tool that provides financial and non-financial services to poor and low-income people to put them in an income-generating position and reduce poverty. Today, banks are the most important institutions providing people access to financial services. A part of society can benefit from financial services through both Islamic and conventional banking activities. However, due to the nature of banking activities, banks do not want to experience disruptions in the repayment of the financing they give and seek a repayment guarantee. At this point, people in the low-income group are out of the bank due to a lack of collateral and lack of credit history. The Islamic Microfinance system's cornerstone is ensuring that even the poorest people have access to finance and can engage in income-generating activities. Today, even participation banks cannot provide this. Small and Medium Enterprises Development and Support Administration (KOSGEB) is a state institution that creates the largest support programs to support SMEs and new entrepreneurs in Türkiye and supports businesses with reimbursed and non-reimbursable supports. The aim of this thesis study is to evaluate the support programs provided by KOSGEB, Türkiye's most comprehensive Microfinance institution, to identify the problematic areas and to offer solutions for the correction of these problematic areas within the framework of Islamic Microfinance, and also to offer suggestions for the integration of support programs into the Islamic Microfinance system. The study consists of 3 parts. In the first chapter, basic information about Microfinance and Islamic Microfinance is given and the instruments of Islamic microfinance are explained. In the second part, information about Microfinance in Türkiye is given and the institutions/organizations providing Microfinance are listed. In this section, KOSGEB and current support programs are also explained. In the third part, KOSGEB supports are evaluated both in terms of its general structure and in terms of Islamic Microfinance. Suggestions are presented for integrating the supports into the Islamic Microfinance system.

Keywords: *Microfinance, Islamic Microfinance, KOSGEB, Islamic Microfinance in Türkiye*

ÖZET

Mikrofinans, yoksul ve düşük gelir grubundaki insanlara finansal ve finans dışı hizmetlerin sunularak onların gelir getirici bir faaliyet yapma konumuna getirilmesi ve yoksulluğun azaltılmasını sağlayan önemli bir araçtır. Günümüzde insanların finansal hizmetlere erişimini sağlayan kurumlardan en önemlisi bankalar olup hem katılım hem de konvansiyonel bankacılık faaliyetleri yoluyla toplumun bir kısmı finansal hizmetlerden yararlanabilmektedir. Ancak, bankacılık faaliyetlerinin doğası gereği hiçbir banka verdiği finansmanın geri ödemesinde aksamalar yaşamak istememekte ve bir geri ödeme garantisi aramaktadır. Bu noktada ise düşük gelir grubundaki kişiler teminat yetersizliği ve kredi geçmişine sahip olmamaları nedeniyle banka-dışı kalmaktadırlar. İslami Mikrofinans sisteminin yapıtaşı en yoksul kimsenin dahi finansmana erişiminin sağlanması ve gelir getirici faaliyette bulunabilmesinin sağlanması prensibidir. Günümüzde ise katılım bankaları dâhil bunu sağlayamamaktadır. Küçük ve Orta Ölçekli İşletmeleri Geliştirme ve Destekleme İdaresi Başkanlığı (KOSGEB) Türkiye' de KOBİ' lerin ve yeni girişimcilere kapsamlı destek programları oluşturan ve geri ödemeli ve geri ödemesiz desteklerle işletmeleri kuruluş aşamasından itibaren destekleyen bir devlet kuruluşudur. Bu tez çalışmasının amacı, Türkiye' nin mevcut durumda en kapsamlı Mikrofinans kuruluşu olan KOSGEB'in sağladığı destek programlarının değerlendirilerek sorunlu alanlarının tespit edilmesi ve katılım temelli mikrofinans perspektifinden bu sorunlu alanların düzeltilebilmesi için çözüm önerileri getirerek daha etkili ve verimli olması amacıyla bu destek programlarıyla katılım temelli mikrofinans sisteminin entegre edilmesi amacıyla çeşitli öneriler sunmaktır. Çalışma 3 bölümden oluşmaktadır. İlk bölümde Mikrofinans, Katılım Mikrofinans ve enstrümanları açıklanmıştır. İkinci bölümde Türkiye' de Mikrofinansın gelişimi hakkında bilgi verilmiş ve Mikrofinans sağlayan kurum/kuruluşlara yer verilmiştir. Bu bölümde ayrıca KOSGEB ve mevcut destek programları da detaylıca açıklanmıştır. Üçüncü bölümde ise KOSGEB destekleri hem genel destek yapısı anlamında hem de katılım temelli mikrofinans açısından değerlendirilerek desteklerin ilgili enstrümanlarla entegresi için öneriler sunulmuştur.

Anahtar Kelimeler: *Mikrofinans, Katılım Mikrofinans, İslami Mikrofinans, KOSGEB*

CONTENTS

LIST OF ABBREVIATIONS

AFD: French Development Agency

BDTK: Bangladesh Taka

BMT: Baitul Mal wat Tamwil

BPR: Conventional Rural Banks

BPRS: Bank Perkreditan Rakyat = Islamic Rural Banks

BRI: Bank Rakyat Indonesia

CEB: Council of Europe Development Bank

EIB: European Investment Bank

EUR: Euro

EVD: Energy Efficiency Consultancy

GİB: Revenue Administration

GNP: Gross National Product

HIID: Harvard Institute for Development

IBBL: Islamic Bank Bangladesh Limited

IBRD: International Bank for Reconstruction and Development

İKSAR: Islamic Economics Research and Application Association

IMFIs: Islamic Microfinance Institutions

Inc.: Incorporated

IsDB: Islamic Development Bank

İŞGEM: Business Development Center

KBS: SME Information System

KEDV: Foundation for the Support of Women's Work

KGF: Credit Guarantee Fund

KOSGEB: Small and Medium Enterprises Development and Support Administration

KÜSGEM: Small Industry Development Center

KÜSGET: Development of Small Industry Extension Services

MFIs: Microfinance Institutions

MKIs: Micro and Small Businesses

NGOs: Non-Governmental Organizations

P&D: Product Development

R&D: Research and Development

RDS: The Rural Development Scheme

SEGEM: General Directorate of Industrial Training and Development Center

SGK: Social Security Institution

SMEs: Small and Medium Enterprises

TEKMER: Technology Development Center

TESK: Turkish Confederation of Tradesmen and Craftsmen

TGMP: Turkish Grameen Microfinance Program

TISVA: Turkish Waste Prevention Foundation

TKBB: Participation Banks Association Türkiye

TKV: The Development Foundation of Türkiye

TL: Turkish Lira

TOBB: Union of Chambers and Commodity Exchanges of Türkiye

TOE: The ton of Oil Equivalent

TR21: Tekirdağ, Kırklareli and Edirne provinces of Türkiye

TR33: Afyonkarahisar, Kütahya, Manisa and Uşak provinces of Türkiye

TR72: Kayseri, Sivas and Yozgat provinces of Türkiye

TRA2: Kars, Iğdır, Ardahan and Ağrı provinces of Türkiye

TRB2: Van, Hakkari, Bitlis and Muş provinces of Türkiye

TUBİTAK: Scientific and Technological Research Institution of Türkiye

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INTRODUCTION

Islamic finance has a structure based on the interest-free execution of financial activities. Just as the traditional financial system has changed and developed over the years in line with the demands and needs of people who want to benefit from it, the Islamic financial system has developed in line with the needs and demands of Muslims who want to avoid riba (interest), gharar (uncertainty) and maysir (gambling) elements in their financial activities due to their beliefs. Currently, the Islamic finance system in Türkiye is carried out by Islamic/Participation Banks, takaful companies and saving companies. However, participation banks, which are only 6 in number, have 10.9% of the sector share in terms of total funds collected and only 8% of the sector's share when evaluated in terms of total funds allocated. Although the sectoral share of participation banks is low when compared to traditional banks, it is in an increasing trend in general (TKBB, 2022).

Islamic Microfinance is also the support of the poor and entrepreneurs in accordance with Islamic rules. Basic financing methods consist of micro-partnership methods based on profit/loss sharing, micro-credit methods based on commodity trading and unrequited payments. One of the core values of Islam is justice and distribution of the income among people is essential element. For this reason, poverty is undesirable and must be eliminated. Therefore, Islamic Microfinance aims to reach the poorest in the society and to support them until they achieve an income generating activity. Microfinance is applied all over the world to support poorness and enterprises and thus reduce poverty. At the same time, countries support new entrepreneurs and SMEs, enriching the culture of entrepreneurship in order to accelerate their growth and development processes. Entrepreneurship is a type of activity that is becoming increasingly common in today's world. People enter the world of entrepreneurship in order to have a job where they can earn income or to expand their investments and increase their income. Entrepreneurship activities are also rare activities that pave the way for the economic growth and development of countries and accelerate these factors. For this reason, every country aiming at growth and development wishes to support their entrepreneurs and to engage in value-added activities by expanding their businesses.

Entrepreneurship has been an area that is carefully monitored and desired to be developed, especially in developed countries around the world. As will be exemplified in the following sections of our study, countries support their entrepreneurs through various Microfinance institutions and banks. As a developing country, Türkiye, supports entrepreneurs and SMEs in line with the growth and development goals of the entrepreneurship ecosystem and in line with the growth goals of the country. Small and Medium Industry Development and Support Administration (KOSGEB) is the largest institution established and operating in Türkiye for this purpose. KOSGEB implements its supports on the basis of traditional Microfinance activities.

KOSGEB provides financing for the new businesses to be established by supporting entrepreneurs with the incentive program of “New Entrepreneurs”. It also supports operating SMEs with various financing and cooperation incentives. When the 2019-2023 KOSGEB Strategic Plan is examined, it is seen that 4 main targets are determined. These are Increasing R&D, Innovation and Localization Activities; Ensuring the Spread of High Technology to the Base through Domestic and National SMEs; Ensuring the Establishment of Successful Businesses and Dissemination of Entrepreneurship, with High-Tech Fields and Manufacturing Sector Priority; Developing SMEs' Production and Management Skills, Collaboration Capacity, Increasing Efficiency and Export Levels; Encouraging Institutionalization and Branding, and Ensuring Continuous Development by Strengthening the Capacity and Image of the Institution. In line with these goals, it has generally developed technology-oriented incentive programs for R&D and Innovation. With this study, it is aimed to show the integration of KOSGEB's organizational structure and deeply rooted Microfinance culture with Islamic Microfinance methods.

PROBLEM STATEMENT

When KOSGEB incentives are examined, it is understood that the existing incentive programs are aimed at SMEs operating in the fields of manufacturing and technology, which will create a large amount of added value in order to have a high contribution to the country's economy. New Entrepreneur incentive program includes grant support to entrepreneur candidates who have completed their basic entrepreneurship training, then performance incentive and machinery equipment support according to employment capacity with the evaluation made at the end of each performance period (1 year). This situation has also been the subject of studies in the literature and it has been concluded that entrepreneurs benefiting from new entrepreneur incentive experience difficulties due to the low amount of grant support, late incentive payments and the long-term and bureaucratic support process.

Microfinance through banks have a structure that seeks profits by bank and avoids risky transactions. When Islamic banks' activities for SMEs are examined, we see that they do not prefer partnership-based Islamic Microfinance methods, but prefer methods based on buying/selling goods and providing cash to the customer. In addition to these, Islamic banks do not follow the activities of their customers after the support, do not make periodic visits and do not provide technical support, as KOSGEB currently provides to the incentive beneficiaries. Therefore, no bank can be expected to operate like KOSGEB does.

In the current conditions, if the Islamic Microfinance application is desired to be carried out by the state in Türkiye, KOSGEB is the only government institution that can fully implement it. Therefore, the scope of our study is limited to KOSGEB.

RESEARCH OBJECTIVES

The first aim of the research is to explain the structure of KOSGEB and to understand the incentive and support methods it provides. Secondly, the study tries to evaluate supports of KOSGEB in terms of Islamic finance perspective to facilitate integration Islamic microfinance instruments into it.

CHAPTER 1

MICROFINANCE AND ISLAMIC MICROFINANCE

1.1. MICROFINANCE

Microfinance is the provision of financial services to low-income people who cannot access banking services through the traditional banking system. Financial services consisting of loans and deposits through microfinance applications are delivered to those in need, entrepreneurs who want to establish an income generating business or micro enterprises that want to develop their existing business. Persons in need of microfinance may operate in a variety of business lines. Members of this small-scale sector, which serve in various fields such as agriculture, livestock and industry, generally have lower income levels compared to developed countries, regardless of whether they operate in rural or urban areas (Ayyıldız, 2010).

1.2. HISTORY OF MICROFINANCE

Microfinance has been applied for a very long time with different methods in the world. The use of these methods by official institutions was for the elimination of poverty dates back to the 1970s. Between 1950 and 1970, poverty was fought by providing subsidized loans to low-income people engaged in agriculture in rural areas. Therefore, rural finance, agricultural loans, non-agricultural loans, cooperative loans, rural savings, micro entrepreneurial finance and other concepts were used before the emergence of the concept of micro finance (Özdemir, 2018).

Firstly, the micro-credit application was asserted under the name of Grameen Bank in 1976. It was as a result of researches on how to provide banking services to unbanked low-income people living in rural areas in Bangladesh by Mohammed Yunus. Various policies have been implemented by the state in Bangladesh for a long time to advance rural development activities. However, with these practices, the number of poor reaching development resources could not be increased. At the same time, despite these state interventions that have been going on for years, no significant improvement has been achieved in the socio-economic conditions of the poor (Sarker, 2001). At this point, Grameen Bank emerged as an alternative structure for rural development. According to the results of many researches, it has shown a significant success in improving the socio-economic conditions of the rural poor in the country. According to Muhammad Yunus, the poor cannot progress economically because they are deprived of credit. For this reason, Yunus established a credit system without the element of "collateral"[1], which is indispensable for the traditional banking system but cannot be provided by the poor (Akbulaev et al., 2017). Providing access to financial services to the people in need, Grameen Bank would help the poor develop income and get self-employed. Thus, people will be able to escape from poverty (Khandker et al., 1996). For this purpose, Grameen Bank was established to provide loans to the poor without collateral. Grameen Bank applied a group-based microcredit system. Entrepreneurs who wanted to benefit from the loan each formed groups of five. Group members held group meetings once a week. In these meetings, each member paid the weekly installments of his loans. Although there was no sanction in case of non-repayment, the repayment rate of the loans has been measured around 97% (Akbulaev et al., 2017).

Under the leadership of Muhammad Yunus's practice, the name of microfinance (services such as savings and insurance are also provided together with the loan) /microcredit, financial and savings support has been provided to people in low-income group who are engaged in agriculture for many years. With these applications, it was aimed to get people out of poverty and start or develop their own business.

Microfinance applications are known to have appeared firstly in the agricultural sector, have spread to various fields such as agriculture, animal cultivation and industry today. Microfinance has a wide range of applications that stands out among the tools that can be used to reduce poverty. Microfinance is one of the most important disciplines needed to increase the income of households, reduce their economic fragility and ensure their financial independence.

[1] Something pledged as security for repayment of a loan, to be forfeited in the event of a default.

Individuals who want to participate in the economy and have an income-generating job often find it difficult to take the first step due to lack of capital. Entrepreneurs get their first support from their first-degree relatives or friends to provide the necessary capital for the start-up. In order to get a loan through traditional banks, banks require a collateral that the borrower guarantees that he will provide the repayment. However, individuals who want to get out of poverty or increase their income level currently cannot benefit from the traditional banking system because they do not have any assets to offer as collateral. People in this situation are defined as "unbanked". Microfinance applications, on the other hand, come into play in such cases and offer the capital they need to individuals who want to start a business or develop their existing business to make a living. Thus, individuals in poverty can find a way out for themselves. When microfinance applications can have an effective usage area as mentioned, they increase the welfare level of people and also help them to increase their current production capacity. In addition, it can increase the welfare level of the country's economy.

1.3. ISLAMIC MICROFINANCE

Increasing the welfare level of all humanity throughout the world over the years is a goal that all world societies want to achieve. However, poverty has been the most important obstacle that humanity has struggled with in every period and reached this goal. Although many technological and economic developments have been experienced in the world over the years, inequality in income distribution has gradually increased. A world order in which the rich people get richer and the poor people get into more and more hardships continues. One of the main reasons for this vicious circle is that poor people cannot access the necessary financing to engage in income-generating activities that will enable them to get out of the situation they are in.

Conventional financial institutions see the poor as very risky due to their inability to provide collateral and their lack of credit history and therefore exclude them from their financial activities. Faced with such a situation, the poor resort to informal ways, such as borrowing high-interest loans from moneylenders, to access the financing they need. At this point, micro-credit applications have been started to be provided by non-state institutions since the 1960s-70s in order to ensure that the poor also have access to finance in an appropriate way. It has been understood that with these institutions pioneered by Grameen Bank, the poor can also access financial services and they are not more risky than other people who receive financial services from banks.

Conventional microfinance has long been applied for poverty reduction in many parts of the world. Although it is seen as an important instrument for the elimination of poverty, there are also serious criticisms of the conventional Microfinance system due to the fact that the financial services they offer include interest, many Muslims stay out of the field of activity of these conventional microfinance institutions.

Table 1 Differences between Conventional and Islamic Microfinance

Category	Conventional Microfinance	Islamic Microfinance
Classification of the poor	Poverty has been adopted as a single category and there is no definition as the poorest.	The poorest who need social security and Zakat and the partially poor who will be better off when they use financing for their ongoing micro-enterprises
Financing technique	Debt and interest-based financing	Profit-loss sharing, Profit rate on buying/selling, Interest free Loan, Religious charity
Target group	Poor and Women	The poorest and family
Transfer of funds	Cash	Goods and Products
Funding sources	Customer savings and external resources	Customer savings, outsourcing, Zakat, Charity
Method against non-refundability risk	Group pressure and threat	Group / Center / Relative Guarantee and Islamic Ethics
Social development programs	Non-Islamic	Islamic

Source: (Hossain, 2019)

One of the core values of Islam is justice and poverty is an undesirable situation. In order to eliminate poverty, which is seen as a danger that can lead to denial of Allah, orders, prohibitions and recommendations are made in the Qur'an and hadith, which are the main sources of information in Islam[2]. For example, in addition to obligations such as zakat, voluntary worship such as charity is recommended. However, in order to benefit from the social benefits specified in the religion of Islam, individuals must meet certain conditions. It is recommended that they get out of their poverty situation by working as much as possible, rather than being dependent on gratuitous aids such as Sadaqah and Zakat (Özdemir, 2018).

In order to understand and explain the basics of Islamic Microfinance, Obeidullah and Khan (2008) evaluated how a successful Islamic microfinance application should be based on the following hadith of our Prophet.

"He (the Prophet) asked: Have you nothing in your house? He replied: Yes, a piece of cloth, a part of which we wear and a part of which we spread (on the ground), and a wooden bowl from which we drink water. He said: Bring them to me. He then brought these articles to him and he (the Prophet) took them in his hands and asked: Who will buy these? A man said: I shall buy them for one dirham. He said twice or thrice: Who will offer more than one dirham? A man said: I shall buy them for two dirhams. He gave these to him and took the two dirhams and, giving them to the Ansari, he said: Buy food with one of them and hand it to your family, and buy an axe and bring it to me. He then brought it to him. The Apostle of Allah (peace be upon him) fixed a handle on it with his own hands and said: Go, gather firewood and sell it, and do not let me see you for a fortnight. The man went away and gathered firewood and sold it. When he had earned ten dirhams, he came to him and bought a garment with some of them and food with the others. The Apostle of Allah (peace be upon him) then said: This is better for you than that begging should come as a spot on your face on the Day of Judgment. Begging is right only for three people: one who is in grinding poverty, one who is seriously in debt, or one

[2] **Sunan an-Nasa'i**, Vol. 6, Book 50, Hadith Number 5487: The Messenger of Allah (pbuh) used to say: "O Allah, I seek refuge with You from Kufr and poverty." A man said: "Are they equal?" He said: "Yes."" [3] Verses includes Riba prohibition; (2:275), (2:276), (2:278), (2:279), (3:130), (30:39)

who is responsible for compensation and finds it difficult to pay. (Sunan Abu Davud, Kitab al-Zakat, Book 9, Hadith 1637)"

Accordingly, a successful Islamic Microfinance application should be as follows;

1. Access of the poorest to a microfinance program,
2. Careful assessment of the poor's financial situation; examining with empathy,
3. Conversion of the beneficiary's (customer) idle assets into income generating; involve a large community (based on price discovery by auction method) through rigorous evaluation,
4. Meeting basic needs as a priority and investing increasing amounts in productive assets,
5. Direct participation in the capacity building of the program in income generation and technical support to the beneficiary; commitment and dedication of top management to the program,
6. Technical assistance in the form of providing necessary training to the beneficiary to realize the business plan / income generating project, providing technical support for the beneficiary to manage the income generating project / business plan; Impact assessment with monitoring and feedback mechanism through time constraint,
7. Transparent accounting of operating results and freeing up some of its income to meet higher needs (Obaidullah & Khan, 2008).

In Islamic microfinance, it is aimed to eradicate poverty in accordance with Islamic principles. With Islamic microfinance, it is aimed to provide financing and savings products to low-income microfinance customers in accordance with Islamic principles and to reduce poverty. The financing provided is asset-based and its main purpose is to direct the poor person to income-generating activities. It is understood from the hadith mentioned above that Islamic microfinance not only provides financing to its customers, but also attaches great importance to factors such as increasing their capacities and improving their capabilities. Only when such an approach is shown will Islamic Microfinance customers be able to get out of poverty and stand on their own feet.

At the beginning of the principles of the Islamic microfinance are interest-free, profit-loss sharing (partnership), avoidance of uncertainty, and trade of permissible goods.

1.3.1. Basic principles of Islamic Microfinance

Islamic financial institutions must ensure that all their transactions comply with sharia, also known as *Maqasid al-Shari'a*, not only in their form and legal techniques, but more importantly, in their economic essence, which should be based on the objectives outlined by sharia. The ultimate purpose of Maqasid al-Shari'a is to serve the interests of all people and save them from harm. Al-Ghazali, emphasizing the sharia's concern for preserving the five aims, defined the Maqasid as follows:

"*The main purpose of Shari'a lies in protecting people's beliefs (religion), life (nafs), mind (aql), generation (nasl) and property (mal). Anything that ensures the preservation of these five serves the public good is desirable; anything that hurts them is against the public interest and is desirable to be removed.*" (Dusuki & Bouheraoua, 2011)

Maqasid al-Shari'a has four main features. The first is that they are the basis of laws, as legislation should serve the interests of all people and save them from harm. The second feature is that the Maqasid al-Shari'a is universal, aims to serve the interests of humanity and requires the commitment of all people. The third feature is that the Maqasid al-Shari'a is inclusive (absolute). It encompasses all human actions, whether related to responsibilities to Allah or to responsibilities to other people. The fourth feature of the Maqasid al-Shari'a is that they are definitive, that is, they are not derived from a single text or evidence, but from many texts and different aspects of the evidence (Dusuki & Bouheraoua, 2011).

In order to provide Maqasid al-Sharia within the above-mentioned features and purposes, Islam has prohibited certain elements in financial activities.

1.3.2. Prohibitions in Islamic Microfinance

a. Interest (Riba)

Islamic Microfinance products are contractual in nature. According to the Shari' a, all contracts must be free from certain elements that are prohibited. In the Qur'an, interest (Riba) is prohibited because it is oppressive and exploitative.[3] In a loan or debt contract, riba exists when the borrower foresees a surplus in repayment. The presence of interest makes most conventional financial contracts illegal and unacceptable for Islamic Microfinance (Obaidullah, 2008a).

b. Gharar (Uncertainty)

Gharar, has two meanings; the first is uncertainty, and the second is the meaning of deception. The Quran prohibits any transaction that causes injustice for any of the parties in commercial transactions. While the prohibition of riba is indisputable, a certain degree of Gharar is acceptable in contracts. However, if it is excessive, the contract becomes prohibited. In modern parlance, Gharar can simply refer to the risk of settlement. It can refer to the inadequacy of the information shared between the parties of a transaction, for example when the price, the properties of the transaction object are not known by both parties at the time of the transaction. It may mean that the information shared between the parties in a transaction is misrepresented and inaccurate due to fraud or deception. It may also refer to excessive complexity in transactions or simply games of chance (Obaidullah, 2008a).

1.3.3. Instruments of Islamic Microfinance

Özdemir (2018) divided the methods used in Islamic finance transactions into four parts in his study. These are listed as micro-partnership methods, micro-credit methods, non-profit microfinancing methods and unrequited financial and social aids. It should also be noted that all products presented under these headings must comply with fiqh (Islamic Jurisprudence) in order to be classified as Islamic microfinance. In order to be able to

[3] Verses includes Riba prohibition; (2:275), (2:276), (2:278), (2:279), (3:130), (30:39)

classify and examine the products in a holistic way, they are shown with a table and then products are explained by individually. The usage, standards and conformity of the methods used in Islamic finance transactions are determined by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI)[4].

Table 2 Instruments of Islamic Microfinance

Micro-Partnership Methods	Micro-Credit Methods	Non-Profit Microfinance Methods	Unrequited Financial and Social Assistance
1. Musharakah 2. Mudarabah 3. Muzaraa 4. Musakat	1. Murabahah 2. Ijarah 3. Salam 4. Istısna	1. Qard-al Hassan	1. Zakat 2. Sadaqah

Source: (Özdemir, 2018)

1.3.3.1. Micro-Partnership Methods

The main feature of Islamic Microfinance is that it is based on profit-loss sharing. Although this type of transactions are the most suitable methods for the spirit of Islamic finance, Islamic Banks avoid to use them in the Islamic banking system due to the bank's distrust of the customer and the inability to provide guarantee conditions. In the case of its implementation, it becomes the target of criticism because of the entire risk is borne by the customer and a fixed profit share is paid. Although it is possible to eliminate these undesirable situations with appropriate inspection and monitoring, these processes contain very high costs.

[4] Please see AAOIFI Shariah Standards.

a) Musharakah (Partnership Financing)

Musharakah refers to the partnership established by two or more people to expand their business in trade, industry, agriculture and other fields with the money they have acquired, inherited or otherwise owned (Al-Jarhi et al., 2022).

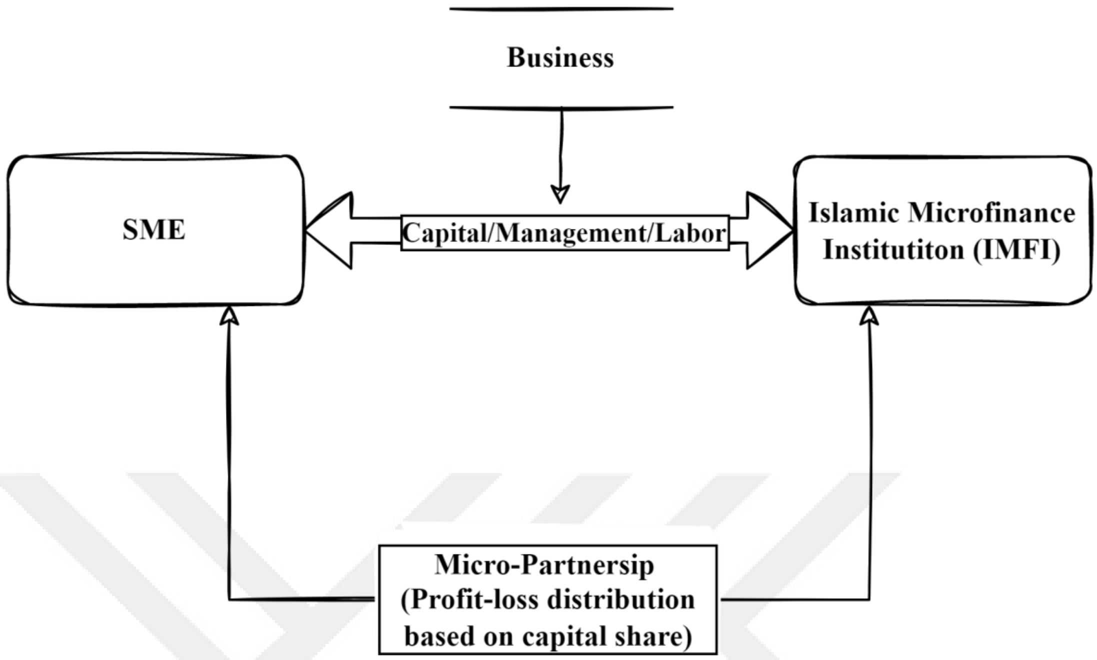
According to AAOIFI standards Musharakah is defined such as follows:

"*Contract partnership is an agreement between two or more parties to combine their assets or to merge their services or obligations and liabilities with the aim of making profit.*" (AAOIFI, 2002)[5]

Contracting parties can put forward their capital for the partnership in terms of goods or money. Since profit and loss are shared in the ratio of the capital set forth in the Musharakah contract, the value of the property of the party offering capital in terms of goods is determined according to the market conditions at the time of the agreement (Usmani, 1998).

[5] Sharikah (Musharakah) and Modern Corporations, SS (12) – Shariah Standards, AAOIFI, Manama, Bahrain, pp. 323-364

Figure 1 Musharakah Transaction



Diminishing Musharakah is a method which carries the same method as Musharakah but allows the project to pass directly to the micro-entrepreneur when the financing period expires. The Islamic Microfinance Institution's (IMFIs) share decreases as the micro-entrepreneur repays the amount of financing provided by the IMFI. With the payment of last installment, the project completely transfers to the entrepreneur.

b) Muzaraa (Sharecropping Partnership)

Muzaraa is a type of partnership in which one of the contracting parties is the land owner and the other is the farmer. The land owner gives the land to the farmer to cultivate and grow crops. The farmer undertakes this job in return for a certain share of the product. The land owner provides the land, seeds and everything necessary for the crop. The only duty of the farmer is to take care of the land and grow the products. While preparing the contract, it is necessary to determine what will be planted on the land, how long the work will be completed and how the harvest will be distributed (Al-Jarhi et al., 2022).

According to AAOIFI standards Muzaraa is defined such as follows;

"*Sharecropping is partnership in crops in which one party presents land to another for cultivation and maintenance in consideration for a common defined share in the crop.*" (AAOIFI, 2002)[6]

c) Musakat (Irrigating Partnership)

In *Musakat*, one side brings forth the trees/seeds, and the other side brings forth its labor. At the end of the season, the harvest is shared at the determined rate. Muzaraa and *Musakat* are actually a special version of the *Musharakah* method. For this reason, the same profit and loss principles applied in *Musharakah* are applied. In the Muzaraa and *Musakat* method, the production and prices of agricultural products are high-risk agreements because they are affected by environmental conditions. However, it is very important that Islamic Microfinance continues to be implemented in order to achieve its purpose in agricultural areas as well.

According to AAOIFI standards Musakat is defined such as follows;

"*Irrigating partnership is a partnership that depends on one party presenting designated plants/trees that produce edible fruits to another in order to work on their irrigation in consideration for a common defined share in the fruits*." (AAOIFI, 2002)[7]

d) Mudarabah (Labor-Capital Profit Sharing)

Mudarabah is a type of partnership in which one party provides the capital as an investing and the other party puts forth its labor for the business. The investor is called *"rabb-ul-mal*", while the other party that undertakes the management and labor of the business is called *"mudarib"*. In the *Mudarabah* contract, the owner of the investment, rabb-ul-mal, can assign the *mudarib* for a specific job. In this case, the *mudarib* can only use the money for that job. This type of contract is called "restricted Mudarabah". In the other case, rabb-ul-mal only makes his investment and the mudarib can use this money

[6] Sharikah (Musharakah) and Modern Corporations, SS (12) – Shariah Standards, AAOIFI, Manama, Bahrain, pp. 323-364
[7] Sharikah (Musharakah) and Modern Corporations, SS (12) – Shariah Standards, AAOIFI, Manama, Bahrain, pp. 323-364

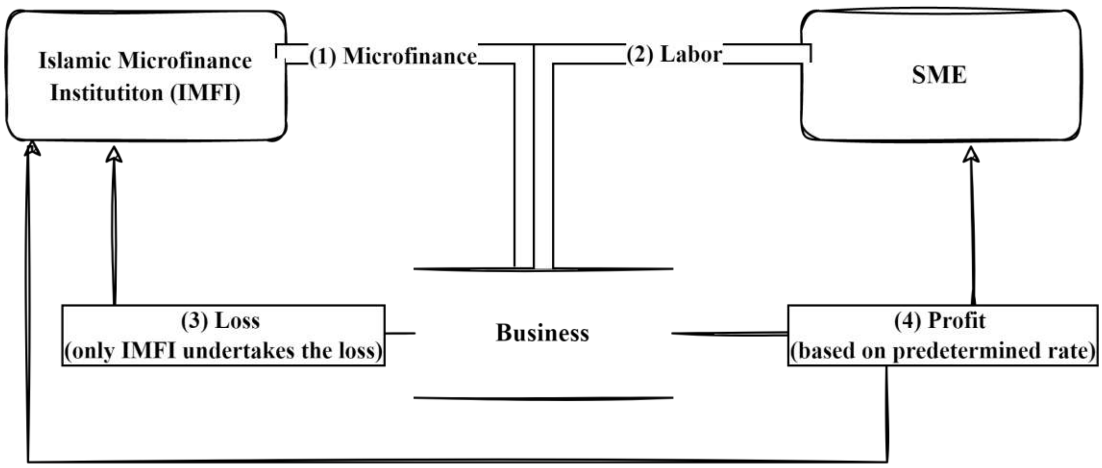
in any field he wants. This type of contract is called "unrestricted Mudarabah" (Usmani, 1998).

According to AAOIFI standards, Mudarabah is defined such as follows;

"*The basis for earning a profit in a Mudarabah, on the other hand, comes from two elements: the first element is the existence of capital that is subject to, and similar to, the conditions of Sharikah capital; the second element is the work done by the Mudarib that is different from the capital of the venture. b) In Sharikah, the work, as a general rule, is to be done jointly by the parties, whereas in Mudarabah it is the Mudarib who works.*" (AAOIFI, 2002)[8]

The profit to be obtained from the business is determined for the parties at the beginning of the agreement. The profit obtained as a result of the venture is shared between the IMFI *(rabb-ul-mal)* and the entrepreneur *(mudarib)* at these predetermined rates. In the case of damage from the project, if the entrepreneur has no negligence or intent, IMFI undertakes all the damage and mudarib only loses his/her effort.

Figure 2 Mudarabah Transaction



[8] Mudarabah, SS (13) – Shariah Standards, AAOIFI, Manama, Bahrain, pp. 367-389

For the Mudarabah agreement to be successful, it is also necessary to provide training on topics such as accounting, cost estimation, business plan development and communication. Because it involves risks such as not choosing the right customer by the IMFI and not using the financing provided correctly and for the specified business (Obaidullah, 2008b).

1.3.3.2. Micro-Credit Methods

Micro-credit-based Islamic Microfinance methods, on the other hand, are debt-based financing methods where repayment amounts are certain. It is frequently used by IMFIs. The most widely used micro-credit method is Murabahah.

a) Murabahah (Cost plus Financing)

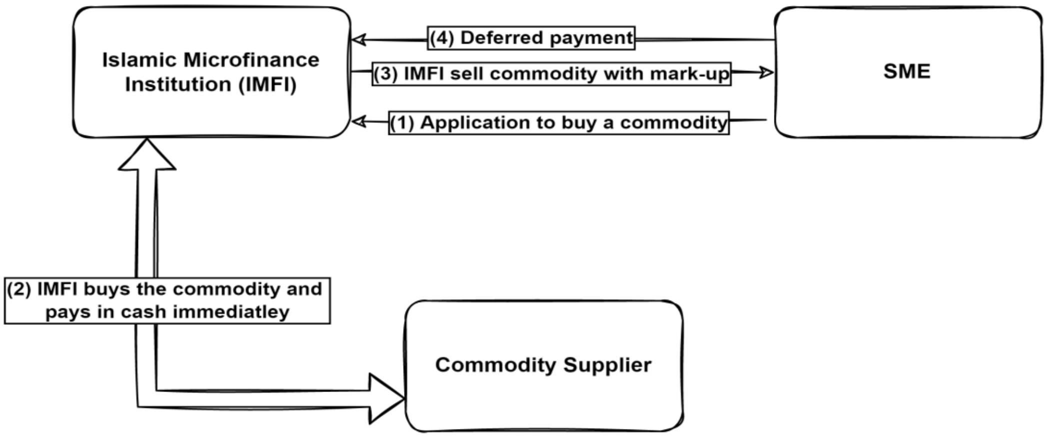
The Arabic term "*Murabahah*" was derived from word *"ribh"* which means profit, mark-up, or gain. *Murabahah*, which is the most widely used method in the field of Islamic Microfinance, is selling a commodity to the purchaser with a mark-up on its cost (Usmani, 1998).

According to AAOIFI standards, Murabahah;

"It is the sale of a commodity by an institution to its customer (the purchase orderer) as per the purchasing price/cost with a defined and agreed profit orderer) as per the purchasing price/cost with a defined and agreed profit mark-up (as set out in the promise/mark-up (as set out in the promise/Wa'd) in which case it is called a banking Murabahah. The banking Murabahah involves deferred payment terms, but such deferred payment is not one of the essential conditions of such transaction, as there is also a Murabahah arranged with no deferral of payment." (AAOIFI, 2000)[9]

[9] Murabahah, SS (8) – Shariah Standards, AAOIFI, Manama, Bahrain, pp. 197-231

Figure 3 Murabahah Transaction



Murabahah is the most widely used financing model by Islamic financial institutions due to its low risk, short-term completion of repayments, similarity to known traditional practices and not requiring special expertise and additional analysis processes (Parlakkaya, 2015).

b) Ijarah (Leasing)

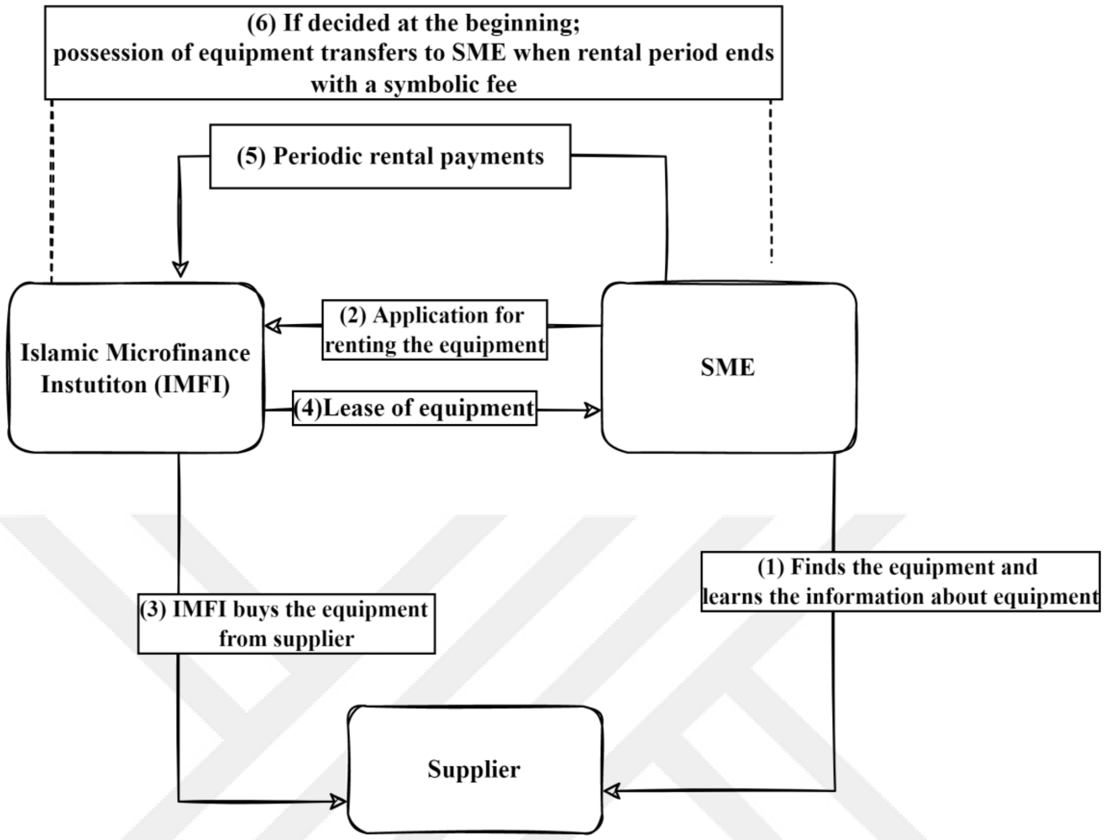
Ijarah, means "to give something on rent". The *Ijarah* method is applied in two ways. First, 'to employ the services of a person on wages given to him as a consideration for his hired services'; the second is 'to transfer the usufruct of a particular property to another person in exchange for a rent claimed from him'. Second type of *Ijarah* is more suitable, because it generally used as a type of investment and financing method (Usmani, 1998).

According to AAOIFI standards, Ijarah is defined such as follow;

"The term Ijarah as used in this standard means leasing of property pursuant to a contract under which a specified permissible benefit in the form of a usufruct is obtained for a specified period in return for a permissible consideration." (AAOIFI, 2001)[10]

[10] Ijarah and Ijarah Muntahia Bittamleek, SS (9) – Shariah Standards, AAOIFI, Manama, Bahrain, pp. 235-266

Figure 4 Ijarah Transaction



During the rental period, the maintenance and repair of the vehicle/tool belongs to IMFI. IMFI assumes all risks unless it is the result of bad faith or negligence of the customer. However, the risks that may occur outside the responsibility of the lessor, resulting in a decrease in the value of the leased asset, causing damage or loss of the asset, belong to the lessor.

c) Salam (Advance Payment -Deferred Delivery Sale) Contract

Salam is a sale in which the seller commits to supply a commodity for which it has been paid in advance at a future date. The primary purpose of this sale was to meet the needs of small farmers who needed money to grow their crops and to feed their families until harvest time (Usmani, 1998).

According to AAOIFI standards, Salam; is defined such as follows by AAOIFI: *"A Salam transaction is the purchase of a commodity for deferred delivery in exchange for immediate payment. It is a type of sale in which the price known as the Salam capital,* *is paid at the time of contracting while the known as the Salam capital, is paid at the time of contracting while the delivery of the item to be sold, is deferred."* (AAOIFI, 2001)[11]

It is mandatory in a Salam contract to specify the delivery date of the purchased commodities (Saiti et al., 2018). The object of sale is defined in a way that leaves no room for dispute. As such, it has to be determined in kind, quality, amount, and delivery date, based on the Hadith "Those who pay in advance for anything must do so for a specified weight and for a definite time (Sahih Muslim, the Book of Musaqah, Hadith 3906)" (Al-Jarhi et al., 2022).

Figure 5 Salam Transaction

It also includes auditing whether the financing provided to the farmer is used in the production process because the repayment of the financing amount used for purposes other than its purpose becomes more difficult.

d) Istısna' (Construction or Manufacturing Financing)

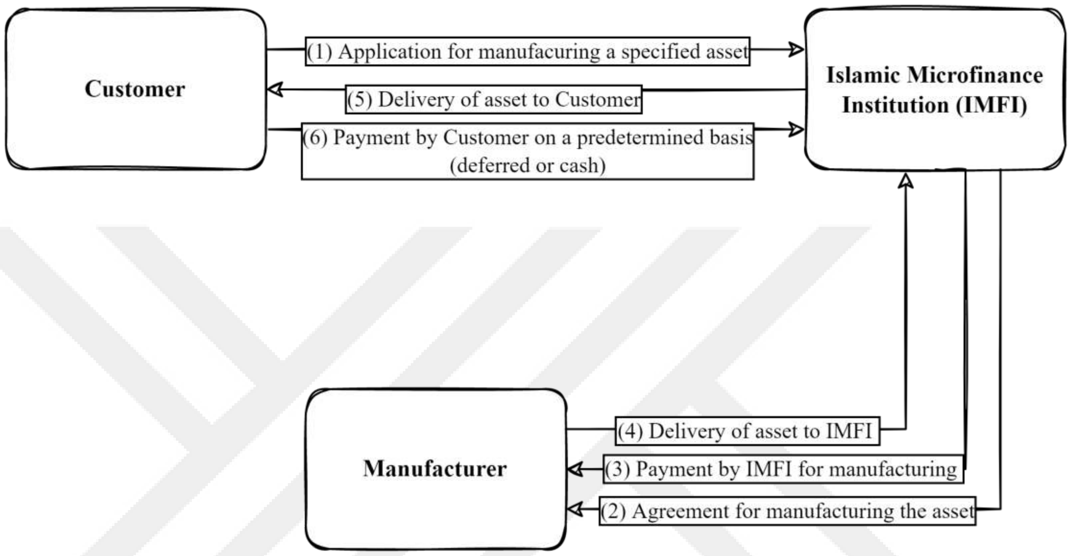
Istısna is the placing of an order to the seller to produce a good with certain characteristics at a certain price. In order to avoid disputes, the characteristics of the product subject to the Istisna contract must be determined in the first place. The materials to be used in production are supplied by the manufacturer and the delivery time is determined (Al-Jarhi et al., 2022). Construction companies generally use Istisna contracts for real estate sold on models.

[11] Salam and Parallel Salam, SS (10) – Shariah Standards, AAOIFI, Manama, Bahrain, pp. 269-290

According to AAOIFI standards, Istısna’;

“Istısna’a is a contract of sale of specified items to be manufactured or constructed with an obligation on the part of the manufacturer or builder (contractor) to deliver them to the customer upon completion.” (AAOIFI, 2001)[12]

Figure 6 Istısna Transaction



1.3.3.3. Non-Profit Microfinance Methods.

a) Qard-al Hasan (Good Loan)

In the conventional finance system, to solve the borrowing needs of people, repaying the debt by adding interest has been revealed as a financing method. Since interest is prohibited in Islam, solidarity is encouraged by the method of reclaiming the same amount of debt given through Qard (Sancar, 2021). The Holy Qur'an[13] means this type of loan as "beautiful loan" and the use of this method is encouraged. The basis of the application is the execution of the debt without any expectation other than the repayment

[12] Istisnaa and Parallel Istisnaa. SS (11) – Shariah Standards, AAOIFI, Manama, Bahrain, pp. 293-320
[13] **Surah Al-Baqarah: (2:245)** “Who of you will lend Allah a goodly loan which He will return after multiplying it for him manifold? For Allah has the power both to decrease and increase, and to Him will you be returned.”

of the debt itself. Loans made with Qard-al Hasan are non-profit and rather charitable. Thus, it is possible for the poor who use loans to get rid of the burden of profit while repaying their debts and to get rid of the vicious circle of economic poverty more easily (Sancar, 2021). Entrepreneur, who is loaned with Qard, can use the money he will obtain in cash in the production process or in the consumption process (Obaidullah, 2008a). It provides flexibility to entrepreneurs as there is no debt attached to a property as in Murabahah or Ijarah.

During the Qard method applied by IMFIs, operational/implementation costs may be incurred. However, the point to be considered in obtaining this cost from the customer is that the cost amount received must be independent and fixed from the repayment process. Although this method is an ideal method in terms of Islamic finance, it is a method that is difficult to maintain for IMFIs. Because they need to work with volunteers who will constantly donate. The fact that these volunteers refuse to donate poses a significant risk. At the same time, the fact that only commissions can be received when financing is provided through Qard al-Hasan may cause IMFIs to be unable to cover their operational costs (Özdemir, 2018).

1.3.3.4. Unrequited Financial and Social Assistance

The aim of Islamic Microfinance is the economic liberation and empowerment of the poor. This purpose includes not only income increase, but also the social transformation of the poor and the provision of social justice (Obaidullah, 2008a). These financial and social aids for the poor, who are constantly struggling to meet even their basic needs and trying to survive, enable them to stand on their own feet and become stronger.

a) Zakat (Islamic Alms)

Zakat is the giving of people who own property above a certain amount (nisab) to the eight classes specified in the 60th verse of the Surah Tawba[14], up to a ratio (2.5%), which varies according to the characteristics of these goods. Zakat works like the transfer expenditures seen in today's state structures, ensuring the redistribution of income from wealthy Muslims to the poor. With the institution of zakat, the appearance of problems such as fair distribution of income, prevention of wealth accumulation in certain individuals, and reduction of poverty is reduced.

In terms of Islamic Microfinance, Zakat can be seen as a type of unrequited financial and social assistance that helps people who are unable to perform an income generating activity to repay the financing provided to them, but who want to get out of their poverty situation. With Zakat, the urgent and basic consumption needs of the poorest people are met (Obaidullah, 2008b).

b) Sadaqah (Charity)

Although Sadaqah and Zakat may mean the same, the difference between Sadaqah and Zakat is that it is not compulsory and can be given to people outside of the 8 classes that can receive Zakat.

Baitul Mal wat Tamwil (BMT), the Islamic Microfinance institution operating in Indonesia, actively collects Zakat and Sadaqah to be used in the financing of the poor. The collected Zakat and Sadaqah funds are distributed either using the Qard-al Hassan method or direct transfer payment, thereby strengthening the financial activities of the poor (Mubarrak, 2018).

Amir, Mohd and Ismail (2016) proposed a crowdfunding model provided with Sadaqah to be used in entrepreneurial support. The fund, which is created with the

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[14] **Surah al-Tawba (9:60)** "Alms-tax is only for the poor and the needy, for those employed to administer it, for those whose hearts are attracted ˹to the faith˺, for ˹freeing˺ slaves, for those in debt, for Allah's cause, and for ˹needy˺ travelers. ˹This is˺ an obligation from Allah. And Allah is All-Knowing, All-Wise."

donations collected from people who want to support entrepreneurial projects, is distributed to entrepreneurs with the Qard-al Hassan contract in accordance with Islamic conditions. Repayments made by entrepreneurs at the end of this model will benefit them in terms of financing health-care services (Amir et al., 2016).

1.4. WORLD EXAMPLES OF MICROFINANCE IMPLICATIONS

When the historical development of Microfinance is examined, it is seen that the first institutional applications were carried out in 1976. Considering the process from 1976 to the present, it is known that the world economy has witnessed many events with ups and downs. The desired economic processes did not always proceed as expected due to crises. With the experience of the economic crises and the inability of large companies to adapt quickly to crisis conditions, the focus has been on bringing small and medium-sized enterprises and new entrepreneurs into the economy. Entrepreneurship and new entrepreneurs are shown as the way out of the financial crises (Sönmez & Toksoy, 2015).

In the 1990s, due to the widespread use of the internet and the rapid development of information and production technologies, the perception of entrepreneurs began to be considered on the basis of technology and production. As a result of the technological developments experienced, there has been a great increase in the number of products that can be produced and traded. Easier access to information has also facilitated access to business opportunities. At the same time, it has made it easier for people to access new opportunities so that they can expand their existing businesses to “trend” directions and increase their income quickly. As a result, in the following period, entrepreneurship in the world has developed at a remarkable level.

In Türkiye, in the 1960s, only large-scale companies were defined as entrepreneurs and examined within the scope of microfinance, instead of small businesses. However, with the 1980s, the microfinance system started to develop in the direction of supporting SMEs. The reason for this transformation was the understanding that large companies could not adapt quickly to the crisis conditions, especially after the oil shock in 1973. Thus, it has been started to work on making individuals who have an entrepreneurial spirit but do not have capital productive (Çetin, 2020).

1.4.1. Indonesia

Indonesia is a country with a wide variety of traditional and Islamic microfinance practices. Islamic Microfinance emerged in 1991 and is operated by Islamic banks, banking units, rural banks and financial cooperatives (Dieter & Agung, 2006). There are 45 million depositors and 32 million borrowers registered in 6,000 formal and 48,000 semi-formal microfinance units. There are also informal organizations and self-help groups involving millions of people. Most of the microfinance institutions are working towards rural areas. The reformed Bank Rakyat Indonesia (BRI), designed by the Harvard Institute for Development (HIID) in the early 1980s, is one of the most successful Microfinance models worldwide. The demands of Muslim scientists and organizations have been influential in the development of Islamic Microfinance in Indonesia (Seibel, 2013).

a) Conventional and Islamic Banks

Conventional Rural Banks (BPR) has been operating in Indonesia since 1989 and Islamic Rural Banks (BPRS) since 1991. Islamic Rural Banks operates to support poor entrepreneurs, small businesses and micro-entrepreneurs. Both types of banks were established by local and wealthy people. However, the owners of BPR pursue policies to enrich themselves further in their activities; the owners of BPRS have a social mission and are working to generate income at least in a way that they can cover their own costs. The BPRS mostly targets small businesses and poor entrepreneurs and has divided them into two categories. The first is for those who have successfully operated with their existing businesses for at least two years, and the second is for new entrepreneurs with no previous experience. Customers in the first category are financed with Islamic Microfinance products such as *Murabahah*, *Musharakah* and *Mudarabah*, which include profit sharing, while those in the second category are financed with Qard al-Hasan as they are considered risky. The main financing method of BPRS is *Murabahah* (Dieter & Agung, 2006).

b) Islamic Cooperatives

Baitul Mal wat Tamwil (BMT) is developed by Muslim scholars and intellectuals in 1984 to build a fair economic system outside the mainstream economy in Indonesia where interest is a priority. The development process of BMT lasted until 1991. Yayasan Inkubasi Bisnis dan Usaha Kecil (YINBUK), which was established in early 1995 to develop micro and medium entrepreneurs, and later Pusat Inkubasi Bisnis dan Usaha Kecil (PINBUK), which was founded by YINBUK, actively contributed to the development of the BMT institution (Mubarrak, 2018). Many of its clients are rural poor and non-poor individuals. Since they are in a cooperative structure, the owner of all BMTs consists of their own members (Dieter & Agung, 2006).

The main purpose of BMT is to support SMEs. BMT can serve a wider audience than Islamic Banks. Because the target audience of Islamic Banks consists of big cities. BMT does not act just to make a profit like banks, and it aims to ensure equitable access to financial services, especially in needy and poor places. Therefore, it has offices in rural cities, villages, suburbs and slums. The wide target audience ensures that the Islamic Microfinance products offered by BMT are also diverse. As a financing (*tamwil*) method, BMTs generally serve with Musharakah, Mudarabah, which is based on profit-loss sharing, and Murabahah products, known as mark-up sale method. The most used method among them is the Murabahah method. In addition to these, the money collected by using *zakat, Sadaqah* and *infaq* methods within the scope of *Baitul mal* function is used to finance the needy (Mubarrak, 2018).

1.4.2. Pakistan

Pakistan is one of the largest Muslim countries in the world with a population of 225 million. Almost half of the population lives in rural areas and does not have access to conventional financial institutions. IMFIs have been created for this segment of the financially excluded population. In Pakistan, IMFIs such as Akhuwat, Wasil Foundation, Azm provide financing to people who cannot access credit with traditional financial institutions. These IMFIs we counted use Islamic Microfinance products Qard al Hassan and Murabaha focused financing methods (Iqbal et al., 2021).

Akhuwat Foundation is an IMFI that was established in 2001 by a group of volunteers and provides financing to those in need with the Qard-al Hassan method. Since its establishment, it has provided interest-free financing to more than 4.2 million people and has a repayment rate of 99.9% in these financings. Akhuwat Foundation offers financing methods for those in need in a wide variety of areas, including Family Enterprise Loan, Agriculture Loan, Liberation Loan, Housing Loan, Education Loan, Health Loan, Marriage Loan and Emergency Loan. All of these financing methods are offered interest-free and with a minimum maturity of 10 and a maximum of 36 months (Akhuwat, 2022). The point that distinguishes Akhuwat microfinance method from others is that it is an individual financing method rather than group financing. Social pressure and religious affiliation constitute the collateral of those who use financing, through the distribution of the loans given in mosques (Khan & Bedi, 2021).

1.4.3. Bangladesh

Bangladesh is one of the developing Muslim countries. The majority of the population lives in rural areas and earns their living from agricultural activities. Therefore, poverty is a problem that is generally encountered in rural areas. Although interventions have been made by the state over the years, no significant change has been achieved to eradicate poverty (Sarker, 2001). As we mentioned before, the population living in rural areas cannot access financial institutions easily. This situation constitutes a major obstacle to overcoming poverty.

a) Grameen Bank

Grameen (Village) Bank, which is considered one of the first examples of the microfinance system, was developed by Muhammad Yunus in 1976 as a solution to the poverty problem in the rural areas of Bangladesh. Grameen Bank provides financing especially to women in need without a collateral. Grameen Bank applies a group-based microcredit system. Entrepreneurs who want to benefit from the loan each form groups of five. Group members hold group meetings once a week. In these meetings, each member pays the weekly installments of his loans. Although there is no sanction in case of non-repayment, the repayment rate of the loans has been measured around 97% (Akbulaev et al., 2017).

b) Islamic Bank Bangladesh Limited (IBBL)

Bangladesh's first Islamic Bank was established in 1983 as Islamic Bank Bangladesh Limited (IBBL). The Rural Development Scheme (RDS) plan created by IBBL uses Islamic Finance methods to reduce poverty in rural and urban areas. IBBL has made great contributions to the economic development of the country by executing Grameen Bank's Microfinance model in accordance with Islamic rules (Uddın, 2017).

In RDS, as in the Grameen Bank model, the management committee forms homogeneous and self-motivated groups of 4-5 people. The most important condition for joining the group is to have good character and to comply with Islamic principles. Three types of financing are provided within the scope of RDS;

- Microfinance up to 50,000 Bangladesh Taka (BDTK), collateral-free, to be used to provide income generating activity
- Microfinance up to 300.000 BDTK, with collateral for micro-entrepreneurs
- Qard-al Hassan up to 10,000 BDTK for the very poor in need of water, sanitation and rehabilitation

Within the scope of the program, members can use a minimum of 10,000 and a maximum of 50,000 BDTK financing. The repayment of the total financing amount (principal amount plus profit) is made in equal installments of forty-four weeks over a one-year period. Members of each group in the RDS program have to save 20.00 BDTK per week in their savings account in IBBL. Repayment amounts and weekly mandatory savings amounts are collected by Field Officers at weekly meetings (Abul Hassan, 2017).

CHAPTER 2

MICROFINANCE IN TÜRKİYE

2.1. LITERATURE REVIEW

SMEs started to gain importance by the state with Development of Small Industry Extension Services (KÜSGET), the foundations of which were laid in 1973 in Türkiye. After that, with the merger of KÜSGET and the General Directorate of Industrial Training and Development Center (SEGEM) under the same roof in 1990, it is seen that the services intended to be offered to SMEs were made more systematic and comprehensive. All these ongoing developments have managed to draw attention to KOSGEB and therefore to SMEs operating in the country. As a result, since the 1990s, academic studies and researches on KOSGEB' s activities for SMEs have increased.

İnce (2020), conducted a review on academic studies on KOSGEB. Until 2020, which is the year of the study, 66 articles and 51 graduate theses related to KOSGEB were examined. According to his study, it is seen that there has been a rapid increase in academic studies on KOSGEB since 2010. Likewise, it is understood that an acceleration was gained after 2016 and 57% of the total works were carried out between 2017-2019. It is understood that there is a parallelism between these increases in academic studies and KOSGEB's amendment in the support legislation in 2010 and effectiveness throughout the country. Supports and services in KOSGEB's budget increased approximately 3 times in 2015 and reached 2 billion TL in 2017. It is seen that entrepreneurship education and entrepreneurship support programs given by KOSGEB are more known and studies are focused on these supports. Nearly half of the studies on supports focused on the effectiveness, benefit and awareness of supports. However, it is observed that there are not enough academic studies on technology-oriented supports and project-based supports such as R&D and innovation implemented by KOSGEB.

In his study, Yiğit (1995), carried out research in the province of Istanbul on the R&D activities of small and medium-sized enterprises that are affiliated or not affiliated with KOSGEB. The main objective of the study is to emphasize the importance of R&D

and practical system applications in this field for SMEs. An important point to be mentioned about the study is that SMEs are going through hard times as a result of the economic crises experienced due to the fluctuating economic conjuncture of the period in which the study was conducted, high inflation and excessive depreciation of TL against foreign currency. Since the use of foreign currency-indexed loans or loans with high interest rates in the processes before and after the economic crisis created a threat to the existence of the enterprise, it prevented the initiation of R&D or product development activities. However, the tax credit system, which was rebuilt with the economic stabilization decisions of April 1994, created an environment of opportunity for small computer software businesses. In the study, it is stated that the risk of R&D or product development costs carried out by SMEs is less than that of large enterprises and these activities are carried out faster. It has been determined that SMEs that are not affiliated with KOSGEB are not conscious and do not have knowledge in the fields of R&D and product development.

Buğur, (2007) conducted a study on export incentives provided to SMEs by KOSGEB. It has been stated that these incentives, provided that SMEs have significant contributions to Gross National Product (GNP) and employment, increase the contribution of SMEs to total production, employment and exports. A company supported by KOSGEB was determined for the study and its performance before and after the support was examined. The related business first received a Machinery and Equipment Support from KOSGEB in the amount of €110.000, interest-free, non-reimbursable for the first year and to be paid in equal installments for the next three years. With this incentive, it has increased its production quality by importing high-tech machinery and equipment, and the goals in the project submitted to KOSGEB have been achieved in order to benefit from the support. Then the company rolled up its sleeves to develop a new product and applied to KOSGEB for the fund of 50,000 TL it needed. It reached the desired amount of support without interest through the contracted banks and used it in the conceptualization, testing and commercialization of the product. The aim of KOSGEB was to direct the company to export and the company succeeded in this and succeeded in introducing its new products to the UK market in its first year on the market. Although the company that is the subject of the study succeeded with the help of KOSGEB supports, produced a new product and was able to enter the foreign market, it was stated in the study that the process of benefiting from KOSGEB supports included a very complex and time-consuming bureaucratic process, which is a big handicap. At the same time, it was mentioned that the avoidance of the experts who carried out the support process from taking the initiative further prolongs the process.

Obeidullah (2008) exemplified the role of Islamic Microfinance in reducing poverty through microfinance practices in Islamic Development Bank (IsDB) member countries. He examined KOSGEB activities for the case of Turkey and stated that the support elements are generally of a grant nature, and therefore a system like KOSGEB can be created with a waqf organization created with donation funds.

Ar (2009), carried out a study on understanding the effect of the supports provided by KOSGEB to SMEs operating in Konya province of Türkiye. The results of 32 enterprises participating in the survey in Konya were evaluated by preparing questions to determine the impact of KOSGEB supports on small industrialists, along with questions including the structural and management status of SMEs. While 50% of the enterprises participating in the survey saw KOSGEB as a necessary and useful institution, 34.4% of them stated KOSGEB as a necessary but not effective institution. Most of the enterprises stated that they had financing problems, lack of innovation and technology, and internal and external marketing problems. Moreover, it has been determined that they have difficulties in quality, supply, management-coordination, qualified personnel and legal issues. As a result of this study, it was stated that the definition of SME should be made in a healthier way and problems stated above should be resolved. It has been determined that SMEs cannot benefit from KOSGEB sufficiently because they do not have enough information about the available support and services and the support and services provided contain too many procedures. Delivering the announcements of the supports to SMEs by means of media, reducing bureaucratic processes, providing support to SMEs for more regional and sectoral needs, checking whether the supports provided are used as required, paying attention to the fact that the people in charge of the support process are experts, and that successful SMEs are suggestions were made that it should be rewarded.

Aycı (2011), analyzed the effect of the International Fair Support provided to SMEs by KOSGEB on the internationalization process of SMEs and made suggestions to increase this effect. All 101 SMEs participating in international fairs with the support of KOSGEB between 2003 and 2010 were included in the scope of the research. While the level of achieving their goals by participating in the fair by 91 of them was analyzed, the surplus in the export figures of 86 SMEs was analyzed statistically, since all SMEs were determined to start/increase their export with the participation of the fair. It has been observed that 4 of the 101 SMEs included in the study went bankrupt and 2 of them became large enterprises. According to the data obtained as a result of the study, 81% of the SMEs that received fair support stated that they achieved the goals they set before the fair. Promoting products and finding potential buyers were observed to be the most preferred by all enterprises participating in the fair abroad in 2006, and the least preferred objective to start production-oriented activities abroad. It has been determined that the rate of enterprises that would not participate in the fair without KOSGEB's foreign fair support is more than 3 times the group that will participate in the fair without KOSGEB support. As a result of the study, it was observed that foreign trade consultancy was needed to increase the success of the fair by examining the survey data. In addition to these, although the average increase in exports of the companies participating in the fair in the next year was higher than the companies that did not benefit from the support, it was understood that there was no significant difference in the following years. Therefore, it has been understood that the fair support has a short-term effect.

Işık Maden (2012), studied 147 SMEs operating in the provinces of Isparta and Burdur between 2008 and 2011 that are benefiting from the KOSGEB General Support Program, and examined 147 SMEs that did not benefit from any support program operating in the same region and sector as these SMEs, having the same age and scale. It has been determined that the support program has significant and positive effects on SME performance. While fair, qualified personnel, test analysis, calibration and overseas business trip support are effective on the employment increase of the companies; It has been determined that promotion and qualified personnel support are effective on product variety. While the fair, test analysis, calibration and certification support are effective on the production amount; qualified personnel, test analysis, calibration and certification support have a positive effect on the sales volume. On the other hand, no support type that had an effect on the number of customers and product quality could be determined in terms of the sample.

Yıldız (2013), evaluated the impact of KOSGEB on businesses benefiting from new support programs. In the study, which was prepared by taking the data of 8360 enterprises belonging to the years 2009-2012 from the KOSGEB database, the changes in the employment, net sales and financial balance sheet size of the enterprises were examined. The control and application groups of the study consist of enterprises that have the same characteristics and that have received grant support or not benefiting from the SME Project Support Program, R&D Innovation and Industrial Application Support Program and General Support Program in 2010 and 2011. 4 impact groups were prepared and grouped according to the amount of support benefited by the enterprises (5,000 and above, 10,000 and above, 50,000 and above, and 100,000 and above). It has been determined that the net sales, financial balance sheet size and the number of Social Security Institution (SGK) premium days of the enterprises in the application group, which used support with the amounts mentioned from KOSGEB in 2010 and 2011, were positively affected compared to the enterprises in the control group. As the amount of support increases, the effect of the support on the variables increases.

Solmaz (2014), in his study, examined the effectiveness of public supports provided to SMEs, the rates of support usage in KOSGEB Diyarbakır Provincial Directorate, and the effects of supports on businesses. As a result of the study, it was underlined that there was a significant increase in the types and amounts of support provided to SMEs by the state, the SMEs still had a lack of information about the supports. It has been determined that KOSGEB supports have significant effects on SMEs.

Avcı (2014), in his study, evaluated KOSGEB supports and their effects statistically, based on 237 enterprises using KOSGEB supports between 2010-2013 in Afyonkarahisar, Kütahya, Manisa and Uşak provinces, which are called TR33 region. It was stated that the economic indicators of the TR33 region showed similar characteristics with the economic indicators of Türkiye during the study period. In the relevant period, the rate of enterprises registered in the KOSGEB database in the TR33 region is 22%. These enterprises benefited from at least one KOSGEB support between 2010-2013. General Support Program was the most used incentive type with 63.7%. The Entrepreneurship Support Program, on the other hand, ranks second with a 17.3% usage rate. 10.1% of the enterprises benefited from more than one support program. Enterprises that benefit from the General Support Program are generally small and medium-sized enterprises, while enterprises that do not benefit are micro-enterprises. As a result of the study, it has been observed that the satisfaction of the enterprises from the supports, support processes and KOSGEB is statistically above the average and also these supports had increased their performance. It was determined that the stage where the enterprises had the most difficulty with a rate of 38.4% was the support payment stage due to the delay in payment, this was followed by the Project/Business plan preparation stage with 24.1% and then the support application stage with 19.8%. It has been observed that some of the enterprises that had difficulties during the project preparation phase gave up and some of them applied to consultancy companies.

Arslan (2015), examined the effects of KOSGEB supports in solving the financing problems of SMEs with quantitative methods. The universe of the research consists of 15 enterprises operating in the forest products industry, which are in the KOSGEB database, operating in the province of Düzce and benefiting from the supports at least twice. Since the Credit Interest Support was used extensively by KOSGEB between 2008-2011, it was chosen as the date range. However, since only 8 of the businesses agreed to give 6-year balance sheets and income statements for the years 2007-2012, the research could cover these 8 businesses. According to the Malmquist Total Factor Efficiency Index, when the productivity of the enterprises is examined, there was an increase in productivity in 2 enterprises in 2009, when the Credit Interest Support was given intensively, in 2010, no increase in productivity was detected in any enterprise. In 2011, productivity increase was observed in 7 enterprises, and in 2012, productivity increase was determined in 4 enterprises. As a result of the study, it has been determined that KOSGEB financing supports do not increase the financial efficiency of the enterprises. The reason for this result is that the support loans provided are used without any commitment from the enterprises.

Deniz (2016), carried out a study on 75 SMEs located within the borders of Bolu province of Türkiye and benefiting from KOSGEB New Entrepreneur Support, which was established in 2011, 2012, 2013. It examined the changes in the post-support performances of the relevant SMEs. It was determined that the beneficiaries of the support realized 1 employment in the first year, and at the end of 3 years, they provided an average of 2 employments. When annual sales revenues are examined, a 3.77-fold increase in revenue was observed at the end of 3 years. There has been an increase of 95.60% in the amount of production/service within the support process of the SMEs benefiting from the support. It was understood that there was no significant change in product/service quality compared to those who did not receive support at the end of 3 years. It has been observed that KOSGEB New Entrepreneur Support does not affect the change in R&D and innovation activities of SMEs until 3 years after their establishment. As a result of the study, it was concluded that the entrepreneurs who benefited from entrepreneurial support were more successful than those who did not. However, it has been determined that entrepreneur support has no effect on the increase in the net sales revenue of SMEs, the increase in the amount of production / service, the increase in the quality of the product / service, the increase in the R&D and innovation activity and the increase in the number of exports.

Altuntaş (2016), examined the effectiveness of KOSGEB New Entrepreneur Support Programs implemented in Tekirdağ, Kırklareli and Edirne provinces on active employment. An activity analysis was conducted on the factors and reasons that affect some of the entrepreneurs who benefited from the support, while some of them could not. According to the results of the research, in the TR21 region where the study was carried out, the probability of opening a business after entrepreneurship education is higher for men, older people and people with a high level of education compared to women, young people and people with low education level. Accordingly, in order to increase the effectiveness of support, training should be given to women and young entrepreneur candidates with low education levels. It has been determined that the main reasons why entrepreneurs cannot open a business are lack of capital and being working. It was stated that after the approval of KOSGEB supports against lack of capital, advances should be given to entrepreneurs.

Kızılgedik (2017), in his study, examined the effects of KOSGEB supports in the TRA2 region consisting of Kars, Ağrı, Iğdır and Ardahan provinces, which is considered one of the least developed regions of Türkiye. He stated that the businesses operating in the region have a structure that is micro-scale, low-capacity, lacking in qualified personnel and capital, and cannot sufficiently benefit from KOSGEB supports. Although businesses operating in the region evaluate KOGSEB supports positively, this positive view has not been reflected in the number of support usage. As a result of the study, the author stated that in order to increase the development level of the region, support programs should be developed for the superior/strength aspects of the region such as animal husbandry, agriculture, winter tourism, logistics, which are the fields of activity of micro-enterprises and SMEs operating in the region.

Güler (2017), drew attention to the supports provided to SMEs and whether these supports will be realized at a sufficient level. As a result of the study, it has been determined that KOSGEB supports are not sufficient although they have many advantages compared to others.

Karan (2018), carried out his study to determine the benefits provided to SMEs by financial supports provided by KOSGEB. As a result of his study, it was determined that the supports provided by KOSGEB could not spread to a large enough audience due to the lack of information and awareness problems of SMEs and the number of enterprises that could benefit from the support was very low compared to the total number of enterprises. At the same time, when the loans provided by banks to SMEs and the total support provided by KOSGEB are compared, it has been determined that KOSGEB support amounts are insufficient to meet SME financing needs.

Özdemir (2018), in his study on the applicable model proposals for Islamic Microfinance in Turkey, presented two Islamic Microfinance model proposals that can be used at the level of Participation Banks and in institutions other than Participation Banks. He stated that none of the institutions and organizations operating in Microfinance, both participation banks and non-participation banks, can be qualified as Islamic Microfinance institutions in Turkey, and can only be described as institutions offering products similar to Islamic Microfinance. He also evaluated KOSGEB in this category and stated that it could be included in the category of Islamic Microfinance institution with some changes to be made in the support processes.

Uysal (2019), discussed the situations and problems of SMEs in Türkiye, stated the studies of KOSGEB in this field and made suggestions for the development of its studies. It has been stated that if the manpower of the enterprises is well planned, coordinated and managed, the benefit to the enterprise will be higher and the enterprises can reach their goals more easily. In his study, he also stated that the personnel employed by SMEs are constantly changing and therefore they cannot reach the sufficient level of experience and specialization. For this reason, it has been emphasized that KOSGEB should provide trainings in the field of Human Resources Management to businesses and increase their sustainability in this area.

Kibar (2019), in his study, made an evaluation on the problems and opportunities faced by entrepreneurs who opened a business by benefiting from the KOSGEB New Entrepreneur Support Program. For this purpose, meetings were held with 11 enterprises benefiting from the support. As a result of the study, the entrepreneurs who benefited from the supports complained that the support process includes detailed procedures, support payments are not made on time and support limits are low. It has been determined that these supports are an opportunity for entrepreneurs with low capital. After the approval of the Business Plan, it was understood that the enterprises were left alone with their own capital and experienced difficulties during the period until the support payment was received.

Toköz (2019), in his study, examined the effects of KOSGEB supports on SMEs and their contribution to the economy. As a result of the study conducted with the data covering the years 2010-2017, a directly proportional development was determined between the amount of KOSGEB support and the number of SMEs, which is one of the economic growth indicators. It has been understood that supporting SMEs develops new employment opportunities and thus helps economic growth.

Piri (2019), aimed to evaluate the R&D and Innovation supports provided by KOSGEB over SMEs operating in Bursa province. As a result of the survey conducted with 63 enterprises in total, it has been understood that the benefit of the enterprises that have a strong capital structure and have been operating for a certain period of time from the relevant support program is higher than the enterprises with a fragile structure that have just started. It has been stated that the most important reason for the enterprises that have just started their activities to experience problems while benefiting from R&D and innovation supports is that the support payments are made after the activities are carried out. As a solution to this, a proposal to give unsecured advances has been presented. Another result is that businesses that have their own R&D unit benefit from more effective supports. 38.1% of the enterprises participating in the study stated that if they cannot benefit from KOSGEB R&D, Innovation support, they will not carry out their investments and activities. Therefore, the importance of R&D supports was emphasized. 59% of businesses stated that the use of support increased their motivation and their projects were successful. As a result of the study, it was understood that the R&D and Innovation Support Program contributed positively to the manufacturing capacities of the enterprises and to the market.

Oran (2019), examined the problems faced by entrepreneurs operating in Osmaniye between 2016-2019 and benefiting from KOSGEB Entrepreneurship Support Program. As a result of the survey conducted with a total of 70 companies, it was determined that the participants used their own capital in the first business establishment process and that almost half of them started this business without a financial planning. Capital insufficiency problem of 78.5%, equity increase problem of 75.7%, problem of continuous increase in input prices by 70%, problem of debt collection by 81.4%, low sales of 54.3% of participants. It has been determined that 71% of them have the problem of exchange rate, inflation and interest rate uncertainty.

Toptaş (2019), in his study, examined the status of SMEs benefiting from the supports over the SMEs operating in the province of Ardahan. As a result of the study, it was concluded that the bureaucracy in the process of benefiting from the supports should be reduced, the support payments should be facilitated, and the supports should be planned according to long-term results, revised according to regional characteristics and developed in a way to increase efficiency.

Erdem (2019), examined SME financing problems of Balıkesir province; Çeykel (2021) examined the effects of KOSGEB entrepreneurship supports in the province of Tekirdağ; Çaparlar (2021), examined the financial and performance effects of KOSGEB supports on industrial enterprises in the province of Bingöl; Budak (2021) examined the effects of KOSGEB supports on companies in the TRB2 region, which consists of Van, Hakkari, Bitlis and Muş provinces; Noyan Yalman & Zorlutuna (2021) examined the effects of KOSGEB Supports on exports and regional development in the TR72 region consisting of Kayseri, Sivas and Yozgat provinces in their article study; Aslan (2021) evaluated the impact of the İŞGEM Program on the enterprises benefiting from the support in the province of Osmaniye; Karakaş (2022) examined the financing problems of SMEs and KOSGEB supports; Yücel (2022) examined the effects of KOSGEB supports on the financial development processes of enterprises; Ekinci (2022), on the other hand, made a regional analysis of disabled entrepreneurship in the context of KOSGEB supports.

2.2. Microfinance Demand in Türkiye

Microfinance targets the poor with low or no income, who cannot get finance from any financial institution to start a new business or develop an existing business due to lack of collateral and being considered to be high risk.

When it is desired to measure the Microfinance demand of the countries, the first thing to be examined will be the financial inclusion data of the countries. The World Bank has defined financial inclusion such as follows:

"*Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.*" (WB, 2022)

The increase in access to use of the financial system enables individuals to save more easily and quickly and to use money when necessary. Access to the financial system is very important for both households and businesses and plays a major role in the development of the country. For this reason, it is important that SMEs, which play a role in the growth and development of countries, have easy access to the financial system. The use of bank loans by SMEs in Türkiye has been increasing continuously since 2009. The obstacles faced by SMEs, which play a major role in the development of the country, in accessing the financial system are listed as unsuitable prices, high loan interest rates and heavy mortgage conditions (Terzi, 2015).

Today, the World Bank uses various indicators to measure financial access. The Global Findex Report 2017 dataset provides information on the financial participation rates of countries in the light of these indicators. According to the report, the ratio of the population over the age of 15 who have a bank account in Türkiye was measured as 68.7% and this ratio was 12.9 points below the European and Central Asian countries, while it was 4.5 points below the upper middle-income economies. Accordingly, more than 30% of the adult population in Türkiye does not have a bank account and these are people who are completely excluded from the financial system (Global Findex Report, 2017). However, while the rate of bank account ownership of the female population was 79.4% in European and Central Asian countries and 69.3% in Upper Middle-Income countries, Türkiye remained well below these rates with a rate of 54.3%. Women in Türkiye have more problems in accessing the financial system than men. Young people between the ages of 15-24 generally include high school and university students. From the perspective of Türkiye, low account ownership rate is considered normal as students usually only have a bank account when they start a university, while it is low compared to countries with European, Central Asian and Upper Middle-Income economies.

The bank account ownership rate of the poorest 40% in Türkiye was measured as 56.4%. According to 2014 data, only 5.5 points increase was observed. In other words, nearly half of the poorest 40% do not have a bank account. The fact that this segment is completely excluded from the financial system due to the lack of bank accounts creates a striking result when evaluated in terms of microfinance demand potential.

Table 3 Financial Inclusion Indicators in Türkiye, Europe & Central Asia and Upper Middle-Income Countries (2017)

Indicator	Türkiye	Europe & Central Asia	Upper Middle Income
Population (age 15+, million)	61,7		
Account Ownership (% age 15+)			
Adults	68,6	81,5	73,1
Female	54,3	79,4	69,3
Young adults (age 15-24, %)	55,9	63,8	65,9
Poorest 40%	56,4	76,3	62,4
Savings and Credits in past years (% age 15+)			
Saved at a financial institution	22,9	34,3	26,9
Borrowed from a financial institution	13,8	15,4	9,9

Among the financial access indicators that are important in terms of microfinance demand, "those who have savings in a financial institution" and "who borrow/loan from a financial institution" are also counted. Accordingly, those who have savings in a financial institution in Türkiye constitute 22.9% of the adult population. Compared to 2014 data, this rate showed a high increase of 13.8 points. The ratio of those using a loan from a financial institution among the adult population was measured as 13.8%. In 2014, this rate was measured as 20.0%, that is, a decrease of 6.2 points was observed in loan utilization rates. In terms of saving rates, Türkiye remains below the European and Central Asian countries it is compared to, and the Upper Middle-income countries; considering the loan utilization rates, it has achieved a 3.9-point advantage over the upper middle-income countries. Likewise, while the rate of adults who have a bank account is 68.6%, the rate of those who use a loan from a bank is 13.8%, which means that these people either did not use loans voluntarily or their loan demands were met negatively by the banks. The number of people who have requested loans but received negative responses from banks will also show that the demand for microfinance is at higher rates than expected.

Global Findex Report 2017 data is very important in terms of seeing how high the level of people who cannot receive service from financial institutions, that is, who have been left out of banks in Türkiye. Entrepreneurs or SMEs who need financial support or a person who needs finance to get out of poverty and perform an income generating activity will not be able to achieve these goals as long as they are outside the financial system.

2.3. Microfinance Institutions in Türkiye

2.3.1. Non-Governmental Organizations (NGOs)

In addition to bank loans, which come to mind first in the classical sense in the provision of microfinance/microcredit in Türkiye, there are also grants and supports provided by the public or private sector. The first application of microfinance services, which are also carried out by non-governmental organizations, was initiated in 2002 with the *MAYA Micro-Credit Enterprise*, which was established by the Foundation for the Support of Women's Work. The target audience of MAYA, known as Türkiye's first microcredit institution, is women. Its aim is to support low-income women who want to start their own business. It provides a loan amount of approximately 1000 Turkish Liras and offers a payment period of 6-12 months. Group-based microcredit application is provided and the group formed in this way acts as a social "guarantee" within itself. Persons included in the group become responsible for each other's debts, and thus, the credit risk that may occur in the payment process is eliminated. With the MAYA Microcredit Program loans distributed to more than 14.000 people so far (KEDV, 16 February 2022).

The Turkish Grameen Microfinance Program (TGMP), which was established with the cooperation of the Turkish Waste Prevention Foundation (TİSVA) and the Grameen Trust, can be given as an example to other NGOs serving the microfinance sector in Türkiye. The Grameen Microfinance system was developed by Prof. Dr. Muhammed Yunus, who received the Nobel Peace Prize in 2006, in order to eradicate rural poverty in Bangladesh and enable people to get income-generating jobs. TGMP, which was established to implement the Grameen Microfinance system in Türkiye, started its activities in 2003, based in Diyarbakir. In the Grameen Microfinance system, participants must form groups of 5 people in order to participate in the support process. The formed groups provide a "social security" system within themselves and they guarantee each other's loans. (Obaidullah & Khan, 2008) In the first step, group trainings are given to these groups by TGMP. Afterwards, microcredit distribution is provided and the participants start their businesses, for which they have presented their business idea before. Participants repay the microcredits they receive in weekly periods. TGMP defines its mission as follows:

"To be a financially sustainable institution and to enable all low-income families to improve their economic and social status by providing appropriate financial services through women and encouraging them to engage in income-generating activities".

TGMP's target audience consists only women. Women's inability to easily access economic opportunities in Türkiye, their importance for the stability of the home economy, and the fact that they are more loyal to their debts than men are listed as the reasons why TGMP is for women. Within the scope of the program, Basic Loan, Entrepreneurship Loan, Livestock Loan, Social Development Loan and Communication Loan are provided, as well as Micro Insurance, Micro Housing Insurance and Voluntary Savings applications. As of 2022, TGMP continues its activities in 64 provinces and 92 branches in total. Currently, the number of participants receiving microcredit from the program is 37,724, while the number of participants waiting for microcredit is 4,811. In other words, as of January 2022, there are a total of 42,535 participants registered in the program (TGMP, 16 February 2022).

The Development Foundation of Türkiye (TKV), another example of an NGO providing microfinance services in Türkiye, was established in 1969 with the aim of supporting agricultural development and eliminating poverty. It is the first non-governmental organization operating in the field of rural development in Türkiye. Since it is aimed to eliminate poverty and ensure development in rural areas on the basis of TKV, the target group is those who are farmers and households that cannot earn any income. Various rural development projects were carried out within the scope of the program, and while providing support through social assistance, it provides technical information and support for marketing in the future (TKV, 18 February 2022).

Islamic Economics Research and Application Association (İKSAR) operates in the field of Islamic Microfinance. İKSAR started to operate in Sakarya, Türkiye in 2018. The association, whose field of activity is limited to the province of Sakarya, provides interest-free loans to people in the low-income group to use it in income-generating activities with the Qard al-Hasan program. The maturity of the loans given is at most 12 months. The micro-entrepreneur pays back in monthly installments one and a half months after receiving the financing (Ülev, 2021).

2.3.2. Banking Sector

2.3.2.1. Public Banks

Ziraat Bank, Halkbank, *Vakıfbank, Ziraat Participation Bank, Vakif Participation Bank and Emlak Participation Bank* are public banks that were established with public capital in Türkiye and still continue their activities. Ziraat Bank and Vakıfbank carrying out their Islamic Banking activities by establishing Ziraat Participation Bank and Vakif Participation Bank.

The foundations of Ziraat Bank were laid during the Ottoman Empire. In 1863, it operated with the name of "Homeland Funds", with the "imece" method, which is a kind of cooperation already ongoing in Turkish traditions. In August 1888, Ziraat Bank was established to operate with a modern banking system in a way that each of the Homeland Funds would form a branch. In line with the needs of the period, the bank provided loan support in various fields, especially in the agricultural field (Ziraat Bank, 18 February 2022). As of 2020, the total amount of cash loans provided by the bank is 600,660 million TL, constituting 15.8% of the market share. Today, the bank continues its uninterrupted financial support to the agricultural sector and offers projects to facilitate access to finance. In 2020, with the "I Have Many Reasons to Live in My Village" project, it is aimed to increase the animal assets of the farmers engaged in small cattle breeding and to enlarge the scale of the enterprises. With the "Small Equipment Loan", it is aimed to enable agricultural enterprises to purchase the small agricultural tools and equipment they need. In 2020, 21,120 small businesses benefited from the Small Equipment Loans and a total of 590 million TL loans were extended. As of the end of 2020, the total amount of agricultural loans extended by the bank reached 79.9 billion TL. While 35% of the bank's agricultural loan portfolio consists of investment loans, 65% is business loans. In terms of Corporate/Entrepreneurial Banking services, the bank responds to the product and service demands of small-scale enterprises at the same rate, along with the large amount of financing demands it provides to corporate customers. The Bank provides support aimed at meeting the financing needs of micro-enterprises and protecting their production and employment capacities, such as the Credit Guarantee Fund (KGF)-guaranteed “Work Continuation Loan Support Package”, “Check Payment Support Package” in order to support small-scale enterprises that have been greatly affected by the COVID-19 pandemic process. It has supported micro-enterprises in the post-pandemic normalization process by offering packages. The Bank carries out a Loan Interest Support application with the Small and Medium Enterprises Development and Support Administration (KOSGEB), which is a state institution and whose purpose is to increase the role and effectiveness of SMEs in the economy. Likewise, it cooperates with the KGF and expands its support for SMEs that have collateral problems. Since 2010, the Bank has signed agreements with various international organizations such as the World Bank (IBRD), European Investment Bank (EIB), Council of Europe Development Bank (CEB) and French Development Agency (AFD), providing funds to be used in the financing of SMEs or large-scale companies (*Ziraat Bank Annual Report*, 2020).

Ziraat Participation Bank was established in 2014 and started its activities in 2015. It is the first participation bank with public capital in Türkiye. Ziraat Participation provided a fund of 42,206 million TL in 2020 and 66,400 million TL in 2021. In 2021, as a result of its cooperation with the KGF and Union of Chambers and Commodity Exchanges of Türkiye (TOBB), called “Nefes 2021 Support Financing”, it offered financing and surety support to SMEs on special favorable terms. In order to eliminate the negative impact of the COVID-19 pandemic on businesses operating in the manufacturing industry, a KGF-guaranteed “Manufacturing Based Import Substitution Support Package " has been prepared within the framework of the Treasury Backed Guarantee System. A new financing product has been launched, in which those who receive their payments from exporting companies by forwarding letters of credit can receive their receivables from Ziraat Participation in advance, without waiting for the maturity of the letter of credit. In this way, it is ensured that the receivables of the exporters are cleared from commercial and political risks and they are provided with access to financing opportunities after shipment. When the financing allocation methods are examined, it is understood that the Ziraat Katılım used Murabahah, Musharakah, Ijarah, Wakala, Sukuk, Istisna' methods. The total amount of financing disbursed by the Musharakah method was 39,633 TL for 2021 (*Ziraat Participation Annual Report*, 2021).

Halkbank was founded in 1933 in order to ensure economic development and to create capital accumulation by transferring resources to tradesmen, craftsmen and small business owners in the face of the problems of insufficient capital accumulation, limited production areas and inadequacy of the private sector, which were encountered during the establishment of the Turkish Republic after long years of wars and depressions. It was established with the Law of “People's Bank and People's Funds” and started its activities in 1938. The bank, which carried out its credit services through “People's Funds” between 1938-1950, had the authority to open branches and extend credit directly as of 1950. The bank, whose deposit and loan volume is increasing gradually, is the first bank in the sector for tradesmen, craftsmen and small businesses (Halk Bank, 19 February 2022). Halk Bank counts among its targets to be the leading SME bank of the region. Currently, it has a market share of 21.6% in SME banking. As of 2020, 43% of the total cash loans of the bank, which started to provide SME loans for the first time in 1940, are SME loans, while 52.7% of its total commercial loans are SME loans. The Bank supported businesses in industries such as manufacturing, logistics, tourism, etc., which were adversely affected by the COVID-19 pandemic in 2020, with the KGF-guaranteed Work Continuation Loan Support-Can Suyu Operating Loan. At the same time, Halk Bank supports entrepreneurs and provides "Young, Brave, Master and Inventor Entrepreneur Loans" by evaluating the criteria of education, age, work and work experience in the process of starting a new business. Like Ziraat Bank, Halk Bank, in cooperation with KOSGEB, provides financial support to businesses with up-to-date SME declarations registered in the KOSGEB database (*Halk Bank Annual Report*, 2020).

Vakıfbank was established in 1954. According to the June 2021 report of the Banks Association of Türkiye, it is the second largest bank in Türkiye. In line with its sustainability approach, the Bank aims to reach all segments of society (Vakıfbank, 19 February 2022). For this purpose, it provides support to SMEs, local governments and various fields such as the agricultural sector. Vakıfbank, which arranges and offers SME loans under the name of "SME friendly Loans", provides Cash Consumer Loans to meet the short and medium-term financing needs of businesses that meet the legal SME definition for this purpose. It offers long-term and affordable interest rates with Business Acquisition Loans and provides financial support to real and legal persons who will purchase real estate to continue their business activities. At the same time, it provides interest support to KOSGEB supports that will be used by SMEs registered in the KOSGEB database and whose SME Declaration is up-to-date. On the other hand, it provides loans with different limits, maturities and amounts to SMEs that have collateral problems, within the scope of the protocol signed with the KGF. The total amount of commercial loans provided to the market by the Bank as of 2020 is 314.7 billion TL; SME loans made available are stated as 105.8 billion TL (*Vakıfbank Annual Report*, 2020).

Vakıf Participation Bank was established in 2015 and started its activities in 2016. Capital of Vakıf Participation belongs to foundations managed by the General Directorate of Foundations. Vakıf Participation reached 29,423 million TL in 2020 and 57,043 million TL fund amount in 2021. It acts with the aim of being the first preferred institution in the entire SME ecosystem, especially SMEs that provide added value to the country with their investments within the scope of the National Technology Move and SMEs operating within the scope of manufacturing, employment, export and innovation. Acting with this aim, it made contact with the institutions that SMEs first contact, and realized more than 70 protocols and collaborations with them in 2021. As a result of the cooperation with the General Directorate of Development Agencies, the "Dividend Supported Interest-Free Financing Model" was implemented. With this model, it is aimed to support the forgotten business lines and domestic production. With the Guaranteed Fund Transfer product, a product that guarantees the receivables of SMEs was also launched (Vakıf Participation Annual Report, 2021).

2.3.2.2. Private Banks

Compared to state banks, private banks provide microfinance services more recently. Due to the high risks and costs inherent in the microcredit/microfinancing system, it has been an area that private banks prefer to stay away from. However, today, as a result of the widespread and commercialization of the microfinance system, private banks have also started to offer microcredit services (Özdemir, 2018b).

Almost all private banks in Türkiye also provide SME banking services. For this purpose, it is aimed to enable SMEs to maintain and improve their businesses with services such as low-interest and long-term cash loans, letters of guarantee, KGF-supported loans, loan interest support in cooperation with KOSGEB, which are frequently used tools for this purpose.

2.3.3. Government Institutions

In addition to Non-Governmental Organizations, Private Banks and State Banks, there are also various state institutions provide microfinance services in Türkiye.

2.3.3.1. Credit Guarantee Fund (KGF)

Credit Guarantee Fund is a joint stock company established on 14 July 1993 in accordance with the Turkish Commercial Code. Established as a surety institution in essence, KGF acts as a joint guarantor for SMEs, farmers, tradesmen and craftsmen and self-employed individuals who cannot benefit from credit and support services because they cannot provide collateral.

KGF creates various support packages by using both its own funds and the treasury fund. KGF has a wide range of bank partnerships, including participation banks. SMEs who want to use a loan but need a guarantor can use the loan with the approval they will receive from KGF after receiving the loan approval from the bank.

Apart from the wide bank joint structure, there are also public institutions and organizations that have partnerships with KGF. Union of Chambers and Commodity Exchanges of Türkiye (TOBB) (28.29% partnership share), Small and Medium Enterprises Development and Support Administration (KOSGEB) (28.28% partnership share) and Turkish Confederation of Tradesmen and Craftsmen (TESK) (0, 12 partnership shares) is one of the important public institutions and organizations that have partnerships with KGF.

Within the scope of "KGF's Direct Guarantee Protocol for SMEs that will benefit from KOSGEB supports", signed between KGF and KOSGEB on 27.06.2014, KGF provides solutions to the problems of SMEs who have difficulty in accessing reimbursed supports in KOSGEB support programs due to lack of collateral. It enables them to benefit from public supports without using their limits in banks. KGF collects a maximum of 0.03% (three out of ten thousand) commission in cash and for once, for each surety use, from the beneficiaries in return for the guarantees it gives from Treasury-supported resources (KGF, 1 August 2022).

As of the end of 2020, KGF approved the demands of 7,918 SMEs out of 8,562 SMEs that came to it with a guarantee request. Of these, 6,822 used bail. Between 1994-2020, it provided guarantees for 37,067 SMEs among 60,622 SMEs that applied for surety. 38% of these are Micro (1-9) scaled, 38% Small (10-49) scaled and 24% Medium (50-249) scaled SMEs. Bank loans are also provided to companies with the guarantees given by the KGF from the treasury support. As of the end of 2020, the number of SMEs requesting surety in this way is 310.523, of which 310.180 requests were approved and 279.951 of them used surety (*KGF Annual Report*, 2020).

2.3.3.2. Small and Medium-Sized Industry Development and Support Administration (KOSGEB)

KOSGEB was established in 1973 with the name of KÜSGEM (Small Industry Development Center) under the Ministry of Industry and Trade as a result of the International Agreement between the Government of the Republic of Türkiye and the United Nations Industrial Development Organization. Gaziantep has been selected as a pilot province and KÜSGEM has started to serve small-scale industrial enterprises with common convenience workshops. After that, another international agreement made and the General Directorate of KÜSGET started its activities. KÜSGET provided technical consultancy services with Small and Medium Enterprises Development Centers. It carried out its services within the scope of objectives such as increasing technological production capacity, providing world-class quality awareness, increasing employment capacity, and gaining modern management skills. In 1978, the General Directorate of Industrial Training and Development Center (SEGEM) started its training activities with the decision of the Council of Ministers. Programs were organized to meet the training needs of SMEs, and trainings were organized for employees and managers on different subjects.

The fact that these services that KÜSGET and SEGEM try to realize within the framework of the project agreements are time-bound and cannot adequately meet the need at the country level. For these reasons, the Law No. 3624 on the Establishment of the Small and Medium-Sized Industry Development and Support Administration (KOSGEB) was enacted on April 20, 1990, in order to unite the two organizations under one roof and to have a structure that can provide more comprehensive, continuous and widespread services throughout the country. From this date until 2009, KOSGEB has provided service and support to SMEs operating in the manufacturing industry. However, as a result of the need for such a support structure in other sectors and demands, the target group of KOSGEB was expanded to include all SMEs. As of May 2009, KOSGEB has become the national institution responsible for the SMEs of the country. KOSGEB is a subsidiary of the Ministry of Industry and Technology. It has legal personality and is subject to the provisions of private law in all its transactions (KOSGEB, 2022).

KOSGEB consists of 3 bodies, namely i. the General Assembly, ii. the Executive Committee and iii. the Presidency. The duties of the General Assembly are to take development and support decisions for businesses, to plan and coordinate implementations, to issue regulatory directives, to examine the annual report and performance program of the Presidency, and to make suggestions in order to ensure the adaptation of enterprises to technological developments and free competition environment in line with development plans and programs. Duties of the Executive Committee to take and execute implementation decisions regarding the development and support of enterprises within the scope of development plans and programs and/or in line with the policies, objectives, targets and principles determined by the General Assembly. To decide on the duties and positions of the personnel to be employed in the Presidency, their numbers and the proposals regarding the wages they will receive, to be submitted to the relevant authorities, to examine the working procedures and principles, duties and authorities of KOSGEB organs, and other draft regulations prepared by the Presidency, and to decide and put into effect the regulations that it deems appropriate. Making decisions about the acquisition, administration and sale of immovable properties required by the Presidency after the liquidation of the General Assembly, when necessary, matters to take decisions (Presidential Decree No. 4, 15/7/2018)[15].

A. Design Process of KOSGEB Supports

A certain process is followed by KOSGEB while creating support programs. First of all, a justification for a support program is needed. These justification(s) may be one or more of the following; i. Duties assigned with national and international macro policy documents, ii. Requests from external stakeholders, iii. Market disruptions, iv. Preventive measures, v. Senior management instructions.

After the justification process, a Preliminary Evaluation Report should be prepared by following certain stages by the unit responsible for design. This report consists of five stages: Introduction, need/problem identification, National/international

[15] **Source:** https://www.mevzuat.gov.tr/MevzuatMetin/19.5.4.pdf

reviews and stakeholder consultation, determination of solution alternatives and selection of the most appropriate one and conclusion. After the necessary steps are followed and the Preliminary Evaluation Report is prepared, the report is sent to the relevant Department. The report, which is formally approved by the Department, is submitted to the Presidency.

B. KOSGEB Supports

a) Entrepreneurship Supports

Entrepreneurship supports maintained by KOSGEB are divided into two as Traditional Entrepreneurship Support and Advanced Entrepreneur Support. Entrepreneur candidates who want to benefit from the program must first complete the Traditional and Advanced Entrepreneur Training modules, which they can take online via e-government.

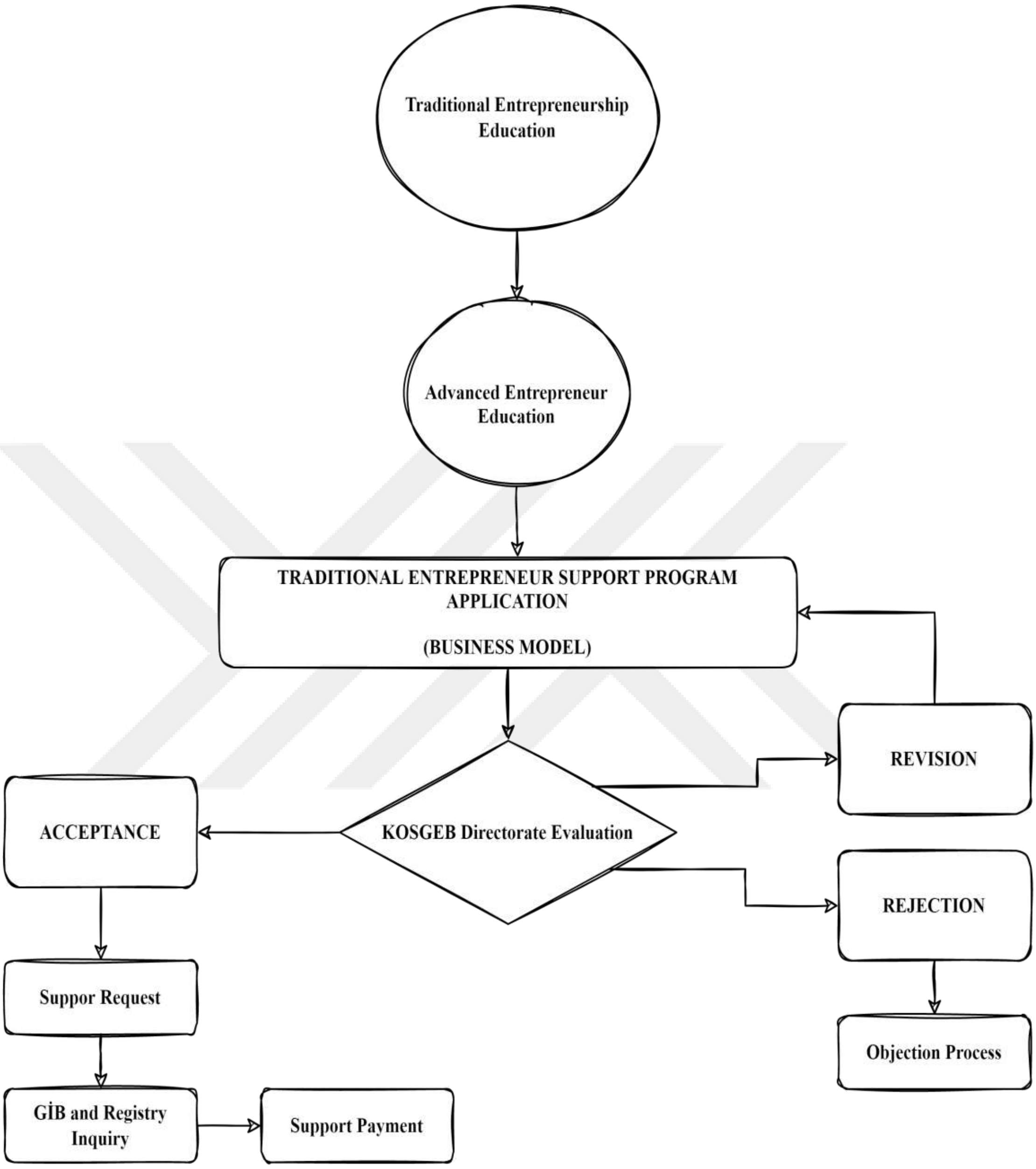
A person who completes the Traditional Entrepreneur Education has knowledge about starting and running a business, becomes aware of their roles and responsibilities in this process, and gains the knowledge and experience to prepare a business model for business ideas. Traditional Entrepreneur Education includes following classes:

"Basic Concepts in Entrepreneurship, Entrepreneurship Opportunities and Idea Generation/Development, Feasibility Analysis, Business Models, Customers, Value Propositions and Income Sources, Economy, Industry, Competition, and Customer Analysis, Legal Infrastructure, Ethical Fundamentals of Entrepreneurship, Marketing Principles and Management"

Advanced Entrepreneur Training is provided to enable entrepreneurs to have information about starting and running a business, to realize their roles and responsibilities in this process, and to gain knowledge and experience that can prepare a business model for business ideas. In addition to those found in traditional entrepreneurship education, the content of advanced entrepreneurship education is Networking, Determination and Management of the Financial Structure of the Enterprise, Access to Financial Resources for New Startups, Innovation Management, Intellectual Property Rights, Professional Management of Enterprise and Strategic Management in

SMEs, Management of the Growth Process and Growth Strategies, Business Plan Development. Entrepreneurs who want to benefit from Traditional and Advanced Entrepreneurship supports must complete online training or be established in the Business Development Center (İŞGEM) / TEKMER and operate there throughout the support process.

Figure 7 Traditional Entrepreneurship Support Program Process



Source: (KOSGEB, 2022)[16]

[16] https://www.kosgeb.gov.tr/site/tr/genel/destekdetay/7391/geleneksel-girisimci-destek-programi

Figure 8 Advanced Entrepreneur Support Program Process

Source: (KOSGEB, 2022)[17]

[17] https://www.kosgeb.gov.tr/site/tr/genel/destekdetay/7390/ileri-girisimci-destek-programi

When the Traditional Entrepreneurship Support Process, explained in Figure 7, is completed, entrepreneurs will receive 5.000 -TL for the sole proprietorships they have established by the business plan they submitted; for company businesses, 10,000 -TL is received for establishment support. After the establishment, the enterprise is monitored by KOSGEB for 2 years. With the evaluations made during the monitoring process, enterprises can benefit from performance support with a maximum of 20,000 -TL in the 1st Year and a maximum of 20,000 -TL in the 2nd year. If the entrepreneur that made the application on behalf of the enterprise is women, juvenile (aged below 29), handicapped, veteran or first-degree martyr's relative then the enterprise will receive an extra amount of 5,000 – TL for each evaluation year. The evaluation criterion in performance support is the total number of premium days of all personnel employed by the enterprise within the scope of Law 4(a) of the Social Security Institution. All support payments made within this scope are made non-reimbursable.

In addition, if the banks that have signed a protocol with KOSGEB approves, the businesses benefiting from the support can receive Loan Interest Support from KOSGEB for the loan it will use from the banks. Loan Interest Support can be used for loans in the amount of 50.000 – 70.000 TL.

Businesses that have completed the Advanced Entrepreneur Training and are active in the fields specified in the "Advanced Entrepreneur Program Activity Fields Table" by KOSGEB can apply to the Advanced Entrepreneur Support Program explained in Figure 2. Entrepreneurs whose applications are accepted to the program will receive 5.000 -TL for the sole proprietorships they have established; and for capital company enterprises, it receives 10.000 TL foundation support. In addition, businesses can also benefit from Machinery, Equipment and Software Support.

Table 4 Machinery, Equipment and Software Support

Support Types	Technology Level	Support Upper Limits to be provided without repayment
MACHINERY, EQUIPMENT AND SOFTWARE SUPPORT	**Businesses operating at low and medium-low technology level**	100.000 -TL
	Businesses operating at medium-high technology level	200.000 -TL
	High-tech businesses	300.000 -TL

Source: (KOSGEB, 2022)[18]

The support rate in Machinery, Equipment and Software Support has been determined as 75%. However, if the machinery, equipment and software are domestic goods, an additional 15% is added to this rate. After the establishment, the enterprise is monitored by KOSGEB for 2 years. While the monitoring process is carried out through the Revenue Administration in the first year, the enterprise is visited in the second year. With the evaluations made during the monitoring process, enterprises can benefit from performance support with a maximum of 20,000 -TL in the 1st Year and a maximum of 20,000 -TL in the 2nd year. If the entrepreneur that made the application on behalf of the enterprise is women, juvenile (aged below 29), handicapped, veteran or first-degree martyr's relative then the enterprise will receive an extra amount of 5,000 – TL for each evaluation year. The evaluation criterion in performance support is the total number of premium days of all personnel employed by the enterprise within the scope of Law 4(a) of the Social Security Institution. All support payments made within this scope are made non-reimbursable. In addition, Mentoring, Consulting and Business Coaching Support is also provided for the business benefiting from the advanced entrepreneur support program. The amount of support has been determined as 10,000 -TL.

[18] https://www.KOSGEB.gov.tr/site/tr/genel/destekdetay/7390/ileri-girisimci-destek-programi

As in the Traditional Entrepreneur Support Program, the enterprise can receive Credit Interest Support from KOSGEB for the loan it will use if the bank approves from the banks that have signed a protocol with KOSGEB. Enterprises can use Loan Interest Support for loans of 50.000 – 70.000 TL.

b) R&D, P&D and Innovation Support Program

The aim of the Support Program is to produce a new product/process/service that has the characteristics of R&D and innovation, or to improve the existing one, increase the product quality or standard and to support projects where new techniques and production technologies with a cost-reducing nature are developed. In addition, support is also provided for businesses to develop an original, improved or modified new product in order to adapt to changing market conditions, even if it is not R&D and Innovation. Entrepreneurs and SMEs with R&D and Innovation projects can benefit from the program. Projects last a minimum of 8 and a maximum of 24 months. KOSGEB seeks entrepreneurs and SMEs who want to benefit from the support to meet certain conditions for the product they want to develop/produce. The product subject to support is the result of R&D or innovation projects supported by public institutions and organizations, foundations established by law or international funds, protected by patent certificate, emerged as a result of doctoral study, Technological Product (TUR) Experience certificate obtained, technology Developed as a result of R&D and innovation projects successfully completed by enterprises in the Development Zones (TDZ), resulting from R&D activities in R&D Centers, resulting from R&D activities in public or university research institutes or centers. It must be a product that is in the fields of medium-high or high technology, and whose import amount is more than the export amount according to the last financial year data. Beneficiaries who apply to the support program as entrepreneurs can benefit from business establishment support. The amount of support provided within the scope of the support program is given in the table.

Table 5 R&D, P&D and Innovation Support Program

Support Types	Support Upper Limits	Support Rate
Support for Machinery-Equipment, Hardware, Raw Material, Software and Service Procurement Expenses	500.000 -TL (300.000 -TL repayment 200.000 -TL without repayment)	%75*
Qualified Personnel Expenses Support	300.000 -TL	%100
Industrial Property Rights Expenses Support	100.000 -TL	%75
Test-Analysis and Documentation Expenses Support	100.000 -TL	%75
Other Expenses Support	100.000 -TL	%75
***In case the machinery, equipment and software to be purchased for the project are domestic goods, 15% is added to the support rate.**		

Source: (KOSGEB, 2022)[19]

As the first step in the support program, entrepreneurs and SMEs apply to the implementation units via e-government. Applications are subjected to an evaluation process by the implementation units and corrections are requested if there are deficiencies. After the application is duly completed, a committee is formed by KOSGEB to evaluate the support request and discuss the application. As a result of the Board meeting, decisions in the form of "rejection, acceptance, opinion, revision" can be taken. Within the scope of the program, the beneficiaries approve the undertaking, which includes administrative, financial and legal commitments, via the SME Information System (KBS). In case of applying as a business; during the project application, the Commitment is approved together with the R&D, P&D and Innovation Support Program

[19] https://www.KOSGEB.gov.tr/site/tr/genel/destekdetay/7664/arge-urge-ve-inovasyon-destek-programi

Application Form. The Commitment is recorded at the same time as the Support Program Application Form. In this case, the start date of the program; is the date on which the first board or committee decision regarding the support is recorded in the paperwork. In case of applying as an entrepreneur; the establishment of the enterprise and the approval of the Commitment must be made within 6 months from the notification date of the board decision. The applicant may request additional time for the establishment of the business and the approval of the undertaking, up to a maximum of 15 days after this period. In case the Entrepreneur requests additional time to approve the Commitment, a one-time additional 30 days is granted. The date the undertaking is approved by the enterprise on KBS and recorded in the documents is the start date of the program. If the undertaking is not approved within the deadline, the application is deemed to be rejected. The start date of the program is notified to the beneficiary via KBS. Each project for which a support decision is made is monitored throughout the program. Instructors are assigned as audience by the implementation unit for each project for which a support decision is made. The audience monitors the project with the R&D, P&D and Innovation Support Program Periodic Monitoring Form in 4-month periods starting from the program start date and sends the form to the application unit via KBS. The applicant may request payment for the expenses specified in the R&D, P&D, and Innovation Support Program Periodic Monitoring Form.

The machinery-equipment and software expenses within the scope of the support can also be obtained from the financial leasing institution that has signed a protocol with KOSGEB by means of financial leasing. In case the machinery-equipment and software are procured by financial leasing method; non-reimbursable and reimbursed support upper limit of machinery-equipment and software is not taken into account.

Within the scope of the program, the beneficiaries fill in the documents required for support payment via KBS and send them to the relevant KOSGEB unit. After the documents are reviewed by the relevant unit, a support payment is made in the beneficiary's bank account for eligible expenses. If the KOSGEB unit deems it appropriate, support payment can also be made to the account of the service provider, which is the institution/organization or company from which the goods/services subject to the support are purchased. In order for the reimbursed support payment to be made, a collateral equal to the support amount is taken from the enterprise before the support payment. This guarantee is the letter of guarantee given by the banks and/or the letter of guarantee given by the KGF. In reimbursed supports, the repayment is made in 6 equal installments in 4-month periods, with 12 months without payment as of the completion of the program. If the repayments are not made on time, interest and commission are applied to the beneficiary. The ownership of machinery, equipment, hardware, software, and similar movables purchased with support within the project's scope belongs to the beneficiary legal entity. Therefore, assets subject to support may not be sold, leased, or transferred to any organization during the leasing period.

c) SME Technological Product Investment Support Program

The areas supported within the scope of the SME Technological Product Investment Support Program are the investments to be made to ensure the production and commercialization of the products resulting from the R&D/innovation activities to be carried out by the enterprises and to ensure the production and commercialization of the products in the field of medium-high and high technology that will contribute to the current account. In order to benefit from the support program, certain conditions must be met by enterprises; having a document showing the successful completion of R&D and innovation projects supported by KOSGEB and other public institutions and organizations, foundations established by law or international funds, protected with a patent certificate, emerging as a result of doctoral study, technological product (tur) experience certificate, documented as a result of completed R&D activities in domestic technology development zones, documented as a result of R&D activities carried out in public R&D centers institutes, businesses that have completed the prototype work documented as a result of the R&D activities carried out in the R&D centers established within the scope of the law no. 5746, or businesses that have taken over all kinds of usage rights indefinitely with a contract notarized from thousand. Those who meet these conditions can create an application to benefit from the support. In addition to these, in the project applications that will contribute to the current account, the medium-high and high technology product subject to the project should be included in the "List of Products to Contribute to the Current Account". Within the scope of the program, support payments are made with and without a reimbursable. In reimbursable supports, repayments are made in 6 equal installments in 4-month periods, with no payment for the first 12 months after the program is completed.

Table 6 SME Technological Product Investment Support Program Upper Limits

Production and Commercialization of Products Resulting from R&D/Innovation Activities	Production And Commercialization of Products in The Field of Medium - High and High Technology That Will Contribute to The Current Account
Low-Tech and Mid-Low Tech 700.000 TL with repayment 300.000 TL without repayment (Total 1.000.000 TL)	**Medium High and High Tech** 4.2 million TL with repayment 1.8 million TL without repayment (Total 6 million TL)
Medium High and High Tech 4.2 million TL with repayment 1.8 million TL without repayment (Total 6 million TL)	

Table 7 SME Technological Product Investment Support Program Support Rates

Support Types	Support Rates
Machine-equipment support*	60% [(30% non-Reimbursable + 70% Reimbursable) or (70% Reimbursable)]
Production line design expenses support	60% [(30% non-Reimbursable + 70% Reimbursable) or (70% Reimbursable)]
Software expenses support	60% [(30% non-Reimbursable + 70% Reimbursable) or (70% Reimbursable)]
Personnel expense support	100% non- reimbursable
Training and consultancy support	60% [(30% non-Reimbursable + 70% Reimbursable) or (70% Reimbursable)]
Promotion and marketing expenses support	60% [(30% non-Reimbursable + 70% Reimbursable) or (70% Reimbursable)]
***In case the machinery, equipment and software are domestic goods, 15% (fifteen) is added to the non-reimbursable support rate and the reimbursed support rate is reduced at the same rate.**	

Source: (KOSGEB, 2022)[20]

d) Strategic Product Support Program

The main purpose of the support program is to support investment projects aimed at increasing the production of products with high added value in medium-high and high-technology sectors and products of critical importance for the development of these sectors, within the scope of the Technology-Oriented Industrial Move Program carried out by the Ministry of Industry and Technology of Türkiye. Businesses that want to benefit from the support make their applications through the Ministry. Enterprises invited by the Ministry to make a final application are directed to KOSGEB through the Portal. “Being a capital company resident in Türkiye” is specified as a condition to benefit from the support. Enterprises will be able to apply to produce the products announced by the

[20] https://www.KOSGEB.gov.tr/site/tr/genel/destekdetay/6443/kobi-teknoyatirim-kobi-teknolojik-urun-yatirim-destek-programi

Ministry of Industry and Technology within the scope of the Technology Oriented Industry Move Program. The upper limit of the support to be given within the scope of the program has been determined as 6,000,000 -TL in total, including 1.800.000 -TL non-reimbursable and 4.200.000 -TL reimbursed.

Table 8 Strategic Product Support Program Support Rates

Support Types	Support Rates
Machine-equipment support *	60% [(30% non-Reimbursable + 70% Reimbursable) or (70% Reimbursable)]
Software expenses support	60% [(30% non-Reimbursable + 70% Reimbursable) or (70% Reimbursable)]
Personnel expense support	non-Reimbursable
Reference sample expense support	60% [(30% non-Reimbursable + 70% Reimbursable) or (70% Reimbursable)]
Service procurement support	60% [(30% non-Reimbursable + 70% Reimbursable) or (70% Reimbursable)]
***In case the machinery, equipment and software are domestic goods, 15% (fifteen) is added to the non-reimbursable support rate and the reimbursed support rate is reduced at the same rate.**	

Source: (KOSGEB, 2022)[21]

The enterprise that will benefit from the support determines the investment project duration as 4 months and its multiples, at least 8 months and at most 36 months. During the project period, the business is monitored in 4-month periods and then support payments are made. After the project is completed, monitoring is carried out every year for 3 years. The repayments to be made are made in 6 equal installments in 4-month periods, with no payment for the first 12 months after the program is completed.

[21] https://www.KOSGEB.gov.tr/site/tr/genel/destekdetay/6492/stratejik-urun-destek-programi

e) Business Development Support Program

The aim of the support program is to increase the competitiveness, institutionalization-branding level and share of small and medium-sized enterprises in the economy, to develop their capacities and to meet their priority needs. The duration of the program is 2 years. Types of non-reimbursable support within the scope of the program are domestic fair support, international business trip support, qualified personnel employment support, design support, industrial property rights support, certification support, test and analysis support, energy efficient electric motor replacement support, model factory support, technical consultancy support. Therefore, it is understood that only non-reimbursable/grant supports are provided within the scope of the program.

Table 9 Business Development Support Program Supports

Support Types	Support Upper Limit (Tl)	Support Rate
Domestic Fair Support	100.000	%60
International Business Trip Support	90.000	
Skilled Personnel Employment Support*	50.000	
	75.000	
Design Support	75.000	
Industrial Property Rights Support	100.000	
Documentation Support	300.000	
Test and Analysis Support	300.000	
Energy Efficient Electric Motors Replacement Support	80.000	
Independent Evaluation Support	20.000	

Model Factory Support	100.000	
Technical Consulting Support	40.000	
	50.000	
***The personnel to be employed within the scope of qualified personnel employment support; 20% (twenty) is added to the support rate if they are new graduates, women, disabled, first degree relatives of martyrs or veterans.**		

Source: (KOSGEB, 2022)[22]

f) SME Energy Efficiency Support Program

The aim of this support program is to determine the current situation of small and medium-sized enterprises in green transformation, to determine their problems and needs, to create the necessary strategies in this regard, to develop their capacities in line with these strategies and to meet their priority needs.

The enterprises that want to benefit from the support program must have a total energy consumption of 10-99 TOE[23] in the last 12 months. All support provided to businesses is non-reimbursable. The duration of the support program is 2 years for the enterprise. After the support application and undertaking is made, businesses that meet the conditions will be able to benefit from the following supports.

[22] https://www.KOSGEB.gov.tr/site/tr/genel/destekdetay/6798/isletme-gelistirme-destek-programi

[23] Tons of oil equivalent (TOE) is an energy unit equivalent to 10 million kCal, which enables energy resources to be expressed in a single unit. The conversion coefficients of all energy resources to TOE have been determined by the Regulation on Increasing Efficiency in the Use of Energy Resources and Energy dated 25 October 2008.

Table 10 Green Transformation Support Program Supports

Support Types	Support Upper Limit (TL)	Support Rate
Electric Motors Survey Service Support*	3.000 5.000	%100
Electric Motors Replacement Expenses Support**	120.000 200.000	%75
Energy Audit Service Support	30.000	%75
Efficiency Increasing Expenses Support	900.000	%40
*** Within the scope of Electric Motors Survey Service Support, for enterprises with a total energy consumption of 10 TOE to 50 TOE in the last 12 (twelve) months before the start date of electric motors survey service, 3.000 (three thousand) TL, 50 TOE to 100 TOE for businesses up to 5.000 (five thousand) TL.**		
****Within the scope of Electric Motors Replacement Expenses Support, 120,000 (one hundred and twenty thousand) TL, for businesses with a total energy consumption of 10 TOE to 50 TOE in the last 12 (twelve) months before the start date of electric motors survey service. 200,000 (two hundred thousand) TL for businesses up to 50 TOE to 100 TOE in the last 12 (twelve) months before the start date of electric motors survey service.**		

Source: (KOSGEB, 2022)[24]

In order for businesses to benefit from the Electric Motors Exchange Support, they must first benefit from the Electric Motors Survey Service Support. The report received as a result of the survey service is monitored and approved through the KBS system, so that the support can be benefited from. Engines and electric motors to be purchased within the scope of this support; It must have a domestic product certificate in accordance with the SGM 2014/35 numbered Domestic Goods Communiqué published in the Official Gazette dated 13/09/2014 and numbered 29118 by the Ministry of Science, Industry and Technology.

[24] https://www.KOSGEB.gov.tr/site/tr/genel/destekdetay/8202/yesil-donusum-destek-programi

In order for businesses to benefit from the Energy study service support, they should receive services for the analysis and planning of the energy efficiency they will receive through the Energy Efficiency Consultancy companies authorized in the industrial sector. The purpose of this support is to enable businesses to determine their current status in energy efficiency, to determine their needs, and to receive survey services to develop the necessary strategies in this regard. The calculation of the energy consumption of the enterprise is made by the EVD Company. The aim of the efficiency increasing expenses support is to contribute to the productivity increasing expenses of the enterprises for the needs determined in the energy survey service support. In order for the enterprise to benefit from this support, it must have received energy survey service support within the scope of this program. Within the scope of the energy audit service, support is provided for the efficiency-increasing expenses included in the Energy Audit Service Result Report. Within the scope of efficiency increasing expenses; Support is provided for motor replacement, pump replacement, fan replacement, compressor replacement and variable speed drive supply. Again, the engines to be purchased within the scope of this support must have a Domestic Goods certificate. Machinery and equipment to be purchased within the scope of support must be new.

g) SME Development Support Program (KOBIGEL)

The aim of this support program is to support the projects to be prepared by small and medium-sized enterprises in order to increase their share and efficiency in the economy and to increase the competitiveness of SMEs and the added value they provide, in line with the national and international goals of the country. KOBIGEL support program is a call-based support program. Therefore, the items supported under the program vary according to the nature of the subject that is planned to be supported within the scope of the Call for Project Proposals. The Call for Project Proposals is announced on the official website of KOSGEB. Businesses apply through KBS to benefit from the support. A commitment is taken from the companies that make the application, again through KBS.

If the machinery-equipment, mold and software determined by the board to be supported are procured by financial leasing, the support calculated over the non-reimbursable and reimbursed support rate is paid to the financial leasing institution as non-reimbursable support. The duration of the projects to be supported within the scope of the program cannot exceed a minimum of 8 and a maximum of 36 months. The upper limits of support by KOSGEB are 450,000 -TL for non-reimbursable supports and 1,050,000 -TL for reimbursed supports, with a total maximum of 1,500,000 -TL. The support rate to be applied for all expenses, excluding personnel expenses, is 60% over the amount determined by the board as a basis for support. 70% (seventy) of the support to be calculated according to this rate is paid back against collateral and 30% is given as non-reimbursable. Non-reimbursable and reimbursed support is provided together for each expense other than personnel expenses. For personnel expenses, non-reimbursable support is provided in the amount determined according to the calculation method determined by KOSGEB, regardless of the support rate.

h) Collaboration Support Program

The aim of the Collaboration Support program is to contribute to the development of a collaborative working culture between SMEs and large enterprises and to establish collaborations that provide mutual benefit and competitive advantage. Within the scope of the program, cooperation projects such as manufacturing, design, product and service development, joint laboratory, marketing, mutually beneficial, cost-reducing and competitive advantage are supported by enterprises with each other or with large enterprises. The duration of the project has been determined as a minimum of 12 months and a maximum of 36 months. There are two types of partnership models for businesses that want to benefit from the support within the scope of the project.

Operating Organization Model: It is a cooperation model in which investment, ownership, income, expense and similar elements will be realized by one of the parties. After the acceptance of the project by KOSGEB, an operating company is established by the project partners and carries out the works listed. Businesses that want to establish a partnership in this way can terminate their businesses and become partners of the operating organization if they wish.

Project Partnership Model: It is the model in which investment, ownership, income, expense or similar elements will be realized separately by the project partner enterprises.

Table 11 Support Upper Limits by Collaboration Types

Operator Institution Model					
Technology Area of the Operator Organization	Minimum Number of SMEs	Operator Institution Project Support Upper Limit (TL)			Total Upper Limit (TL)
		Non-reimbursable	**Reimbursable**	**Total**	
High	2	1.5 Million	3.5 Million	5 Million	5 Million
Middle-High	3	1.5 Million	3.5 Million	5 Million	5 Million
Others	5	1.5 Million	3.5 Million	5 Million	5 Million
*** In case of cooperation with large enterprises, the minimum number of SMEs is 1 (one).**					
Project Partnership Model					
Technology area of the project	Minimum Number of SMEs	Support Upper Limit for Each Project Partner Business (TL)			Total Upper Limit (TL)
		Non-reimbursable	**Reimbursable**	**Total**	
High	2	600 Thousand	1.4 Million	2 Million	10 Million
Middle-High	3	300 Thousand	700 Thousand	1 Million	10 Million
Others	5	225 Thousand	525 Thousand	750Thousand	5 Million
*** In case of cooperation with large enterprises, the minimum number of SMEs is 1 (one).**					

Source: (KOSGEB, 2022)[25]

[25] https://www.KOSGEB.gov.tr/site/tr/genel/destekdetay/6850/is-birligi-destek-programi

Within the scope of the cooperation support program, the personnel expenses (non-reimbursable), machinery, equipment, mold, raw material, material expenses, software expenses, service procurement and other expenses related to the project are supported. Businesses that want to benefit from the Cooperation Support Program must register in the KOSGEB database as the first step. Then, the Cooperation contract, which will be signed and stamped by the project partner enterprises, is prepared. Project partner businesses must have signed this contract before the Pre-Application. Enterprises whose preliminary application is accepted make the Project Application. Projects that are accepted after their application are subject to technical and financial examination. This review is carried out by the instructors agreed to be assigned by KOSGEB in the support process. The purpose of the review is to evaluate the task sharing of the enterprises, human resources, the technical feasibility of the requested expenses in cooperation with the presented project, and to evaluate the elements such as the financial qualifications of the enterprises, market analysis, return time of the investment, the contribution provided by the investment. After the technical and financial analysis, the project is sent to the Board for Board Evaluation. For the project accepted by the Board decision, a contract is signed with the Operator Organization in the Operator Organization Model, and a commitment is signed with the project partners in the Project Partnership Model. During the project period, periodic monitoring is carried out by KOSGEB in 4-month periods. Evaluation is made at the end of each monitoring period and support payment is made as long as the positive continues. If it results in a negative evaluation, the Board Evaluation is repeated. As a result, the decision to terminate the project or continue.

The repayments to be made within the scope of the reimbursed support are made in 6 equal installments in 4-month periods, with 12 months without payment from the date of completion of the program. If the installments are not paid on time, both the operating organization/project partner enterprises and KGF if they receive the guarantee from KGF are notified in writing. In cases where the payment is not made on time, legal interest is charged to the beneficiaries, to be applied from the repayment date.

As a result of the Board evaluation, it is examined whether the reason for termination in project termination is with the intention of the operating organization/project partner enterprises. The non-reimbursable supports made for the project that was terminated unintentionally and due to reasons beyond the beneficiaries' hands are not requested to be returned. Reimbursed supports are collected in accordance with the process. Otherwise, when the project is terminated, the non-reimbursable supports are collected together with the legal interest that will start from the payment date. On the other hand, reimbursed supports are collected together with the legal interest to be accrued as of the decision of the board regarding the termination.

i) International Incubation Center and Accelerator Support Program

The purpose of the support program; To support the establishment of an international incubation center and the participation of enterprises in acceleration programs in order for the technological products of which R&D and innovation activities are carried out in Türkiye to take place in international markets, to increase exports, to include domestic technology-intensive start-up businesses in advanced entrepreneurship ecosystems. The support program consists of two sub-programs, namely the International Incubation Center Establishment Program and the International Accelerator Program.

International Incubation Center Establishment Program: Within the scope of the International Incubation Center Establishment Program, support is given to the operating company to be established in the country for the establishment and equipment and operational expenses of the operating company to be established abroad for the operation of the international incubation center.

Subsidiaries of universities and technology development zone management companies established for this purpose can apply alone or as a consortium. Within the scope of the program, the domestic operating organization is supported for 5 years. Within the scope of the International Incubation Center Establishment Program, various elements are supported under the titles of Establishment and Hardware Support and Operational Expenses Support.

Support elements of Foundation and Hardware Support; operating establishment expenses, building renovation, infrastructure, office equipment, software expenses, sworn financial consultancy and transportation expenses. In addition to these, the organizations to be organized are also supported. Support Upper Limit is $100,000 and 80% non-reimbursable support is provided.

The support elements of the Operational Expenses Support are; Incubation Center Rent, Operating Expenses, Promotional Activities, Training, Consulting, Mentoring, Business Management, Legal, Intellectual and Industrial Property Rights services and the organizations it will organize. The support upper limit is $ 3,750,000 and is applied without any repayment.

Support rates are 80% for years 1 and 2, and 60% for years 3 and 5. During the support period, the International Incubation Center prepares an interim activity report in 4-month periods and submits it to the implementation unit. The implementation unit visits the International Incubation Center once a year and a monitoring form is prepared. When a negative situation is encountered as a result of monitoring, it can present it to the Board. At the same time, it is presented to the Board because the works that need to be done in the relevant year are not carried out. After the end of the 5-year support period, a final report is prepared by the operator and submitted to the implementation unit.

International Accelerator Program: Within the scope of the program, in order to facilitate the entry of enterprises to international markets; Support is given to those who participate in the international accelerator program, which provides technical, managerial, legal and access services to professional networks that will provide sales opportunities in the target country, as part of an organization or individually. In this program, which is implemented for a period of 3 years, Accelerator Office Rent Expenses, Training Expenses, Consultancy Expenses, Mentoring Expenses, Business Management Expenses, Legal Expenses, Intellectual and Industrial Property Rights Expenses, Transportation Expenses, Accommodation Expenses, Sworn Financial Advisor Services Expenses, Organizational General Expenses are supported. The non-reimbursable support upper limit is set at $60,000. The support rate to be applied is 80%. The person participating in the International Accelerator Program must be the owner or partner of the business. It is expected from the participant to get at least 60 points from the foreign language exam for the language included in the scope of the International Accelerator Program and stated in the Implementation Principles regulation.

In the event that the liquidation of the operating organization starts, closes or the support is terminated by the board during the International Incubation Center Establishment Program; support process is terminated. The status of the operating organization whose support process has been terminated is evaluated by the Board. In line with the information and documents submitted to the Evaluation and Decision Board, it can be decided that the end of the support process has occurred as a result of force majeure or a necessity. In this case, non-reimbursable supports are not requested to be returned. Otherwise; non-reimbursable supports become due from the date of payment and are collected together with the legal interest to be processed.

j) SME Financing Support Program (Loan Interest Support)

The SME financing support program aims to increase the share and effectiveness of small and medium-sized enterprises in meeting the economic and social needs of the country, to increase their competitiveness and level, to ensure the integration in the industry in accordance with economic developments, in order to obtain cash loans from public banks, private banks, participation banks at appropriate conditions. It has been developed to meet the interest/profit share expenses by the KOSGEB. Loan Interest Support is applied on a non-reimbursable basis. The interest/profit share rate to be supported by KOSGEB is as much as the support score of the enterprise. Support score, maturity and credit upper limits for each loan type are determined by KOSGEB according to the type of business. Performs the loan agreement between the Bank and the Enterprise. Under this contract, the day on which the loan is deposited into the account of the Business or the supplier is considered the beginning of the maturity. KOSGEB communicates with banks and relevant institutions/organizations regarding the SME financing support program and determines the interest rate and expense amounts subject to support for each loan type in line with the current conditions and the offers they receive from banks. A protocol containing all these regulations is prepared and signed between the banks and relevant institutions/organizations and KOSGEB. Currently, KOSGEB has signed such a protocol with almost all conventional and Islamic banks in Türkiye.

An enterprise operating in the type of activity that can benefit from Loan Interest Support and registered in the KOSGEB database, which goes to a bank that has signed a protocol with KOSGEB, makes its application through the Software System prepared for the relevant support program in order to benefit from the support. When the loan application of a business is approved, the bank evaluates the application in terms of banking legislation. The bank enters the credit limit it deems appropriate for the business into the Software System. The enterprise, whose application is approved, uses its loan from the Bank within the limits defined for it.

The risk of the loans to be used by the enterprises completely belongs to the Bank. In case the interest/profit share or principal of the loans used is not repaid by the Business within the periods specified in the payment plans, the Bank is notified to the relevant Implementation Unit and the support payments are stopped by KOSGEB.

The Loan Interest Support paid until the loan suspension date is not reimbursable. In the event that the Entity's fulfillment of its loan repayment obligations is subsequently notified to the relevant Implementation Unit through the Bank, the interest/profit share support payments for the periods following the notification are started again without any extension in the payment plan originally envisaged.

Table 12 Loan Interest Support Program Supports

<table>
<tr><th rowspan="3">Loan Type</th><th colspan="4">Business Type</th><th rowspan="3">Maximum Loan Term</th></tr>
<tr><th colspan="2">Entrepreneurial Businesses</th><th colspan="2">Businesses in Strategic and Priority Sectors</th></tr>
<tr><th>Credit Upper Limit</th><th>Support Score</th><th>Credit Upper Limit</th><th>Support Score</th></tr>
<tr><td>Business Loan</td><td rowspan="2">50.000 TL*</td><td rowspan="2">10 Point</td><td rowspan="2">500.000 TL</td><td rowspan="2">12 Point</td><td>18 Month</td></tr>
<tr><td>Machinery Equipment Loan</td><td>36 Month</td></tr>
<tr><td>Emergency Support Loan</td><td colspan="4">The scope, upper limit and rate of the support are determined by the KOSGEB Executive Committee.</td><td>36 Month</td></tr>
<tr><td colspan="6">*If the entrepreneur is young, female, disabled, veteran or first degree relative of martyr, the upper limit is applied as 70.000 TL.</td></tr>
</table>

Source: (KOSGEB, 2022)[26]

k) İŞGEM/TEKMER Program

The aim of the support program is to support the establishment and operation of structures that will provide incubation services in order to ensure the establishment and maintenance of enterprises in line with national plans and programs with the cooperation between actors in the entrepreneurship ecosystem. The program is implemented to ensure the establishment and operation of Business Development Centers and Technology Development Centers. İŞGEM includes Business Development Centers, which have been granted the right to use the name İŞGEM by KOSGEB; TEKMER, on the other hand, refers to Technology Development Centers that have been granted the right to use the name TEKMER by KOSGEB. Business Development Center (İŞGEM) and Technology Development Center (TEKMER); to entrepreneurs and businesses in pre-incubation,

[26] https://www.KOSGEB.gov.tr/site/tr/genel/destekdetay/1233/kobi-finansman-destek-programi

incubation, post-incubation processes; These are the structures where services such as business development, access to financial resources, management, training, consultancy, mentoring, participation in offices and networks are provided. Within the scope of the support program, support is provided to the operating company for furniture and hardware, machinery-equipment and software expenses for common use, personnel expenses, training, consultancy, organization and promotion expenses. In order to benefit from the support program, the operator must be granted the right to use the name İŞGEM or TEKMER by KOSGEB.

In order to be able to provide reimbursed support within the scope of the program, a guarantee equal to the support amount is taken from the Operator Organization. Repayments are made in 4-month periods, with the first 12 months of the program being grace-free. In case the support program is terminated, the status of the operating organization is evaluated by the board. As a result of the evaluation made in line with the information and documents submitted to the Board, the termination; non-reimbursable support is not requested if it is determined that it is caused by death, serious accident, serious illness, detention, fire, earthquake etc. or similar reasons deemed appropriate by the board, which will prevent the operating organization's activities without any willful or gross fault. Otherwise, the non-reimbursable supports are collected together with the legal interest to be accrued from the payment date.

On the other hand, reimbursable supports become due on the date of the decision of the board regarding the termination and are collected together with the legal interest to be accrued from the date of payment.

Table 13 İŞGEM/TEKMER Support Program Supports

Support Element	Support Type	Upper Limit (TL)	Support Rate
Furniture And Hardware Support	non-reimbursable	300.000 TL	%75
Machine-Equipment and Software Support for Common Use*	non-reimbursable	500.000 TL	%75
	reimbursable	1.000.000 TL	%75
Personnel Expenses Support	non-reimbursable	1.000.000 TL	%75
Training, Consultancy, Organization and Promotion Expenses Support	non-reimbursable	1.000.000 TL	%75
***In case the machinery, equipment and software are domestic products, 15% is added to the support rate.**			

Source: (KOSGEB, 2022)[27]

l) Quick Support Program for Micro and Small Businesses (MKIs)

The aim of the support program is to enable micro and small-scale enterprises (MKIs) in manufacturing and its complementary priority sectors and some service and trade sectors where the effects of the COVID-19 outbreak are relatively high, to maintain their activities and to employ new personnel while maintaining their previous average employment levels. It is aimed to support MKIs in manufacturing, computer programming, scientific R&D sectors and some service and trade sectors that are relatively more affected by the COVID-19 outbreak. Businesses that want to benefit from the support are required to commit to employing a new staff member for 12 months, whose conditions are specified. It has been stated that 100.000 TL reimbursed support will be given per new employee to be employed on the condition of "maintaining the 12-month average employment before the announcement of the application period". Micro enterprises can receive support for a maximum of 2 personnel, small enterprises for a maximum of 5 personnel. Since it is desired to provide support quickly, the support process is carried out without a board or committee evaluation procedure like other types

[27] https://www.KOSGEB.gov.tr/site/tr/genel/destekdetay/6985/isgemtekmer-programi

of support. Micro and small businesses operating in the sectors specified by KOSGEB and meeting the appropriate conditions apply through the KBS program.

Provided that they have fulfilled their commitments to employ new personnel by maintaining the average employment levels of the previous period; MKIs pay back the support they use to KOSGEB in 6 installments of 4 monthly, interest-free and commission-free, following a 24-month grace period. Among the MKIs that cannot complete their obligations regarding their commitments in the additional time given, if any; the support given is collected with the legal interest to be calculated from the date of payment.

CHAPTER 3

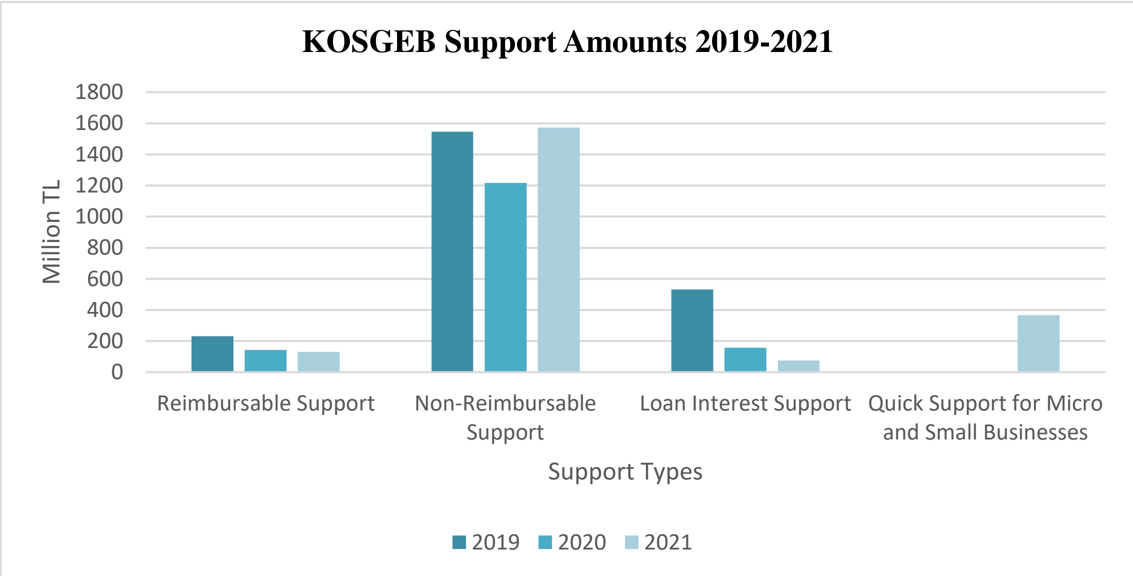
ISLAMIC MICROFINANCE AND KOSGEB

3.1.EVALUATION OF KOSGEB SUPPORTS

KOSGEB is currently in a position to be the first institution that entrepreneurs, SMEs and large-scale enterprises think of when their financing needs arise or they want to expand and develop their businesses in Türkiye. The fact that the support provided by KOSGEB is quite diverse and generally focused on growth, new product development and increasing production is a very important issue for businesses that are already in the production process and need support at the points we have mentioned.

KOSGEB, which continued its support practices only for SMEs in the manufacturing sector until 2009, started to offer support to a wide area including the trade and service sector with the decision of the Council of Ministers after 2009. Therefore, KOSGEB supports are applicable to almost all SMEs operating in Türkiye. It differentiates itself from other Microfinance institutions operating in the country with the zero-interest and non-reimbursable supports it provides to SMEs.

Figure 9 KOSGEB Support Amounts 2019-2021



Source: (*KOSGEB Annual Report*, 2021)

In 2021, a budget of 2,069.007,000 TL was allocated to KOSGEB. According to the KOSGEB budget realization reports for 2021, the institution paid 1.573 million TL Non-reimbursable Support to SMEs, 130 million TL reimbursable support, 74 million TL Loan Interest Support and 368 million TL Quick Support to Micro and Small Enterprises. In total, 58,805 SMEs and 32,366 entrepreneurs were supported. Among these, the share of supports to medium-high and high-tech enterprises in all supports was 34.4%. The share of enterprises operating in the manufacturing sector and benefiting from KOSGEB supports is 72% in KOSGEB supports. Within the scope of the Cooperation Program, which is a remarkable work by KOSGEB, the number of SMEs cooperating among themselves and/or with large enterprises remained below the targeted number of 132, with 56 (*KOSGEB Annual Report*, 2021).

3.1.1. Support Application Process

An entrepreneur/business owner who wants to benefit from KOSGEB supports must first complete the Entrepreneurship and Advanced Entrepreneurship Trainings online. After the completion of the trainings, he/she is obliged to submit a business plan regarding the business he wants to start or develop. Although this process seems difficult for individuals who have never created a business plan before, at this stage, they can get information and support from the authorized personnel in the KOSGEB Directorate where the business will operate, by phone or face to face. These transactions, which are carried out at the first stage, are very valuable for a person who will step into the entrepreneurship ecosystem for the first time. A person who receives basic training can be in a position to prepare a successful business plan with the guidance of KOSGEB.

3.1.2. Support Amounts

After entrepreneurship training, an entrepreneur candidate whose business plan is accepted can receive non-reimbursable support of 5,000. -TL for a business established as a real person within the scope of the Foundation support, and 10.000.-TL for a business established as a capital company. In addition, the new entrepreneur can also benefit from KOSGEB's loan interest support. Within the scope of this support, the relevant enterprise can also benefit from machinery and equipment support. Machinery and equipment support covers the machinery, equipment and software expenses received until 1 year after the establishment of the enterprise. The entrepreneur must have invoiced the machinery and equipment at least within 1 year after the establishment. At this point, if the entrepreneur does not have his own capital, he must agree that he will make the payment for the machinery/equipment after receiving the support payment. Since machinery/equipment support covers 75% of the invoice amount, it may be necessary for the entrepreneur to have capital or apply for different borrowing methods for the remaining amount in any case. In Türkiye, most of the machinery and equipment that SMEs will buy during the establishment and growth process are imported products. In other words, SMEs and entrepreneurs pay a price calculated over the dollar/euro exchange rate for the machinery/equipment they buy. The global crisis, which has been experienced as a result of various events that have taken the whole world under its influence in recent years, has also affected the economic processes in Türkiye negatively. The exchange rate in Türkiye is at the highest level of recent years and it is being tried to cope with a high inflation.

In Table 4, the amounts and rates of machinery/equipment support provided to SMEs within the scope of Entrepreneurship Support are indicated. In the current situation, the highest machine/equipment support that high technology enterprises can benefit from is 300.000 TL. An enterprise in the low-level technology group will be able to benefit from machinery/equipment support of maximum 100,000 TL. Considering that the machine to be procured must be new, it is obvious that the support amounts are quite low. This is a very challenging process in terms of sustainability for a business established from scratch without capital. Yücel (2022) interviewed the entrepreneurs who benefited from KOSGEB supports in his study. According to this study, 10 business owners stated that they were satisfied with the support. However, they stated that the grant and support limits should be increased and the support process was quite long and tiring.

KOSGEB has protocols with almost all banks in Türkiye, provides interest support to businesses registered in the database on loans they will receive from those contracted banks. However, the ability of the entrepreneur applying for a loan to benefit from the loan is completely left to the bank. Regardless of the Islamic or Traditional banking system, every bank wants to provide loans to its customers, for which they see a repayment guarantee. Considering that the applicant entrepreneur candidate applies for this loan for his new venture without capital, the bank may not approve the loan by considering the application as risky. Yücel (2022), in his study stated that the business owners that he interviewed were able to cover the operating establishment costs through the loan they used from the bank with the Loan Interest Support, not the grant provided by KOSGEB. As indicated in Table 12, a venture-level enterprise can receive a maximum of 50,000 –TL from loan interest support (If the entrepreneur is young, female, disabled, veteran or first degree relative of martyr, the upper limit is applied as 70.000 -TL). The support rate (points) in loan interest support is also low compared to today's high interest rates.

3.1.3. Usefulness of Supports

Support types are very diverse. In addition to continuous qualified support, there are call-based and updated support for the needs of the period. When the R&D, P&D, Innovation, Technological Product Investment, Strategic Product, Green Transformation, SME Development, SME Financing Support programs are examined, we can see that they offer quite comprehensive support elements for developing businesses. There are a wide range of supports offered to businesses that show technology-oriented development and desire to develop technology-oriented, such as machine-equipment support, software support, personnel expenses support, test and analysis support, training and consultancy support, and marketing support. Among these supports, there are also supports in which the element that determines the upper limits of support that businesses technology level. It can be said that there are very useful supports for businesses that are currently in production and need financing or want to produce new products and improve their existing products.

The usefulness of entrepreneurship supports is an issue that needs to be discussed. Because, support payment made by KOSGEB after a long and procedural process. Since the new entrepreneur cannot reach the support payment immediately, he needs to find another source for the purchases he plans to make with the support payment. Because, in order to receive the support payment, the invoices of the purchases must be submitted to

KOSGEB. This process covers the same process in all types of support. However, the support that the new entrepreneur will receive during the establishment phase is the most important support. So, although new entrepreneurial supports are generally at a "workable" point, they still need to be regulated.

The "weaknesses" of KOSGEB that are understood from the studies examined through the literature review and that it has already stated as a result of the SWOT analysis formed from the data obtained through the "Internal and External Stakeholder Surveys" in KOSGEB 2019-2023 Strategic Plan, can be specified as “issues such as late payments in support processes, excessive procedures in support processes, insufficient communication with SMEs, inadequacy of information activities” (KOSGEB Strategic Plan (2019-2023)).

3.2. EVALUATION OF KOSGEB SUPPORTS IN TERMS OF ISLAMIC MICROFINANCE

3.2.1. Sharia Compliance of KOSGEB Activities

In the first part of the study, the elements that should be followed and avoided within the scope of Maqasid al-Sharia in Islamic Microfinance applications were specified. Based on these, the financing and completion process of KOSGEB supports were evaluated according to Sharia compliance.

Table 14 Shari' a Compliance of KOSGEB Supports

Support Types	Features	Sharia Compliance
Reimbursable Supports	Repayment in 6 equal installments at 4-month intervals, 12 months after the start of the project	Sharia Compliant
	The repayment amount is equal to the support amount Interest (riba) doesn't apply to the repayment amount.	Sharia Compliant
	Legal interest applies to the installment amount in case of delay	non-Sharia Compliant
Non-Reimbursable Supports	Since it is grant-qualified, beneficiaries don't make any repayment	Sharia Compliant

a. Non-Reimbursable Supports

When KOSGEB Supports are evaluated in terms of Islamic Microfinance, it can be said that the *grant-qualified* and *non-reimbursable* supports provided by the institution are suitable for the functioning of the Islamic Microfinance system. Since grant-qualified supports are not subject to repayment by Microfinance beneficiaries, they are compatible with the structure of Sadaqah and Zakat, which are gratuitous aids and Islamic financing methods. Loan Interest Support, which is a non-reimbursable support, widely used by entrepreneurs, includes covering the interest/profit share of loans extended by Islamic and Conventional banks, which have been agreed upon by KOSGEB with a protocol, to SMEs registered in the KOSGEB database by KOSGEB. KOSGEB protects the entrepreneur from the interest element by covering the loan interests itself, it bears this within its own budget. In this way, KOSGEB protects the support beneficiary from interest. On the other hand, although KOSGEB protects the support beneficiary from the interest element, at some point it contributes to the interest-bearing system by undertaking the interest itself. Table 12 showing the upper limits of the Loan Interest Support; the new entrepreneur can benefit from a total of 50,000 to 70.000 -TL interest support. If the interest of the loan amount to be used by the support beneficiary is higher than these support amounts, he will have to pay the excess interest amount to the bank. As a result, when this situation occurs the support becomes non-sharia-compliant.

b. Reimbursable Supports

Support programs consist of reimbursable and non-reimbursable supports. While some supports are completely non-reimbursable, most support programs are designed to include both reimbursable and non-reimbursable support. After the reimbursable support amounts are paid, no repayment is made for the first 12 months, and repayment are made in 6 equal installments every four months. The amount of support to be repaid is the same as the amount paid to the support beneficiary. KOSGEB does not apply any profit share/interest/commission on the support amount. Therefore, reimbursement is received following the Shari'a.

c. Delay Penalty

The delay penalty is incurred if a business benefiting from reimbursable supports fails to pay the required installment amount on the due date, and is collected by adding legal interest to the installment amount. Interest, as we have mentioned before, is an unacceptable situation in the Islamic financial system. Therefore, the legal interest operation process carried out by KOSGEB as a result of the delay in the installment is not in compliance with the Sharia.

d. Collaboration Supports

Collaboration Support Program, İŞGEM/TEKMER Program and International Incubation Center and Accelerator Support Program are support programs carried out with the aim of bringing businesses together to support their development and growth and to take place in domestic/foreign markets. With the Collaboration Support Program, KOSGEB provides financing to businesses by bringing them together within the scope of a project they have prepared. The Collaboration Support Program application is similar to the *Mudarabah* and *Musharakah* Microfinance methods based on profit-loss sharing, which is one of the main methods of Islamic microfinance. Two types of Collaboration methods are specified in the support program. In the operating organization model, while other businesses merge under one operating organization, which is founded separately; in the project partnership model, each enterprise continues in its own integrity and continues a common project. In the project partnership model, each business undertakes the work of a certain part of the project. KOSGEB requires businesses to sign a contract between themselves first. Businesses prepare and sign a contract in which the partnership conditions and the obligations of the partners are specified, as well as the business's profit/loss sharing conditions. After the contract is signed, an application is made to KOSGEB to benefit from the support. If the project is approved by KOSGEB, the support process begins. KOSGEB monitors the works and transactions carried out by the enterprises in quarterly periods and makes the support payment. Support payments are made on the basis of reimbursable and non-reimbursable support payments.

As a result, the Cooperation support program is compatible with Sharia in terms of the fact that cooperation/partnership is at the core of the support program, the profit/loss terms are predeterminable in the contracts made between businesses, and it does not include interest (riba) and Gharar in support payments and repayments.

e. Monitoring Process

KOSGEB, with its large organizational structure, has the infrastructure to reach all SMEs and new entrepreneurs operating in the Center (Ankara) and the countryside. In order to fulfill this task, it has undertaken, it operates with 88 Provincial Directorates and the Central Organization that coordinates them. A business/entrepreneur who wants to benefit from KOSGEB supports is matched with an SME Specialist from the moment they apply. The specialist deals with the business from the application until the end of the support process and reports the development process of the business by participating in the periodic business visits during the support process.

This monitoring-evaluation and technical support process carried out by KOSGEB is one of the features that a successful Islamic Microfinance application should have, which we mentioned in the title of Islamic Microfinance. Businesses are not left alone in the start-up, growth and progress process and are supported in technical and financial areas.

f. Other Evaluations

As well as the support processes, the items of KOSGEB's budget that enables it to fund the supports are important in terms of Islamic Microfinance. Elements of KOSGEB budget are;

- Appropriations to be included in the budget of the Ministry of Industry and Trade (Treasury),
- Fees to be paid at the rate of 1 per thousand of the annual and corporate tax base profits of the establishments, establishments and subsidiaries subject to the Decree Law No. 233 on State Economic Enterprises,
- Fees to be paid at the rate of 2 percent of the annual profits subject to corporate tax by banks, more than 50 percent of the capital of which belongs to public institutions and organizations (excluding banks subject to Law No. 4603),
- The contribution to be paid at the rate of 2 percent of the annual net income of the Confederation of Turkish Tradesmen and Craftsmen,
- The contribution to be paid by the Union of Chambers and Commodity Exchanges of Türkiye at the rate of 2 percent of its annual net income,
- Fees to be collected for services to be provided by the Presidency
- Loans obtained from external sources,
- Donations and aids to be made to the Presidency and other incomes arising from the properties and rights of the Presidency are specified in its own law.

However, along with all these, the Institution also has interest income. Budget items specified in the Budget Realization Report for 2021;

- Amounts of reimbursable support followed up and interest amounts arising from dues payments are 153.866 TL,
- Interest on Securities and Delayed Payments is 19,497 TL,
- 1,465,288 TL as of the end of the year, with interest collections from personnel, supported companies, various institutions and organizations for Interests on Receivables from Persons,
- Deposit interest 47,984 TL,
- Other Interests amounted to 377,156 TL and were recorded as income in the institution's budget.

Although interest income is not an important source of income for KOSGEB compared to other sources, there should not be such a source of income when evaluated in terms of Islamic Microfinance.

At the end of 2021, KOSGEB supported 58,805 SMEs and 32,266 entrepreneurs. The number of people who completed the training process, which is an online program, to benefit from KOSGEB support, and reach a participation certificate, was determined as 165,478. (KOSGEB Annual Report, 2021) Therefore, it is understood there is a big difference between the number of participants in the training and those who benefit from the support. At this point, the issue to be evaluated in terms of Islamic Microfinance will be whether the *poorest* and those who need to be held to engage in income-generating activities are ignored in this state-support mechanism. It is understood from the corporate policy that it focuses more on manufacturing and technological product production and that various supports are offered for projects that will contribute to the country's income.

3.3. THE NECESSITY OF ISLAMIC MICROFINANCE THROUGH KOSGEB

Microfinance in Türkiye is provided by NGOs, banks and some government agencies. Among them, those providing Islamic Microfinance applications are Islamic Banks and some NGOs. The banking system, including Islamic Banks, always evaluates its customers according to their risk levels and wants to see a good credit history and collateral in their customers. Since Islamic banks are for-profit institutions, they do not consider the benefit of the financing they provide to the customer, but the benefit for themselves. NGOs and Foundations, on the other hand, are organizations that are limited in nature and have limited income sources. For this reason, the number of people they provide microfinance is limited and they cannot appeal to a wide audience. In addition, the processes of establishing, maintaining and auditing the Microfinance system are operationally very costly processes for such small-scale organizations.

KOSGEB has been operating in Microfinance since 1973. It has a well-established and well-organized organizational structure operating in all provinces in Türkiye. With its organizational structure spread all over Türkiye, it can easily reach all SMEs and entrepreneurs operating in the country and provide on-site service. Its personnel regime is well planned and it is an organization that can carry out its services without any disruption.

As a result of our evaluations, it has been understood that the support programs it is implementing are either already in compliance with the Sharia or can be made suitable with minor adjustments. If KOSGEB support system integrated in the Islamic Microfinance system, both people who are out of the bank due to their low income and those who avoid using traditional banking services due to interest sensitivity can also be included in the financial system. At the same time, entrepreneur candidates, entrepreneurs and businesses will have access to many new and Shariah-compliant financing options.

3.4. INTEGRATION OF ISLAMIC MICROFINANCE TO KOSGEB SUPPORTS

3.4.1. Integration of Micro-Credit Methods

It is known that the Islamic Microfinance system promotes partnership-based financing methods. Since KOSGEB is a state institution, like all other government institutions, it acts to use the budget allocated to it in the most careful way and not to cause public harm. In this case, it is highly likely that KOSGEB will not prefer financing methods based on profit/loss sharing with its current structure. If it does not use partnership-based methods, it will be able to use the Islamic Micro-Credit methods Murabahah, Ijarah, Istisna and the non-profit Qard al-Hasan methods.

Financing through the Murabahah method;

The functioning of the Murabahah system is explained in detail in the first part of our study. This method is a financing method in which businesses can realize their property acquisitions. Murabahah method can be used in the reimbursable support process of machinery-equipment support, which is among the support elements of most support programs by KOSGEB.

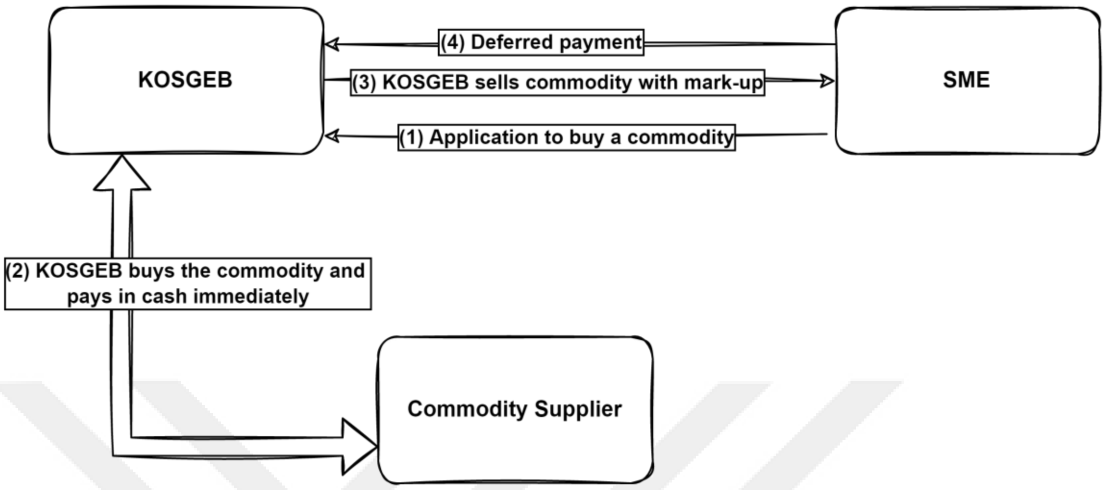
Problem 1

As we mentioned in the previous sections, machinery-equipment support includes a process in which machinery and equipment are first purchased by the enterprise, invoiced and support payment can be received after the invoice is submitted to KOSGEB. The problem element here is that businesses arrive late to the support payment.

Solution 1

In the Murabahah method, the business finds the machinery/equipment it needs, makes an agreement with the seller and forwards it to KOSGEB. KOSGEB purchases the machinery/equipment from the seller and sells it to the enterprise for an amount equal to the price difference they have previously agreed with the enterprise. The company, which makes the repayment in installments, acquires the ownership of the machinery/equipment after paying the last installment. Thus, the business quickly benefits from the support payment and the establishment/growth stages are not interrupted.

Figure 10 Integrated Murabahah Model



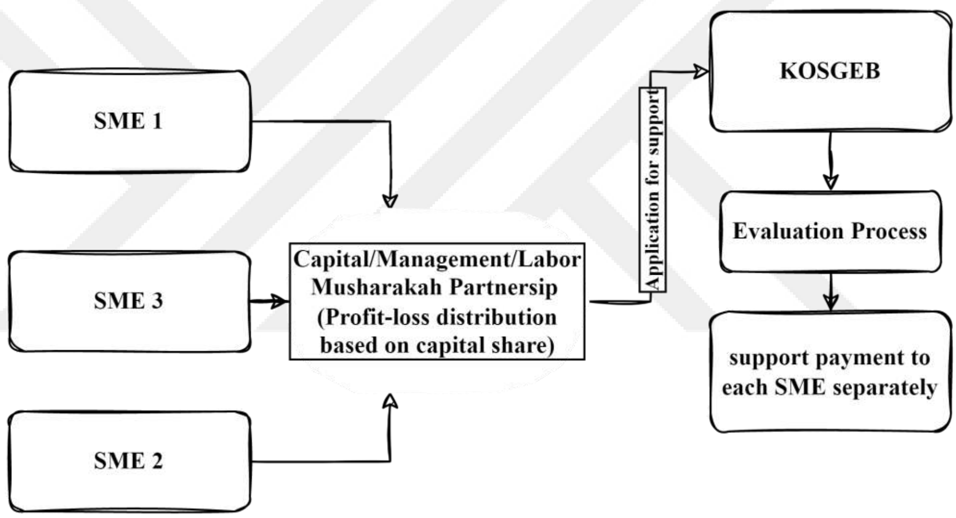
3.4.2. Integration of Micro-Partnership Methods

KOSGEB, in its current activities, does not participate in any partnership as an institution, although it encourages businesses to cooperate among themselves within the existing support programs. KOSGEB is only a financier. At this point, it may be appropriate to establish a Joint Stock Company under the responsibility of KOSGEB and with partnerships of different financial institutions in order to integrate partnership-based models into the Microfinance system. The joint stock company (hereinafter referred to as Islamic Microfinance Institute (IMFI)) will act like KOSGEB, but will be able to act freely in profit/loss sharing models since it will be an independent organization from KOSGEB in terms of budget. Since the IMFI budget, which organizations such as participation banks, Chambers and Cooperatives will be a partner in, will be created with incomes free from interest and in compliance with sharia, concerns about the fund can be eliminated.

Financing through the Musharakah method;

When a partnership with Musharakah is established, both parties must put forth their labor and capital. In the Musharakah method, profit and loss are shared in proportion to the capital contributed by the parties to the partnership. Musharakah method can be determined as the partnership method of SMEs that provide partnerships among themselves under the Collaboration Support Program “Project Partnership Model”, which we explained in chapter 2. Since the companies providing partnership are generally more than 2 and, in this case, the capital will be distributed in small pieces, a risky environment will not occur for the businesses.

Figure 11 Integrated Musharakah Model

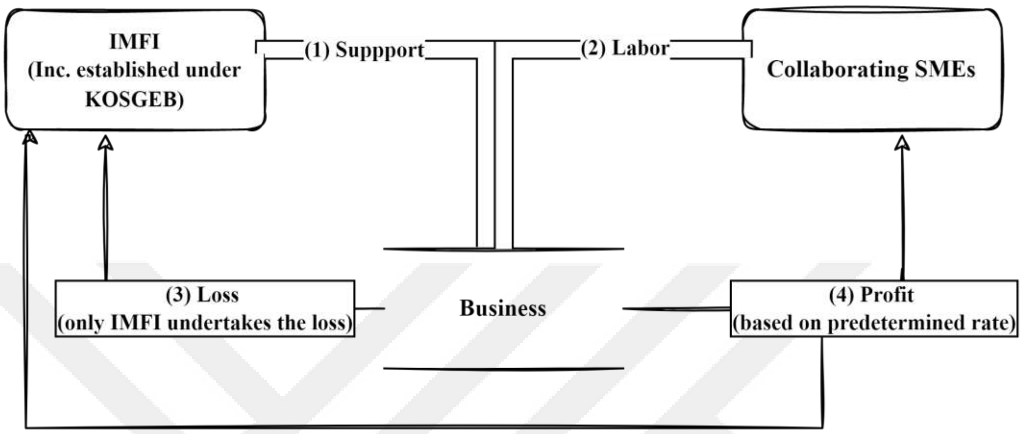


Financing through Mudarabah method;

In the Mudarabah method, which explained in chapter 1, it is obvious that there will be a risky contract for the IMFI by its nature. However, since it will be carried out with the experience and partnership of KOSGEB, which has been operating for years and has a well-established organizational structure, trained and qualified personnel, technical and financial support will be provided in all processes of the enterprises and the trainings that the enterprises need will be provided. While this type of partnership run by small-scale associations and foundations has a higher risk of failure, the risk can be considerably reduced within the structure we propose.

Within the scope of the Collaboration Support Program, which is one of the existing support programs, it is thought that it may be appropriate to conclude the Mudarabah agreement between the enterprises that have signed a cooperation agreement with each other and the IMFI.

Figure 12 Integrated Mudarabah Model



3.4.3. Integration of Non-Profit Microfinance Method

Financing through the Qard al-Hasan method;

In the reimbursable processes of KOSGEB supports, the repayment amounts of the support beneficiaries and the support amounts they benefit from are the same. Therefore, this system is parallel to the Qard al-Hasan system, which is a non-profit method and includes the process of repaying the borrowed debt with the same amount, which is called "beautiful loan" from Islamic Microfinance methods. KOSGEB can harmonize the process with Islamic Microfinance by adopting the Qard al-Hasan method in reimbursable supports other than machinery and equipment support.

3.4.4. Integration of Unrequited Financial and Social Services

Zakat and Sadaqah are social aids that are given free of charge within the Islamic Microfinance methods and do not need to be repaid. According to the principles of Islamic Finance, people should not be accustomed to the grants given for charitable purposes. It is most beneficial for the individual and society to use Qard al-Hasan to people who are able to work and who can overcome the troubled process they are in with the debt they have taken (Sancar, 2021).

Among the KOSGEB Supports, grant-qualified supports are in the majority. When the amount of support used between the years 2019-2021 is examined in Figure 9, it is understood that non-reimbursable supports are given much more than other types of support. Islamic social finance instruments such as Zakat, Sadaqah and Waqf can be permanent funds for such support amounts to decrease poverty and create jobs in the line of purposes of these instruments.

3.4.5. Other Integrations

In terms of support beneficiaries, KOSGEB supports comply with Islamic Microfinance principles. Supports are either completely non-reimbursable or hybrid models are used, in which both reimbursed and non-reimbursable supports are provided. A new entrepreneur or SME benefiting from KOSGEB supports stays away from the interest element except in certain situations. Situations faced with interest are the cases where the total interest support provided by KOSGEB in the Loan Interest Support is below the interest amount accrued by the bank, and the installment amount is taken back with legal interest as a result of not paying the installment amount even though it is due when it is due.

Problem 2

If the Loan Interest Support programs total interest support amount is below the interest accrued by the bank, the support beneficiary has to pay interest to the bank.

Solution 2

KOSGEB can only work with Participation Banks in the current activity period in order to exclude the interest element from the support process.

KOSGEB can completely eliminate the possibility of support beneficiaries encountering interest payments by increasing the support upper limits in Loan Interest Support.

Problem 3

In case of non-payment of the installments in reimbursable support, legal interest rate applying to installment amount.

Solution 3

Although this practice seems to be a necessity in terms of ensuring that businesses remain loyal to their debt, it creates a negative impression on KOSGEB for businesses. This practice can be brought into compliance with the Sharia by accumulating the amount added to the installment in case of delay in a pool and transferring it as donations to various charitable organizations (associations, foundations, etc.) At the same time, it is thought that the support beneficiary who makes the overpayment will not be harmed due to the interest.

CONCLUSION

Supporting new entrepreneurs and operating businesses financially is important in terms of increasing the welfare, contributing to the development, making room for new employment opportunities and eliminating poverty. KOSGEB aims at a strong and sustainable growth in the economy by empowering SMEs through microfinance. According to previous studies in the literature about KOSGEB, it is generally seen that there are regional reviews and evaluations of the post-support processes of the entrepreneurs/businesses benefiting from the supports. There is no study in the literature on the applicability of Islamic Microfinance in KOSGEB. With this study, it is expected to contribute to the literature in this sense.

Islamic Microfinance emphasizes the necessity of reaching the poorest person in the society and supporting them until income generating activity is achieved. In order to achieve this, it uses Islamic donation methods such as zakat and Sadaqah, which we list as gratuitous supports. The financing made by these methods is in the nature of a grant and is accepted as non-reimbursable supports. Other methods of Islamic Microfinance system are micro-credit and micro-partnership methods. Micro-credit methods are asset-based financing methods, provided by the purchase and sale of goods. Micro-partnership methods, on the other hand, are methods based on profit/loss sharing that the parties realize by putting forth their capital and labor.

In the traditional banking system, microfinance methods are based on providing cash and getting the money back with interest. Apart from traditional banking activities, individuals apply to participation banks to reach microfinance in accordance with Islamic finance rules. Traditional Microfinance institutions are only interested in whether the person can repay the loan amount while providing financing and determine the risk accordingly. Islamic Microfinance institutions, on the other hand, will also face the risk of loss, since profit/loss sharing methods may also be involved when financing is provided. In addition, in a partnership-based Microfinance application, there are processes that need to be carried out during the process, such as following the partnership business and making periodic reports. In order to minimize the risk of loss, the microfinance institution should continue business follow-up processes throughout the process. In order for the follow-up process to continue in this way, it is necessary to carry out processes that increase organizational costs, such as increasing personnel employment and making software developments. Therefore, microfinance institutions, including participation banks, may refrain from using partnership-based financing methods because of both risk of loss and high cost of the microfinance process. Because of that, there is a need for more organized, strong and large-scale structure for the implementation of Islamic Microfinance methods, including partnership methods. KOSGEB is the institution where a successful Islamic Microfinance application can be realized with these features in Türkiye.

KOSGEB has a well-established and well-organized organizational structure operating in all provinces in Türkiye. With its organizational structure spread all over Türkiye, it can easily reach all SMEs and entrepreneurs working in the country and provide on-site service. Its personnel regime is well planned and delivers services without disruption. Its current support policies provide multi-faceted support such as non-reimbursable, reimbursable, loan interest support and collaboration support programs. In addition, it does not leave the support beneficiaries alone and monitors and evaluates the enterprises until the support program is completed. It provides all kinds of technical and financial support. KOSGEB supports were examined within the scope of our study and explained one by one. Likewise, the foundations and financing methods of Islamic Microfinance are explained in detail. KOSGEB offers a wide variety of support types to support existing businesses. Most of the support types are directed to the manufacturing industry and the production of technology-oriented products with high added value, which is especially important for the country's economy, is supported. A support program has also been prepared for SMEs to establish cooperation among themselves and grow or merge under a large enterprise. This type of support is also very important in terms of increasing the efficiency and productivity of enterprises. Support for new entrepreneurs is given under the name of Foundation Support, in amounts ranging from 5,000 TL to 10,000 TL. At the same time, entrepreneurs are supported with machinery-equipment support and loan interest support.

Within the scope of the study, it was desired to integrate Islamic Microfinance methods to KOSGEB Support mechanism. KOSGEB support processes have been evaluated both within their natural processes and in terms of their compatibility with Islamic Microfinance. As a result of this evaluation, the problematic aspects of KOSGEB supports were identified. Then, it is stated how the existing support programs can be integrated with the financing methods they are compatible with among Islamic Microfinance methods. At the same time, suggestions were made on how to solve the problematic aspects of support processes with Islamic Microfinance integration.

- Almost all KOSGEB support types include Machinery-Equipment support item. Machinery and equipment support payment is made after the SME receives the machinery and equipment and submits the invoices to KOSGEB. As a result, businesses reach the support payment late. This delay problem can be solved by applying the Machinery-Equipment supports with the Murabahah method.

- KOSGEB does not apply interest during repayment of its reimbursable supports. Therefore, reimbursable supports have the quality of Qard al-Hasan and can be easily integrated to Qard al-Hasan method.

- In order to implement micro-partnership models based on profit/loss sharing, an Islamic Microfinance Institution (IMFI), which will be a joint-stock company, can be established under the responsibility of KOSGEB with its experience and infrastructure.

- KOSGEB encourages the partnership between enterprises with the Collaboration Support Program, which is among the existing support programs.

    - The Musharakah method, in which all parties share their labor and capital for the partnership of businesses among themselves, can be used.

    - If the companies affiliated with the project partner or the operating organization provide a partnership among themselves and then apply to the IMFI for a partnership, since the IMFI will only be the financier, financing can be obtained with the Mudarabah method.

- The support amounts provided by KOSGEB for new entrepreneurs within the scope of establishment support consist of low grant amounts such as 5,000 TL and 10,000 TL. These amounts can be met with a fund to be created with Zakat and Sadaqah, which are referred to as gratuitous aid in Islamic Microfinance methods.

- The problem that the total interest support provided by KOSGEB in the Credit Interest Support program if the supported interest amount is below the interest amount accrued by the bank, the support beneficiary has to pay interest to the bank. This problem can only be solved by executing the loan interest support program only with Participation Banks or increasing the support amounts for Loan Interest Support.

- In case of delay in the installment amount in repayment supports, legal interest is applied by KOSGEB to the installment amount. In order to make this application suitable for Islamic microfinance, suitable penalty without interest can be applied or applied amount can be collected in a donation pool. After the excess money is collected, it can be transferred to various charities (associations, foundations, etc.).

These are the suggestions that will enable the integration of KOSGEB supports into the Islamic Microfinance system and bring solutions to the problems in the support process as a result of our study.

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