



# IMPACT OF THE PANDEMIC ON ENTREPRENEURSHIP IN TURKEY

## GEM 2021/2022

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# **IMPACT OF THE PANDEMIC ON ENTREPRENEURSHIP IN TURKEY**

**GEM 2021/2022**



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## FOREWORD

We are proud to present the “Impact of the Pandemic on Entrepreneurship in Turkey - GEM 2021/2022” report, a comprehensive exploration of the entrepreneurial landscape in Turkey during these unprecedented times. It offers valuable insights into the attitudes, perceptions, and intentions of entrepreneurs before and after the pandemic and provides a comparative analysis of Turkey’s position relative to OECD and BRICS countries, showcasing Turkey’s unique strengths.

Despite economic uncertainty, our research reveals a robust entrepreneurial ecosystem in Turkey. A key finding is the high level of entrepreneurial intentions, with 37% of adults intending to start a new business, placing Turkey second among OECD and BRICS countries. Furthermore, Turkey ranks 4th out of 25 OECD countries and 3rd among BRICS countries in total early-stage entrepreneurial activity (TEA).

The report also sheds light on the state of women entrepreneurship in Turkey. Despite significant challenges, including access to financing, women entrepreneurs have shown remarkable resilience. The report provides an in-depth analysis of the entrepreneurial intentions and perceptions of men and women, and the motives of women for starting a business.

The factors that hinder the progress of the entrepreneurial ecosystem and the success of Turkish entrepreneurs are also addressed in the report. These include financial difficulties, unfavorable physical infrastructure, and a national culture that could further encourage entrepreneurial risk-taking.

Overall, this report is a testament to the resilience and adaptability of Turkish entrepreneurs, who have navigated the adversity of the pandemic with tenacity and grit.

We are grateful for the opportunity to contribute to this important work of comprehensive and rigorous analysis. We hope that the insights and findings of this report will serve as a valuable resource for policymakers, stakeholders, and entrepreneurs alike.

As we navigate through challenging times and move forward, let us continue to support and celebrate our entrepreneurs and build our ecosystem together.

**Gökçe Gizer**

Founder, Mercury Change & Galactic Unicorn



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# **IMPACT OF THE PANDEMIC ON ENTREPRENEURSHIP IN TURKEY**

**GEM 2021/2022**

## EXECUTIVE SUMMARY

The Global Entrepreneurship Monitor (GEM) was the first and remains the only global project that provides cross-national entrepreneurship dynamics indicators based on population surveys. GEM is widely regarded as the most comprehensive and insightful study on entrepreneurship today, owing to the depth of its quantitative and qualitative data. GEM was initiated in 1997 by leading scholars from Babson College (US) and the London Business School (UK). Ten countries participated in the initiative in 1999, when the first annual GEM report was published. In 2021, more than 150,000 adults in 50 economies participated in the GEM survey. With the largest sample to date, this group of economies represented an estimated 45 per cent of the world's population and 68 per cent of the GDP. It is the 23rd annual survey of entrepreneurship worldwide and is the most extensive single study of its kind.

In this report, we compare Global Entrepreneurship Monitor (GEM) measures of entrepreneurial attitudes, activities and aspirations in Turkey with other GEM economies in 2020/2021 based on the analysis of the Adult Population Survey (APS), a survey of 2400 Turkish adults. We track entrepreneurial attitudes, self-perception, motivation activities, aspirations, and demographics in Turkey before and after the COVID-19 global pandemic and also compare Turkey to OECD countries, BRICS countries and GEM countries that participated in the GEM cycle 2021-22. Additionally, we assess the entrepreneurial ecosystem in Turkey based on the analysis of the National Expert Survey (NES) - a survey of 36 entrepreneurship experts in eleven key areas. An entrepreneurship ecosystem represents the conditions that shape the context in which entrepreneurial activities occur. We benchmark Turkey's entrepreneurship ecosystem against other participating GEM countries and examine Turkey's changes compared to before COVID-19 results to understand change and progress after the pandemic.



## ENTREPRENEURIAL ATTITUDES, PERCEPTION AND INTENTION

The attitude toward entrepreneurship which reflects Turkish society's view of entrepreneurship is an important precondition for entrepreneurial activity. After Covid-19 in 2021, Turkish people are less willing to choose entrepreneurship as a desirable career choice. In 2018, 80,8% of the Turkish adult population thinks entrepreneurship is considered a desirable career choice, this percentage dropped to 66,8% in 2021, which decreased by 17% from 2018 to 2021. A possible explanation is COVID-19 and its negative impact on many businesses and the uncertainty in the economy. However, globally, the result is still higher than the OECD average of 58.2%, ranking Turkey the 7<sup>th</sup> among OECD countries. On the other hand, an entrepreneurial career is less attractive in Turkey compared to BRICS countries.

Although less people consider entrepreneurship as a desirable career choice in Turkey, the high status associated with successful entrepreneurship is more significant after covid-19 that public opinion about entrepreneurship is moving in the right direction. More than 75 per cent of the adult population believes that successful business owners will be held in high regard in 2021. This result is better than the pre-COVID-19 in 2018 when the figure was 66.1%. More Turkish people respect the successful entrepreneurs running their businesses in an environment where the effects of Covid-19 persist and economic uncertainties continue. Globally, despite that increase, the rate is still lower than the BRICS countries' average but higher than the OECD average of 69,76%, placing Turkey in eighth place among OECD countries.

The perception among Turks of their own capability, more than half of the adult population (59.3%) believed they had the skills necessary to launch a new enterprise in 2021 which is higher than the pre COVID-19's figure in 2018 of 56,9%. It shows that, even though the pandemic made things challenging, many people in Turkey were still positive about their ability to start their own businesses. From an international perspec-

tive, the Turkish population scores better on perceived capabilities and ranks Turkey the 4<sup>th</sup> amongst OECD countries which is higher than the OECD average of 48,5%. On the other hand, on perceived capabilities, the Turkish population scores lower than the BRICS countries; Brazil (66,7%), India (86%), South Africa (69,7%) except Russia (34,5%).

Although more Turkish people believe that they have the capabilities necessary to start a business, less people think there will not be good opportunities for business after the ending of Covid-19 in 2021. After Covid-19, the Turkish people were not generally optimistic about opportunities in Turkey in 2021. The number of individuals who perceive good entrepreneurial opportunities in Turkey decreased from 44.3% in 2018 to 31,9% in 2021. From an international perspective, the Turkish population scores a lower percentage on perceived opportunities when compared to the average scores for the OECD and BRICS countries and the average of GEM countries. Turkey is third to last among OECD countries after Japan and Spain.

On the other hand, Turkish people mentioned that fear of failure prevented them from starting a business, which increased from 34% in 2018 to 35,9% in 2021. This increase was most likely due to COVID-19 and the uncertainties it has created for many sectors. From an international perspective, the fear of failure, which acts as a deterrent to entrepreneurship, is less explicit in Turkey than in the other GEM countries. Turkey ranks 3<sup>rd</sup> among the 26 OECD countries and 1<sup>st</sup> among the BRICS countries on the fear factor.

Compared to the percentage of adults who plan to start a business in the next three pre- and post-pandemic years (2018 and 2021), 37% of the adult population in Turkey plans to start a business in 2021, up from 36% in 2018. Even though the number of people who want to be entrepreneurs has gone up a little, the score is still very high. This puts Turkey in second place among OECD and BRICS countries. In Turkey, 37% of adults plan to start their own business in 2021. In Turkey, almost one-third of the population wants to start a business in the next three

years. This shows that, despite the problems caused by the COVID-19 pandemic, there has been an upward trend in the number of Turkish adults who want to start their own businesses. A continuous number of people who say they want to start their own business shows that there is a certain amount of entrepreneurial drive and desire in Turkish society.

## **TURKISH ENTREPRENEURIAL ACTIVITY THROUGH THE PHASES OF BUSINESS**

The primary measure of entrepreneurial activity published by GEM is the Total Entrepreneurial Activity (TEA) index. This index is the percentage of adults between 18 and 64 who are either actively trying to start a new business (nascent entrepreneurs) or own and manage a business younger than 3.5 years (young business entrepreneurs). TEA is the only internationally accepted and implemented measure of entrepreneurship data that can provide reliable comparisons among the participating countries.

The TEA rate increased, from 14.2% in 2018 to 15,7% in 2021. This increase primarily reflected due to a significant increase in the nascent entrepreneurship rate which was moved from 7,4% in 2018 to 10,8% in 2021. From a global perspective, the nascent entrepreneurship rate (10,8%) stands higher than the OECD average (6,1%), which places Turkey at 1<sup>st</sup> rank out of 25 participating OECD countries. This increase could mean that more people in Turkey are endeavouring or perhaps being compelled to start businesses.

But, unlike the nascent entrepreneurship rate, the new business ownership rate (the percentage of entrepreneurs who own or run a new business that has been open for less than 3.5 years) went down in 2021, from 7.1% in 2018 to 5.4% in 2021. It shows that there are fewer businesses that have gone through the start-up phase. One possible

explanation could be that many entrepreneurs failed because of the pandemic. So, low demand, issues associated with labour, the energy market, bottlenecks in the production and supply chain, and shipping and transportation problems have made it harder for the new business to continue operating.

Compared to pre-COVID-19, the year 2018, Turkey's established business ownership rate has increased from 8,7% to 11% in 2021. This higher rate of EBO means many new businesses have survived beyond the nascent and new business phases and provides some indication of the sustainability of entrepreneurship in the Turkish economy. From a global perspective, this rate stands higher than the OECD average (6,8%) and higher than the BRICS countries average, placing Turkey at 3rd rank out of 25 participating OECD countries and 1st among the BRICS countries.

## **WHY START A BUSINESS IN TURKEY?**

More Turkish people are motivated by necessity rather than the opportunity to start a business. 55% of entrepreneurs arise due to a lack of available work and employment options, so entrepreneurship is motivated by the need for income. On the other hand, 39,9% of entrepreneurs were motivated by recognizing an opportunity and choosing to exploit it regardless of other available employment options. Opportunity entrepreneurship is more likely to significantly contribute to the economy in terms of innovation and job creation.

Globally, Turkey's rate of necessity entrepreneurs is very close to the OECD average of 58.2%, ranking Turkey 13th among OECD countries. Slovakia and Colombia have the highest necessity entrepreneurs rate, while Japan, Sweden, and Norway have the lowest necessity entrepreneurs.

Opportunity-driven entrepreneurs in Turkey are less attractive in Turkey, and the rate (39,9%) is lower than the OECD average (48,2%), the BRICS countries average (69,6%), and the Global average (58,9%),

placing Turkey at 17th rank out of 25 participating OECD countries. The highest opportunity-driven entrepreneurs in Israel (74,9%), and the United States (74,1%) and the lowest ones in Slovakia (22%).

After the necessity motivation of being entrepreneurs, the second most popular motivation was to continue a family tradition (41,7%). This figure is higher than the OECD average of 27%, placing Turkey at the 3rd rank out of 25 participating countries and higher than the global average of 30,84%. Hence, the family culture (traditions, habits, practices, and values) is a prevalent motivation for Turkish people to start their businesses.

Making a difference in the world was the least observed motivation, with only (34,3%) of respondents who agreed that it is their motivation to start a new business. This figure is lower than the GEM global average of 46,7%, in the OECD countries with an average of 44,7%, and BRICS countries with an average of 65,2%. Turkish entrepreneurs' motivation has a less potential impact on a national and international scale, implying that their potential implications appear domestic compared to other entrepreneurs worldwide.

## **WHY STOP A BUSINESS IN TURKEY?**

There has been a significant increase in the exit rate, which is the total number of people selling and closing their businesses after COVID-19. The exit rate increased from 5,2% in 2018 to 8% in 2021. One possible explanation is the failure of many entrepreneurs in the nascent stage during COVID-19 to launch their start-ups successfully. From a global perspective, the discontinuation rate of Turkey (8%) is two times higher than the OECD average (4%), which places Turkey at 3rd rank out of 25 participating OECD countries.

When we examine the reasons for the discontinuation of businesses in 2018 and 2021, “problem getting finance” was cited by about 35% of

respondents as the primary reason for exiting the Turkish market. This figure is remarkably higher than the GEM global average of 9%, countries in the OECD with an average of 8,1%, and BRICS countries with an average of 15% in 2021. Attracting additional financing and problems securing finance have been essential for the viability of businesses in Turkey. The businesses discontinued in 2018 due to non-profitability, with a rate of 27.6% decreased significantly to 12.8% in 2021. The vast decrease can be recognized as the replacement of the COVID-19 pandemic.

## **EFFECTS OF THE COVID-19 PANDEMIC**

The COVID-19 pandemic has posed significantly unexpected social and economic challenges.

### **Household income**

The loss of household income was the pandemic's most noticeable and traceable economic impact. In 2021, 54,5% of Turkish people reported losing their household income due to the pandemic. On the other hand, more entrepreneurs (57,8%) than non-entrepreneurs (53,5%) reported that their household incomes decreased.

Across the entrepreneurial process, entrepreneurs running a baby business appeared as the most affected group – 67,2% reported a decrease in household income, against 56.4% of nascent entrepreneurs and 57,5% of entrepreneurs running an established business. Since these entrepreneurs running a baby business, by definition, have been operating in the market for the last 3.5 years at the most, they have been the entrepreneurs most affected by Covid-19.

### **Difficulties for starting a business**

In 2021, 62.4% of early entrepreneurs (TEA) said it was more challenging to start a business than the previous year. This figure is higher than

the OECD average of 39,1%, placing Turkey at the 2nd rank out of 25 participating countries and higher than the global average of 30,8%. Globally, a higher proportion of entrepreneurs in Turkey thought that starting a new business was much more complicated than the previous year because of the pandemic.

### **Growth expectations**

Entrepreneurs were asked to provide their expectations for business growth compared to the situation experienced one year ago. In Turkey, 51,1% of early-stage entrepreneurs and 56,34% of entrepreneurs running established businesses estimated their growth expectation much lower due to the Covid-19 pandemic. Globally, Turkish entrepreneurs demonstrated a more pessimistic view, placing Turkey at the 2nd rank out of 25 OECD participating countries and higher than the global average and the average of BRICS countries for entrepreneurs in the different stages of entrepreneurial activities. Turkey is strongly affected by the pandemic since the proportion of entrepreneurs in terms of growth expectation in Turkey is considerably higher than the average of OECD, BRICS countries and the global average.

### **New opportunities for the business**

Concerning perceptions of new opportunities entrepreneurs wanted to pursue occurring during the pandemic, early-stage entrepreneurs are more sceptical than the owner or managers of established businesses in Turkey.

Only 33,2% of early-stage entrepreneurs report identifying new business opportunities because of the pandemic. This figure is lower than the OECD average of 43%, placing Turkey the 19th out of 25 participating countries and lower than the global average of 39,1% and lower than the average of BRICS countries (50,3%).

On the other hand, a higher percentage of established entrepreneurs (39,4%) compared to early-stage entrepreneurs (33,2%) in Turkey

were looking for ways to turn the epidemic into something positive despite its adverse effects. Globally, this figure is higher than the OECD average (30,7%), placing Turkey at 9th out of 25 participating OECD countries and the global average of 31,8% but lower than the average of BRICS countries (46%).

## **Government effectiveness**

Effectiveness of government response to the COVID-19 pandemic, only 33% of early-stage entrepreneurs and 35,8% of established entrepreneurs in Turkey believe that the government has effectively managed the economic and social effects of the crisis. About 7 out of 10 entrepreneurs in different stages of entrepreneurial activities were somewhat disappointed with how the government responded to the economic challenges, which places Turkey at the 12th and 15th for early-stage entrepreneurs and owner-manager of an established firm, respectively, ranking out of 23 OECD participating countries.

## **WOMEN ENTREPRENEURSHIP**

The increase early-stage entrepreneurial activity of women from 2018 to 2021 is around 4 times higher than men. Hence, the gender gap between the proportions of men and women who are active entrepreneurs has narrowed slightly. The ratio of male to female has fallen from 2,4 in 2018 to 2 in 2021. In 2018, there were around 24 men for every 10 women and in 2021, 20 men for every 10 women starting or running new businesses in Turkey. Although, there was a decrease in the gender gap in Turkey throughout this period. The male/female ratio is still far above the average of the global, OECD and BRICS countries.

The low rate of women entrepreneurs may be due to the low intention of women to be entrepreneurs. while 43 percent of men adult population have an intention to generate a business, this rate is 28,9% in women.



The individual perceptions are important for the people to become entrepreneurs. The difference between men and women regarding the perceptual variables are remarkable. Turkish men, see more good opportunities in their environment, are more confident about having the necessary skills and knowledge and have less fear of failure to start up business than women.

Considering the shutdown of the economy brought on by the COVID-19 crisis, it should not be surprising that a necessity-based motive is prevalent. However, this motivation is more important for female entrepreneurs (57,2%) than for males (53,9%) in Turkey. Although making a difference in the world was the least observed reason that the Turkish entrepreneurs chose, female entrepreneurs (36,2%) are more likely to be driven by making a difference in the world than men entrepreneurs (33,4%). The reasons are probably related to the industries in which women start more firms, such as professional and administrative services and health care, which frequently satisfy individual requirements.

In contrast, men who are starting businesses and running the business are more likely to agree with the motive "To build great wealth or very high income", This motivation is more important for male entrepreneurs (41,9%) than for females (35,8%) in Turkey. It shows that male entrepreneurs are more opportunity-driven and are more interested in financial matters. Similarly, of the 41,9% of male entrepreneur's motivated "To continue a family tradition, 35,8% were female entrepreneurs. Male entrepreneurs are more interested in taking over the family business, which might be because the expectation of families to continue a family tradition has a solid cultural component.

## AGE DISTRIBUTION OF ENTREPRENEURS

The age distribution of entrepreneurs in Turkey compared to pre-covid, two critical changes have been observed. Before the covid-19, the prevalence of early-stage entrepreneurial activity is highest among individuals at the age of 25 to 34 years in 2018. The early career (25-34 years old) group showed decrease in the proportion of early-stage entrepreneurs from 30,2% to 26,6%. On the other hand, late-career (45-54) groups showed increases from 13,4% in 2018 to 17,8% in 2021. There is a considerable change in the age of early-stage entrepreneurs which means that the population of Turkish entrepreneurs is getting older over time.

Globally, entrepreneurial activity rates based on the age groups of their respondents, Turkey is significantly above average in terms of youth entrepreneurship (18-24 age group) which places Turkey 1st among 25 participants in OECD countries. In comparison, the percentage of youth entrepreneurship in Turkey is 25 per cent which is higher than OECD average of 14%, BRICS countries' average of 17,7% and the global average of 8%. This is not surprising considering the fact that Turkey's young population rate is much higher than the young population of OECD countries.

This is probably a reaction to higher unemployment rates and the increased necessity of entrepreneurship among younger people. Although the rate of young entrepreneurs is high at the international level, senior entrepreneurship, this means entrepreneurial activities among the 55-to-64-year-olds, has usually been the category in which Turkey is in the last 4 ranks among OECD countries with a rate of 7.8 per cent after Poland, Luxemburg and Latvia.

## EFFECTS OF THE COVID-19 PANDEMIC ON THE ENTREPRENEURIAL ECOSYSTEM

GEM has defined several specific National Entrepreneurship Framework Conditions which altogether represent and determine the dimensions for the infrastructure of entrepreneurship in a given nation, namely; Entrepreneurial Finance, Government Policies, Entrepreneurship Education, R&D, Commercial and Professional infrastructure, Internal market dynamics, physical infrastructure and Social & cultural structure.

These are evaluated by a survey conducted with at least thirty-six experts in the field of entrepreneurship within each country participating in the GEM project.

When considering the results for 2021, it is observed that the most crucial factor that supports the Turkish entrepreneurial ecosystem is the dynamic nature of the internal market. Turkey is ranked 3rd for having favourable internal market dynamics compared to the GEM average. This is due to the rapid yearly change in the consumer and producers' goods and services market.

The physical infrastructure is the second highest-ranked condition of the Turkish ecosystem by national experts. Another positive condition that creates entrepreneurship infrastructure is the availability and accessibility of effective professional services to support new and growing companies. Primary and high school education was the dimension that needed the most emphasis and support. National experts believe that there is a need for a formal education system that trains individuals needed by an entrepreneurial economy.

In 2021, national experts were also asked specific questions to evaluate the effects of Covid-19.

They have pointed out that more support needs to be given to digitization teleworking since it will continue for the upcoming decade.

The gig economy is considered a start-up driver and business model. Therefore, Turkey could be placed at higher levels with more support and increased awareness.

Concerning the green agenda, experts indicated that there had been an overall low emphasis on the criteria. It is rated as the lowest among all the other measures related to Covid-19, and the situation is similar in all GEM countries. This is the result of prioritizing different survival-related governmental policies due to the urgency and importance of the pandemic.

The Turkish entrepreneurial ecosystem has changed with the influence of the pandemic, and the general picture indicates that the impact has been negative.

**Entrepreneurial Finance** shows progress only concerning increased funds from professional business angels and venture capitalists for new and growing firms.

**Government Policies** related data show that the pandemic has only time entrepreneurs spend on paperwork.

**The Entrepreneurship Education** dimension implies the absence of high-quality teaching in primary and secondary education.

According to national experts, **the R&D** dimension has been negatively affected except for a slight increase in the science and technology base efficiently supporting the creation of world-class new technology ventures in at least one area.

**Commercial and Professional infrastructure** has made no progress from 2018 to 2021.

**Internal market dynamics** have shown a positive reflection of the pandemic in three dimensions, providing Turkey with an essential ground for developing entrepreneurship.

Concerning **Physical infrastructure**, national experts consider that the overall situation for Turkey in 2021 has become more unfavourable compared to how it was in 2018.

Comparing the values given by an expert on **social & cultural structure** in 2018 and 2021, it is again observed that there is a drop. The most fall has been regarding how the national culture encourages entrepreneurial risk-taking.

# CHAPTER

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# 1

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## INTRODUCTION: WHAT IS GEM?

During the COVID-19 pandemic, entrepreneurship became one of the most widely-acknowledged drivers of economic growth, as it helped create jobs and helped people in need. Similarly, encouraging and assisting entrepreneurs is being looked at as a way to revive and restructure national economies after a pandemic. But the pandemic has made it more challenging for entrepreneurs to stay in business. On the other hand, effective, flexible, and creative businesses and entrepreneurs have found new market opportunities.

In this regard, there is growing demand from governments, businesses, and individuals for reliable and commensurable data and research to help to understand what is happening in entrepreneurship and, therefore, to undertake relevant actions. Governments and other stakeholders will increasingly need robust and credible data to make key decisions that stimulate sustainable and impactful forms of entrepreneurship and promote fair competition and healthy entrepreneurial ecosystems.

The 2021/22 GEM Global Report (GEM, 2022) compares the 50 economies that took part in GEM's 2021 research during a time when the global COVID-19 pandemic caused a great deal of turmoil. In 2021, more than 148,000 people completed a GEM interview, adding to the core GEM database of over three million respondents across 120 different economies since the first surveys began in 1999. The 2021/22 GEM Global Report provides evidence of the significant and far-reaching impact of the pandemic on entrepreneurial intentions and activities.

GEM was initiated in 1997 by leading scholars from Babson College (US) and the London Business School (UK). In 1999, when the first annual GEM report was published, 10 countries participated in the initiative. For 23 years, it has been reporting consistently on the attitudes, perceptions, intentions, motivations, and activities of entrepreneurs and non-entrepreneurs from around the globe.

GEM tools and data are distinctive and benefit a wide range of stakeholders. By getting involved with GEM,

- Academics use GEM's unique approaches to study entrepreneurship at the national level;
- Policymakers use GEM data to make better-informed decisions to help their entrepreneurial ecosystems thrive;
- Entrepreneurs are informed where to invest, and
- International organisations use GEM's entrepreneurial insights in their reports and events by combining GEM data with their own data sets to enhance analysis.

## 1.1. THE GEM CONCEPTUAL FRAMEWORK

In general, the GEM conceptualises the interdependence between entrepreneurship and economic development to:

- Identify factors that promote or inhibit entrepreneurial activity, particularly those related to societal values, personal attributes, and the entrepreneurship ecosystem;
- Provide a framework for assessing the extent to which entrepreneurial activity influences economic growth within individual economies; and
- Determine the policy implications of enhancing an economy's entrepreneurial capacity.

Figure 1 shows the significant components and relationships the GEM divides the entrepreneurial process and entrepreneurs according to their organisational development level. The following are the components of the conceptual framework:

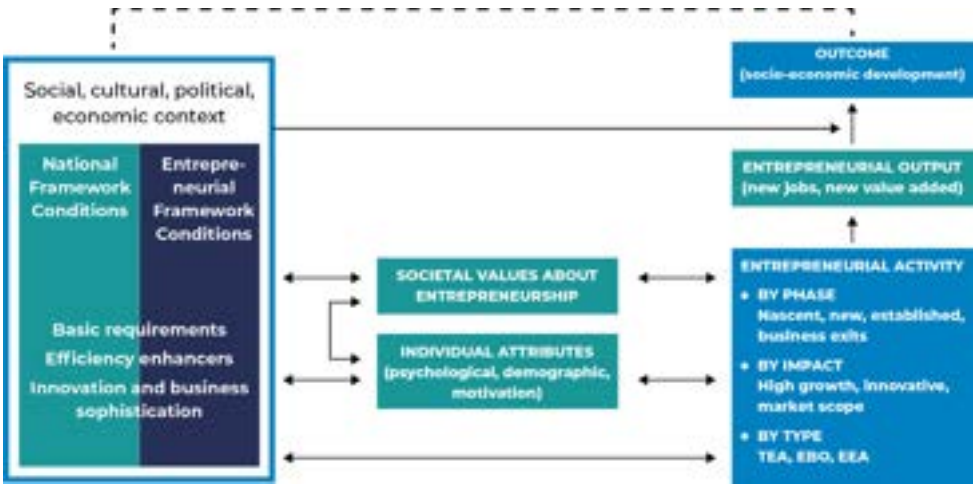
- **The social, cultural, political, and economic contexts** are shown by the national framework conditions. These include entrepreneurial finance, government policy, government entrepreneurship programmes, entrepreneurship education, research and development



(R&D) transfers, commercial and legal infrastructure, physical infrastructure, internal market dynamics and entry regulation, and cultural and social norms.

- **Societal values** about entrepreneurship include whether or not people think that being an entrepreneur is a good career choice, whether or not entrepreneurs have a high social status, how positively the media portrays entrepreneurship in an economy, and how easy it is to start a business.
- **Individual attributes** include demographic characteristics (gender, age, education level), self-perceptions (perceived capabilities, perceived opportunities, and fear of failure), and reasons for starting a business are all examples of individual attributes (that is, necessity versus opportunity).
- **Entrepreneurial activity** includes multiple stages of the business process (nascent, new business, established business, and closing), potential effects (job creation, innovation, and internationalisation), and types of activity (such as total early-stage entrepreneurial activity (TEA), established business ownership (EBO), and employee entrepreneurial activity) (EEA).

**Figure 1.1.** GEM conceptual framework



**Source:** GEM 2021/22 Global Report (Hill et al., 2022).

## 1.2. METHODOLOGY

Each national team participating in the GEM in a given year commits to conducting two national surveys to capture the interactions between individuals and their environment; the Adult Population Survey (APS) and the National Expert Survey (NES):

### 1. Adult Population Surveys (APS)

2000 or more adults were selected in each country for a random sampling survey using a common survey instrument via telephone. The survey is used to estimate the entrepreneurial participation in the country concerned as well as to capture entrepreneurial activities, attitudes, motivations, and capabilities of the population towards entrepreneurship. The results of the analysis are drawn from the responses of the working age group (18 to 64 years old) and the stratification reveals the underlying national population regarding age, gender, and location (urban/rural population). The APS questionnaire is completed

by telephone or by face-to-face interview, and sometimes online. The technical team at GEM then double-checks and approves the quality of the data provided by survey vendors. They also harmonise and weight the data.

## **2. National Expert Survey (NES):**

The National Expert Survey aims to consider the economic, social, cultural, and political conditions that exist within an economy and have the potential to either encourage and support or discourage and constrain entrepreneurial activity. To assess the country's environment concerning the development of entrepreneurial activities, at least 36 individuals with relevant expertise and/or experience in key entrepreneurship-related areas are nominated and justified by each national team. National experts approved by the GEM team are requested to complete the standard NES questionnaire. The structured questionnaire data were used to provide Likert-Scale indices on the status of each of the nine framework conditions that are comparable across the participating countries. In Turkey, 36 key informants including entrepreneurs and venture support professionals were interviewed by the GEM national research team to gather data representing the nine entrepreneurial framework conditions: presence of financial support, government policies, government programs, education and training, research and development transfer, commercial and professional infrastructure, internal market openness, access to physical infrastructure, and cultural and social norms related to entrepreneurship.

### **1.3. MEASURING ENTREPRENEURIAL ACTIVITY**

The Global Entrepreneurship Monitor (GEM) research program defines active entrepreneurs as “adults in the process of setting up a business which they will (partly) own and/or are currently owning and managing an operating young business” and defines entrepreneurship as “any attempt to create a new business enterprise or to expand an existing business by an individual, a team of individuals, or an established

business” (Reynolds et al., 2005). Entrepreneurs in GEM are classified according to the age of their establishments and their motivations. Based on the age of enterprises, GEM classifies potential entrepreneurs, nascent entrepreneurs, new business owners, early stage entrepreneurs, and established business owners. Figure 1.3 summarizes the entrepreneurial process and GEM’s operational definitions.

Figure 2 shows GEM distinguishes between three stages of entrepreneurial activity:

**Nascent entrepreneurs** are currently active in trying to start a business, have not yet paid any salaries or wages, or have paid less than three months’ wages among the adult population aged between 18 and 64 years.

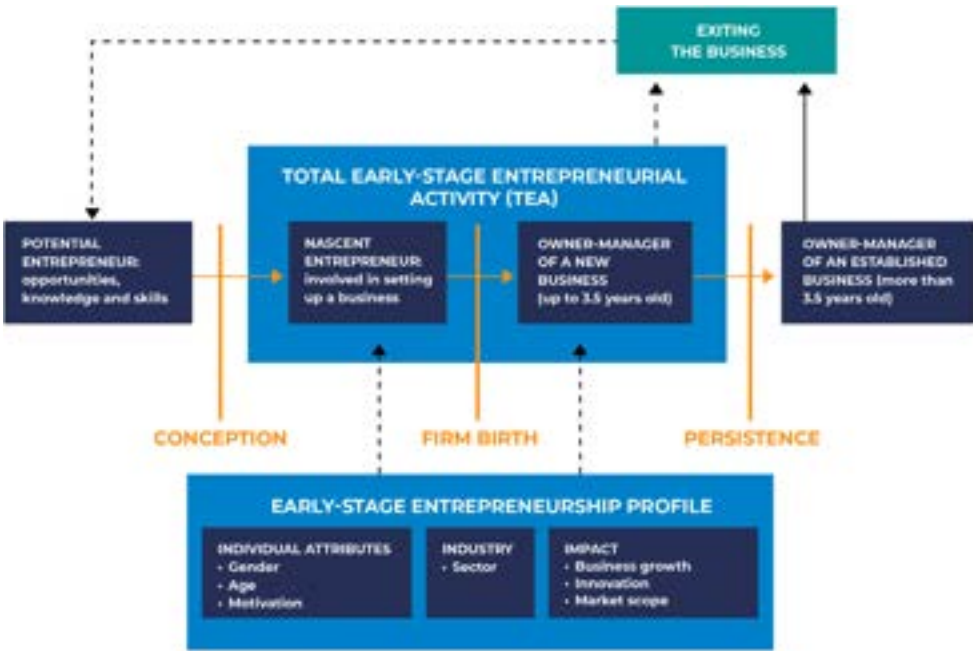
**New firm entrepreneurs** are currently active in running a business that has paid salaries or wages for more than three months but less than forty two months among the adult population aged between 18 and 64 years.

**Total early stage entrepreneurs (TEA)** As the name implies, it combines nascent entrepreneurs with new business entrepreneurs among the adult population aged between 18 and 64 years. In some instances, this rate is less than the combined percentages for nascent entrepreneurs and new firm entrepreneurs. This is because, in circumstances where respondents qualify as both nascent and new firm entrepreneur, they are counted only once.

**Established business owners (EB)** They are individuals among the adult population aged between 18 and 64 years who have set up businesses that they have continued to own and manage and which have paid wages or salaries for more than 42 months.

**Existing Business:** The exiting a business is also considered an important phase of entrepreneurship, individuals may start another business or be involved in entrepreneurial activity in other ways. This phase is also a focus of the GEM.

**Figure 1.2.** Entrepreneurial process and GEM entrepreneurship indicators



**Source:** GEM 2021/22 Global Report (Hill et al., 2022).

#### 1.4. ECONOMIES PARTICIPATING IN GEM 2021

GEM-participating economies are classified into three income tiers based on World Bank GDP per capita data (See Table 1.1):

**Table 1.1.** Economies in the 2021/22 GEM Global Report, by income level

Level A >\$40,000	Level B >\$20,000<40,000	Level C <\$20,000
Canada	Belarus	Brazil
Finland	Chile	Colombia
France	Croatia	Dominican Republic
Germany	Cyprus	Egypt
Ireland	Greece	Guatemala
Israel	Hungary	India
Italy	Kazakhstan	Iran
Japan	Latvia	Jamaica
Luxemburg	Lithuania	Mexico
Netherlands	Oman	Morocco
Norway	Panama	South Africa
Qatar	Poland	Sudan
Republic of Korea	Romania	
Saudi Arabia	Russian Federation	
Sweden	Slovak Republic	
Switzerland	Slovenia	
United Arab Emirates	Spain	
United Kingdom	Turkey	
United States	Uruguay	

**Source:** GEM 2021/22 Global Report (Hill et al., 2022).

- (a) Level A: nineteen high-income economies with a GDP4 per capita of more than \$40,000;
- (b) Level B: nineteen economies with a GDP per capita between \$20,000 and \$40,000;
- (c) Level C: twelve economies with a GDP per capita of less than \$20,000.

Since some parts of the world have individual economies that may not be classified as separate countries, the GEM global report therefore prefers the term ‘economies’ rather than ‘countries’ but may also refer to countries where it is unambiguous.

In this report, we compare Global Entrepreneurship Monitor (GEM) measures of entrepreneurial attitudes, activities and aspirations in Turkey with other GEM economies in 2021/2022 based on the analysis of the Adult Population Survey (APS), a survey of 2400 Turkish adults. We track entrepreneurial attitudes, self-perception, motivation activities and aspirations, demographics, and entrepreneurial activity in Turkey and compare before and after the COVID-19 global pandemic. Also, compare Turkey to OECD countries, BRICS countries, and GEM countries that participated in the GEM cycle 2021-22.

Additionally, we assess the entrepreneurial ecosystem in Turkey based on the analysis of the National Expert Survey (NES) – a survey of 36 entrepreneurship experts in eleven key areas. An entrepreneurship ecosystem represents the conditions that shape the context in which entrepreneurial activities take place. We benchmark Turkey’s entrepreneurship ecosystem against other participating GEM countries, and also examine the changes in Turkey compared to before COVID-19 results to understand change and progress after the pandemic.

**CHAPTER**

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**2**

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**ENTREPRENEURIAL  
ATTITUDES,  
PERCEPTION  
AND INTENTION**



The attitudes, perceptions, and intentions represent the entrepreneurial potential in a society which plays a central role in shaping the entrepreneurship ecosystem and the national entrepreneurial culture. Entrepreneurial activities are leveraged by people living in specific cultural and social conditions. A given society’s positive or negative perceptions about entrepreneurship directly influence entrepreneurial ambitions and the extent to which entrepreneurial activity is supported. The present chapter focuses on entrepreneurial perceptions, attitudes, and intentions among the Turkish adult population pre- and post-pandemic (i.e. 2018 and 2021). The Turkish results are also compared with OECD and BRICS countries’ results.

## 2.1. THE ATTITUDE OF TURKS TOWARDS ENTREPRENEURSHIP

The attitude toward entrepreneurship, which reflects society’s view of entrepreneurship, is an essential precondition for entrepreneurial activity. GEM measures the following attitudes towards entrepreneurship that are important for the entrepreneurial process: (1) starting a business is a good career choice; (2) starting a new business gains a high status and respect.

**Table 2.1.** The attitude toward entrepreneurship before and after Covid-19 (%)

	Before Covid-19 2018	After Covid-19 2021
Entrepreneurship good career choice	80,8	66,8
People attach high status to successful entrepreneurs	66,1	75,1

**Source:** GEM APS 2021

Table 2.1 shows that 66,8% of the Turkish adult population thinks entrepreneurship is considered a desirable career choice in Turkey in 2021. This percentage has decreased by 17% over time from 2018 to 2021.

A possible explanation is COVID-19 and its negative impact on many businesses and economic uncertainty. Turkish people are less willing to choose entrepreneurship as a desirable alternative to working in the government or corporate sectors. However, globally, the result is still higher than the OECD average of 58.20%, ranking Turkey the 7 th among OECD countries (Table 2.2.). On the other hand, an entrepreneurial career is less attractive in Turkey compared to BRICS countries; 89,5% in India, 81,8% in South Africa and 71,9 in Russia.

The second indicator of public opinion about entrepreneurship is the high status associated with successful entrepreneurship. Table 2.1 shows that over 75% of the adult population believes that successful entrepreneurs will be held in high respect in 2021. This result is higher than with the pre-COVID-19 in 2018, for which the figure was 66,09%. More Turkish people respect the successful entrepreneurs running their businesses in an environment where the effects of Covid-19 persist, and economic uncertainties continue. From an international perspective, the result is higher than the OECD average of 69,8%, ranking Turkey the 8 th amongst OECD countries; however, It is lower than the BRICS countries India (87%) and South Africa (82%) except Russia (69,8%).

It is interesting to notice that after Covid-19, more people believe that entrepreneurs have a high social status than that establishing a firm is a good career choice in Turkey. It demonstrates how highly entrepreneurs are regarded in Turkey, even if they do not believe it to be the ideal career choice.

**Table 2.2.** Attitudes towards entrepreneurship in Turkey, OECD and BRICS Countries, 2021 (%)

OECD countries	Entrepreneurship good career choice	OECD countries	High status to successful entrepreneurs
United States	76,2	United Kingdom	83,5
United Kingdom	70,4	Ireland	83,0
France	68,5	Germany	82,7
Slovenia	68,2	Israel	82,7
Ireland	67,0	United States	80,4
<b>Turkey</b>	<b>66,8</b>	Switzerland	75,8
Greece	64,8	<b>Turkey</b>	<b>75,1</b>
Hungary	64,2	Poland	66,4
Israel	63,3	Hungary	64,5
Italy	61,1	Greece	64,1
Poland	54,7	Japan	62,4
Latvia	52,7	Colombia	61,9
Slovakia	52,4	Spain	60,7
Colombia	52,2	Latvia	59,7
Germany	50,6	Italy	56,3
Spain	50,0	Slovakia	55,6
Switzerland	40,5	France	55,4
Japan	24,0		
<b>OECD Average</b>	<b>58,2</b>	<b>OECD Average</b>	<b>69,8</b>
BRICS Countries	Entrepreneurship good career choice	BRICS Countries	High status to successful entrepreneurs
India	89,5	India	87
South Africa	81,8	South Africa	81,9
Russia	71,9	Russia	69,8
<b>BRICS Average</b>	<b>81,0</b>	<b>BRICS Average</b>	<b>79,6</b>
<b>Global Average</b>	<b>68,7</b>	<b>Global Average</b>	<b>75,2</b>

Source: GEM APS 2021

## 2.2. THE PERCEPTIONS OF TURKS TOWARDS ENTREPRENEURSHIP

The entrepreneurial perceptions indicate whether individuals perceive entrepreneurial opportunities in their environment, how they perceive their own entrepreneurial ability, and what their perception is towards business failure. GEM measures the following perceptions that are important for the entrepreneurial process:

1. the extent to which one perceives that there are opportunities within the environment;
2. the extent to which one believes his/her skills are capable of starting a new enterprise;
3. the extent to which one is reluctant to be involved in entrepreneurial activity because of fear of failure.

First, opportunity recognition is the basic condition of entrepreneurial action. Kirzner (1973) defined entrepreneurs as those who are alert to discovering and exploiting opportunities and to acting upon them. The GEM study asks respondents if “they saw good opportunities for starting a business in the next six months in the area where they lived” to determine how they perceive entrepreneurial opportunities.

**Table 2.3.** Entrepreneurial perceptions in Turkey 2018 and 2021 (as percentage of adult population)

	Before Covid-19 2018	After Covid-19 2021
Perceived opportunities	44,3	31,9
Perception of capabilities	56,8	59,3
Fear of failure	34,1	35,9

**Source:** GEM APS 2021

Table 2.3 shows a substantial decrease of 12,4% (from 44.3% in 2018 to 31,9% in 2021) in the number of individuals who perceive good entrepreneurial opportunities in Turkey. After Covid-19, the Turkish people were not generally optimistic about opportunities in Turkey in 2021, and the economic environment for starting a business was relatively poor. From an international perspective, the Turkish population scores a lower percentage on perceived opportunities when compared to the average scores for the OECD and BRICS countries and the average of GEM countries (See table 2.4). Turkey is second to last among OECD countries after Japan and Spain.

Second, possessing knowledge, skills, and experience (perceived capabilities) is also considered critical to the successful start-up of a new business. If people believed they possessed the necessary skills, they might be more inclined to pursue entrepreneurship. The GEM study asked respondents whether “they had the knowledge, skill, and experience required to start a new business.” Table 2.3 shows the percentage of adults who responded “yes,” to this question

More than half of the adult population (59,3%) believed they possessed the skills to start a new business. This level of self-belief by Turkish people represents an increase compared with the pre-COVID-19 time in 2018, for which the figure was 56,8%. Therefore, more Turkish people believe they have the skills to start a business than believe that there are good business opportunities after Covid-19 in 2021.

From an international perspective, the Turkish population scores better on perceived capabilities and ranks Turkey the 4th amongst OECD countries, higher than the OECD average of 48,5%. On the other hand, on perceived capabilities, the Turkish population scores lower than the BRICS countries; Brazil (66,7%), India (86%), and South Africa (69,7%) except Russia (34,5%) (See table 2.5).

Third, the fear of failure is an important factor that negatively affects entrepreneurial activity. Many people who decide not to start their own

business are afraid of failing, making mistakes, and losing money. In 2021, 35,89% of Turkish people mentioned that fear of failure prevented them from starting a business (Table 2.3). The percentage of those in Turkey deterred by fear of failure increased by about 3% compared to 2018. This increase was most likely due to COVID-19 and the uncertainties it has created for many sectors. From an international perspective, the fear of failure, which acts as a deterrent to entrepreneurship, is less explicit in Turkey than in the other GEM countries. Turkish people are 3rd among 26 OECD countries and 1st among BRICS countries regarding risk-taking.

The countries with the most courage to take risks are Norway (34.46%), the Netherlands (35.36%) and Turkey (35.89%), and about one out of every three people in these countries shows fear of failure as a reason preventing them from pursuing a career as an entrepreneur. On the other hand, the countries with the greatest fear of failure are Greece (55.9%), the United Kingdom (58.4%) and Spain (58.4%), where more than half of the adult population stated that the fear of success prevented them from being entrepreneurs. (Table 2.6).

Overall, the decreased perceived opportunities and the increasing fear of failure index, on the other hand, increased the confidence of Turkish people for entrepreneurship in 2021 compared to before COVID-19 time. Perception of capabilities is mainly independent of the business cycle, unlike the perceived opportunities and fear and failure indicators described above.

**Table 2.4.** Perception towards entrepreneurship in Turkey, OECD and BRICS Countries (2021): Perceived opportunities (%)

OECD countries	Perceived opportunities
Sweden	79,6
Norway	74,3
Poland	72,5
Canada	70,5
Netherlands	69,9
United States	63,2
U. Kingdom	61,2
Finland	61,0
Chile	59,8
Ireland	57,3
Switzerland	54,7
Luxembourg	54,1
France	52,1
Slovenia	51,5
Greece	48,6
Germany	48,2
Israel	45,8
Latvia	39,6
Colombia	38,1
Hungary	36,5
Italy	34,7
Slovakia	33,4
<b>Turkey</b>	<b>31,9</b>
Spain	30,0
Japan	11,7
<b>OECD Average</b>	<b>50,9</b>
BRICS Countries	Perceived opportunities
Brazil	54,8
India	83,4
Russia	33,5
South Africa	57,9
<b>BRICS Average</b>	<b>57,4</b>
<b>Global Average</b>	<b>54,7</b>

Source: GEM APS 2021

**Table 2.5.** Perception towards entrepreneurship in Turkey, OECD and BRICS Countries (2021): Perception of capabilities (%)

OECD countries	Perception of capabilities
Chile	70,7
United States	64,6
Poland	60,1
<b>Turkey</b>	<b>59,3</b>
Canada	59,0
Slovenia	58,5
Ireland	57,8
Colombia	56,2
Latvia	53,3
Greece	53,1
Luxembourg	52,9
U. Kingdom	51,1
Sweden	49,9
Spain	49,8
Switzerland	49,6
France	48,6
Netherlands	45,4
Italy	44,7
Finland	42,8
Norway	42,0
Slovakia	41,8
Israel	37,5
Germany	37,1
Hungary	36,0
Japan	12,3
<b>OECD Average</b>	<b>48,5</b>
BRICS Countries	Perception of capabilities
Brazil	66,7
India	86,0
Russia	34,5
South Africa	69,7
<b>BRICS Average</b>	<b>64,2</b>
<b>Global Average</b>	<b>57,9</b>

Source: GEM APS 2021



**Table 2.6.** Perception towards entrepreneurship in Turkey, OECD and BRICS Countries (2021): Fear of failure (%)

OECD countries	Fear of failure
Spain	58,4
United Kingdom	58,4
Greece	55,9
Slovakia	54,4
Israel	53,8
Ireland	53,7
Canada	53,0
Italy	50,9
France	49,7
Chile	49,7
Finland	48,8
Luxembourg	48,6
United States	48,4
Colombia	47,6
Germany	45,5
Slovenia	44,9
Poland	44,7
Sweden	44,1
Japan	39,5
Latvia	39,1
Hungary	38,2
Switzerland	38,2
<b>Turkey</b>	<b>35,9</b>
Netherlands	35,4
Norway	34,5
<b>OECD Average</b>	<b>46,7</b>
BRICS Countries	Fear of failure
Russia	50,9
South Africa	49,3
Brazil	48,4
India	48,2
<b>BRICS Average</b>	<b>48,7</b>
<b>Global Average</b>	<b>45,0</b>

Source: GEM APS 2021

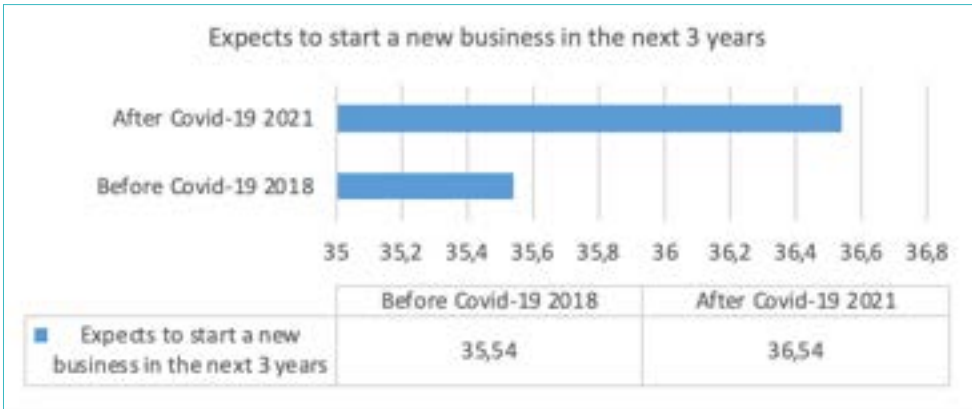
### 2.3. ENTREPRENEURIAL INTENTIONS

**Almost one in three people in Turkey intends to start a business in the next 3 years.**

Entrepreneurial intentions represent the percentage of working adults who intend to start a business in the next three years. It is an important indicator of entrepreneurship dynamics, which may predict a country’s future level of actual entrepreneurial activity. Figure 2.1 shows that 37% of the adult population intends to generate a business in Turkey in 2021, while this rate was 36% in 2018. Almost one in three people in Turkey wants to start a business in the next three years.

It’s worth noting that entrepreneurial intentions don’t always translate into actual business startup activity. Many factors can influence whether individuals follow through on their intentions, such as the availability of resources, market conditions, and personal circumstances. Nonetheless, studying entrepreneurial intentions provides valuable insights into the potential pool of future entrepreneurs and helps guide policies and initiatives aimed at fostering entrepreneurial activity.

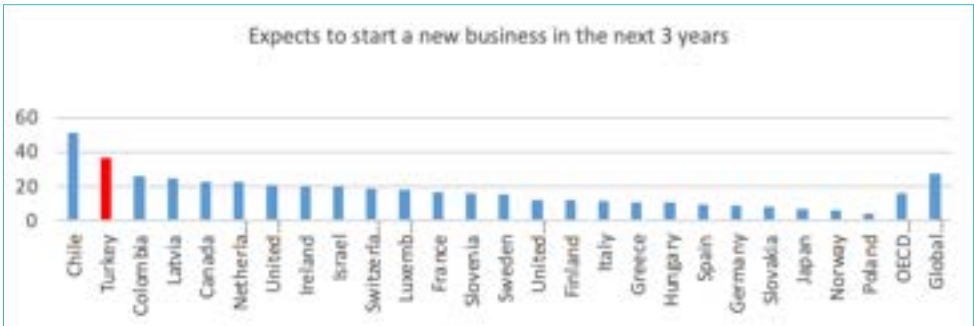
**Figure 2.1.** Entrepreneurial intentions



**Source:** GEM APS 2021

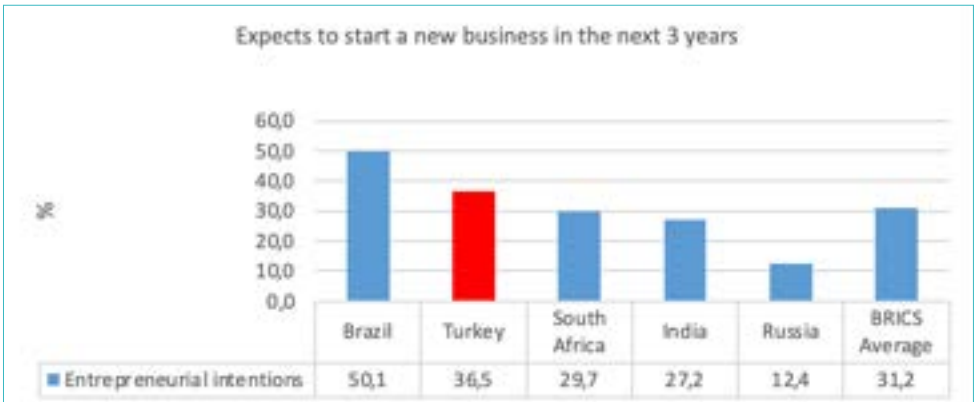
Globally, the intention rate is very high, putting Turkey second among OECD countries (Figure 2.2) and 2nd among the BRICS countries (Figure 2.3). Turkey’s lower perceptions about opportunities, low fear of failure rate and high entrepreneurial intention are striking compared to global averages and speak to a willingness to consider undertaking necessity-driven entrepreneurial ventures.

**Figure 2.2.** Entrepreneurial intentions in Turkey and OECD Countries (2021)



Source: GEM APS 2021

**Figure 2.3.** Entrepreneurial intentions in Turkey and BRICS Countries (2021)



Source: GEM APS 2021

**CHAPTER**

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**3**

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**TURKISH  
ENTREPRENEURIAL  
ACTIVITY THROUGH  
THE PHASES OF  
BUSINESS**

Entrepreneurial activity should be considered a continuous process rather than a single occurrence. GEM measures individual participation in the different stages of entrepreneurial activity. Hence, these stages are classified as nascent entrepreneurs setting up a business (the first three months), entrepreneurs who own and manage a new business (3 months to 3.5 years), and entrepreneurs who own and manage an established business. (any business that is older than 3.5 years). The process could end with the discontinuation of the business. This section will analyse Turkey's entrepreneurial activity through the phases of business pre- and post-pandemic (i.e. 2018 and 2021). Turkey will also be compared to OECD and BRICS countries according to the following stages.

### **3.1. NASCENT ENTREPRENEURS**

Nascent entrepreneurs include all those who, on their own or with others, are seeking to set up a new firm or start a new business and have not paid any salaries or wages for more than three months. These entrepreneurs are by far the most vulnerable and need favourable conditions. The rate of nascent entrepreneurs has increased after COVID-19 significantly, which was moved from 7,4% in 2018 to 10,8% in 2021 (Table 3.1). From a global perspective, this rate stands higher than the OECD average (6,1%), which places Turkey at 1st rank out of 25 participating OECD countries (Table 3.2). Among the BRICS countries, the rate of nascent entrepreneurs in Turkey is on a par with Brazil (10,2%); however, it is higher than India (7,2%) and Russia (3,7%).

**Table 3.1.** Levels of Entrepreneurial Activity in Turkey Before and After COVID-19 (%)

Phases Of Entrepreneurship in Adult Population (%)	Before Covid-19 2018	After Covid-19 2021
Nascent Entrepreneurship Rate	7,4	10,8
New Business Ownership Rate	7,1	5,4
Total early-stage Entrepreneurial Activity (TEA)	14,2	15,7
Established Business Ownership (EBO)	8,7	11,0
Business Exit Rate	5,2	8,0

**Source:** GEM APS 2021

### 3.2. THE NEW BUSINESS OWNERSHIP RATE

The new business ownership rate measures the percentage of entrepreneurs who own or manage a new business younger than 3.5 years. Unlike the nascent entrepreneurship rate, it decreased after COVID-19 in 2021, moving from 7,1% in 2018 to 5,4% (Table 3.1).

One possible explanation is the failure of many entrepreneurs because of the pandemic. Hence, the suppressed demand, disruption in labour, the energy market, production and supply chain bottlenecks, and shipping and transportation constraints have affected the new business’s survival.

### 3.3. TOTAL EARLY-STAGE ENTREPRENEURIAL ACTIVITY (TEA)

**One in six people living in Turkey are early-stage entrepreneurs**

Total early-stage entrepreneurial activity (TEA) combines nascent entrepreneurs and new entrepreneurs. Turkey’s total early-stage entrepreneurial activity rate increased from pre-COVID-19 time (2018) to after COVID-19 in 2021, moving from 14,2% to 15,7% (Table 3.1). The TEA

increase is due to a significant increase in the nascent entrepreneurship rate even though the new business rate drops.

The TEA rate of Turkey (15.7%) stands higher than the OECD average (9,6%), which ranks Turkey at 4th out of 25 participating OECD countries (Table 3.2). However, this rate in Turkey (15.7%) has been lower in comparison with BRICS countries Brazil (21%) and South Africa (17,5%) because of the transition from the nascent entrepreneurs' rate to the new business ownership rate is lower compared to two BRICS countries.

### **3.4. ESTABLISHED BUSINESS OWNERSHIP RATE (EBO)**

In addition to those individuals currently involved in the early stages of a business, many individuals have set up businesses that they have continued to own and manage for a more extended period. These individuals are included in the established business owner index, which captures the percentage of individuals in a population that have set up businesses that they have continued to own and manage and have paid wages or salaries for more than 42 months.

**Table 3.2.** Phases of Entrepreneurship in Adult Population (%)

OECD Countries									
Nascent Entrepreneurship Rate		New Business Ownership Rate		Total early-stage Entrepreneurial Activity (TEA)		Established Business Ownership (EBO)		Exit rate	
Chile	20,4	Canada	11,1	Chile	29,9	Greece	14,7	Canada	11,6
<b>Turkey</b>	<b>10,8</b>	Chile	10,3	Canada	20,1	Poland	11,1	Chile	9,0
USA	10,7	USA	6,0	USA	16,5	<b>Turkey</b>	<b>11,0</b>	<b>Turkey</b>	<b>8,0</b>
Canada	10,2	Latvia	6,0	Colombia	15,7	Latvia	9,9	Ireland	7,0
Colombia	10,1	Colombia	5,9	<b>Turkey</b>	<b>15,7</b>	Finland	8,9	Colombia	6,6
Latvia	9,6	<b>Turkey</b>	<b>5,4</b>	Latvia	15,1	USA	8,9	USA	6,4
Netherlands	9,3	Netherlands	5,2	Netherlands	14,2	Slovenia	8,5	Netherlands	5,9
UK	8,9	Ireland	4,9	UK	12,6	Hungary	8,4	Israel	4,5
Ireland	8,1	Hungary	4,9	Ireland	12,5	Canada	8,2	Poland	4,5
Switzerland	6,6	UK	3,9	Switzerland	9,8	Spain	7,2	Luxembourg	4,1
Israel	6,1	Israel	3,6	Hungary	9,8	Chile	7,1	Slovakia	3,6
Sweden	6,1	Slovenia	3,4	Israel	9,6	Switzerland	7,1	Sweden	3,6
France	5,9	Switzerland	3,3	Sweden	9,0	Ireland	6,9	Germany	3,3
Luxembourg	5,5	Finland	3,1	Finland	7,9	Slovakia	6,5	Latvia	3,1
Hungary	5,3	Sweden	3,1	France	7,7	Netherlands	6,4	Slovenia	3,0
Finland	5,0	Germany	2,7	Luxembourg	7,3	UK	5,3	Switzerland	2,9
Germany	4,3	Spain	2,7	Germany	6,9	Germany	5,0	UK	2,7
Slovakia	4,2	Japan	2,5	Slovenia	6,7	Japan	4,8	France	2,6
Japan	3,9	Italy	2,5	Slovakia	6,4	Italy	4,5	Spain	2,2
Slovenia	3,4	Greece	2,4	Japan	6,3	Sweden	4,3	Hungary	2,2
Greece	3,2	Luxembourg	2,3	Greece	5,5	Luxembourg	3,6	Greece	2,0
Spain	3,0	Slovakia	2,2	Spain	5,5	France	3,6	Finland	1,9
Italy	2,4	France	2,0	Italy	4,8	Norway	3,5	Japan	1,6
Norway	2,0	Norway	1,1	Norway	3,1	Israel	3,3	Italy	1,3
Poland	1,1	Poland	0,9	Poland	2,0	Colombia	1,8	Norway	0,9
<b>OECD Average</b>	<b>6,6</b>	<b>OECD Average</b>	<b>3,8</b>	<b>OECD Average</b>	<b>9,6</b>	<b>OECD Average</b>	<b>6,5</b>	<b>OECD Average</b>	<b>4,2</b>
BRICS Countries									
Nascent Entrepreneurship Rate		New Business Ownership Rate		Total early-stage Entrepreneurial Activity (TEA)		Established Business Ownership (EBO)		Exit rate	
South Africa	10,5	Brazil	11,1	Brazil	21,0	Brazil	10,0	South Africa	13,9
Brazil	10,2	South Africa	7,3	South Africa	17,5	India	8,5	Brazil	11,3
India	7,2	India	7,1	India	14,4	South Africa	5,2	India	7,9
Russia	3,7	Russia	4,7	Russia	8,3	Russia	3,4	Russia	3,9
<b>BRICS Average</b>	<b>7,9</b>	<b>BRICS Average</b>	<b>7,6</b>	<b>BRICS Average</b>	<b>15,3</b>	<b>BRICS Average</b>	<b>6,8</b>	<b>BRICS Average</b>	<b>9,3</b>
<b>Global Average</b>	<b>8,3</b>	<b>Global Average</b>	<b>5,5</b>	<b>Global Average</b>	<b>13,5</b>	<b>Global Average</b>	<b>6,8</b>	<b>Global Average</b>	<b>6,5</b>

Source: GEM APS 2021



Compared to pre-COVID-19, the year 2018, Turkey's established business ownership rate has increased from 8,7% to 11% in 2021. This higher rate of EBO means many new businesses have survived beyond the nascent and new business phases and indicates the sustainability of entrepreneurship in the Turkish economy. From a global perspective, this rate stands higher than the OECD average (6,8%) and higher than the BRICS countries average, placing Turkey at 3rd rank out of 25 participating OECD countries and 1st among the BRICS countries (Table 3.2).

### **3.5. ENTREPRENEURIAL EXIT**

Entrepreneurial activity should be assessed not only by the number of new entries into the market but also by the number of those exiting the market. Hence, the GEM tracks the number of individuals who have sold or closed their businesses in the last 12 months. The total number selling and closing their businesses is considered an exit rate. In 2021, 8% of the Turkish adult population experienced an entrepreneurial exit is higher than the rate in 2018 (with an exit rate of 5,2%). Hence, there has been a significant increase in the exit rate after COVID-19. One possible explanation is the failure of many entrepreneurs in the nascent stage during COVID-19 to launch their start-ups successfully.

From a global perspective, the discontinuation rate of Turkey (8%) is two times higher than the OECD average (4%), which places Turkey at 3rd rank out of 25 participating OECD countries. Among the BRICS countries, the discontinuation rate of Turkey (8%) is on a par with India (7,9%); however, it is lower than Brazil (11,3%) and higher than Russia (3,9%). (The reasons for discontinuation will be discussed in Chapter 4).

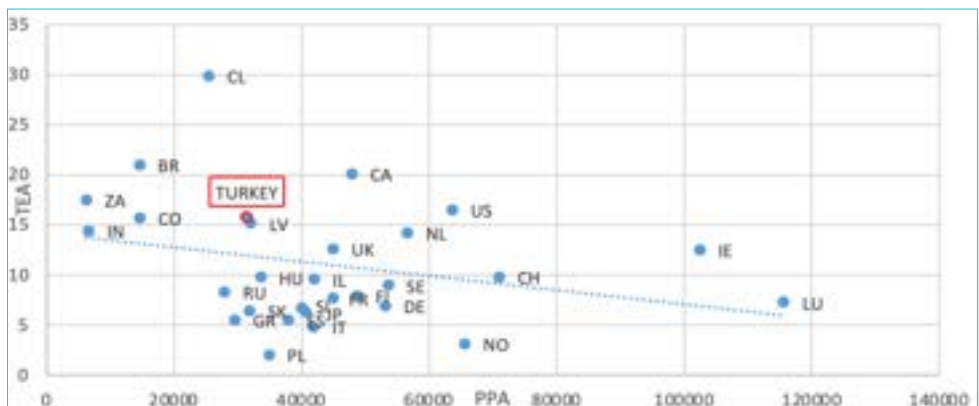
### **3.6. ENTREPRENEURIAL ACTIVITY AND INCOME LEVELS**

From the global perspective, the total entrepreneurial activity of BRICS countries and Turkey's average stands higher than the OECD average.

The total entrepreneurial activity (TEA) of Turkey (15,7%) stands higher than the OECD average (9,6%). Turkey was placed at 4th rank out of 25 participating OECD countries and 3 th among the BRICS countries.

There is a complex relationship that exists between income and entrepreneurial activity. Figure 3.1 plots the total entrepreneurial activity (TEA) level in each economy against the gross domestic product (GDP) per capita level in that economy. On the graph, Chile (middle-income economy) has the highest tea with 29,9%, followed by Brazil from low-income countries with 21 per cent. Canada is from a high-income group with a 20 per cent TEA rate; South Africa (a low-income economy) and the US (a high-income economy) have very close TEA rates with around 17 per cent. Many OECD countries have Power Purchasing Parity levels (PPPs) with 32 000 \$ and above that are under the TEA rate of Turkey (15,7%). It would appear that there is a weakly inverse relationship between the two variables, with higher income levels being associated with lower TEA levels.

**Figure 3.1.** TEA (Early-Stage Entrepreneurial Activity) Rate and GDP per capita, 2021



**Note:** GDP per capita, in Power Purchasing Parity levels are taken from the IMF’s World Economic Outlook Database (2021).

**Country Code:** CL-Chile / ZA-South Africa / TR-Turkey / NL-Netherlands / CH-Switzerland / SE-Sweden / FR-France / SI-Slovenia / GR-Greece / NO-Norway / BR-Brazil / US-Unt.States / LV-Latvia / UK-Unt.Kingdom / HU-Hungary / RU-Russia / LU-Luxembourg / SK-Slovakia / ES-Spain / PL-Poland / CA-Canada / CO-Colombia / IN-India / IE-Ireland / IL-Israel / FI-Finland / DE-Germany / JP-Japan / IT-Italy

The motivations for starting a business might be crucial to explain the level of entrepreneurial activity among the countries. Generally, low and medium economies may have high entrepreneurial activity rates due to a lack of formal employment opportunities and a need to create income through self-employment. On the other hand, high-income countries have more and better career opportunities and strengthen social security safety nets such as unemployment and welfare benefits, resulting in fewer necessity-driven motivations to start a business.

In high-income economies, entrepreneurs are primarily driven by identifying and exploiting market opportunities. They often have access to resources, networks, and educational opportunities that enable them to pursue entrepreneurial ventures. Entrepreneurs focus on innovation, creating new products or services, and aiming for growth and scalability. They are more likely to engage in high-growth ventures and pursue entrepreneurial activities to achieve personal and financial success. On the other hand, entrepreneurs typically focus on establishing microenterprises or self-employment activities to meet immediate needs. Due to limited resources and market constraints, these ventures often lack growth and scalability prospects.

Overall, while there is a general correlation between wealth and entrepreneurial activity, other factors, such as cultural attitudes towards entrepreneurship and the availability of resources and support, also play a role in determining the level of entrepreneurial activity in an economy. The reasons for starting a business will be discussed in the next section.

## CHAPTER

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# 4

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## WHY START/STOP A BUSINESS IN TURKEY?

## 4.1. WHY START A BUSINESS IN TURKEY?

There are many reasons for starting a business. The GEM Project specifies four motivations for starting a business and then asks those already starting or running a new business whether they agree or disagree with each motivation. The four selected motivations are:

- **To make a difference in the world;**
- **To build great wealth or very high income;**
- **To continue a family tradition;**
- **To earn a living because jobs are scarce.**

Table 4.1 shows the percentage of those starting or running a new business in Turkey that agree with the four motivations. The most cited motivation to get involved in entrepreneurial activities in Turkey was to earn a living because jobs are scarce (55%). This shows that the highest level of motivation in early-stage Turkish entrepreneurship was necessity-driven. This figure is very similar to the OECD average. Compared with BRICS countries, this figure is much lower in Turkey than in Brazil (76,8%), India (91,5%), Russia (68,9%), and South Africa (84,7%).

The second most popular motivation was to continue a family tradition (41,7%). This figure is higher than the OECD average of 27%, placing Turkey at the 3rd rank out of 25 participating countries and higher than the global average of 30,84%. Hence, the family culture (traditions, habits, practices, and values) is a prevalent motivation for Turkish people to start their businesses. Among BRICS countries, this motive in India (74,3%) and South Africa (63,2%) is more significant than Turkey's result. However, in Russia, "To continue a family tradition is not so vital, with the proportion of entrepreneurs agreeing with this motive at just 20% compared to Turkey (41,7%).

The third motivation for early-stage entrepreneurial activity in Turkey was to build significant wealth or a very high income (39,9%). According to the GEM, people having this motivation are called opportunity-driven entrepreneurs who start their businesses because of oppor-

tunities in the market, not because of necessities. This proportion of opportunity entrepreneurs (39,9%) in Turkey is lower than the OECD average of 48,2%, countries with the GEM global average of 58,9%, and BRICS countries with an average of 69,6%. This motive is highest in three economies: they are Israel 74,9%, the United States (74,1%) and Canada (68,4%). The opportunity-driven entrepreneurship is crucial for the Turkish economy to become an innovation-driven economy.

**Table 4.1.** The motivation of early-stage entrepreneurs (%)

OECD countries	To make a difference in the world	To build great wealth or a very high income	To continue a family tradition	To earn a living because jobs are scarce
Canada	70,4	68,4	50,0	70,7
Chile	56,6	53,5	33,6	73,9
Colombia	64,6	64,3	43,6	78,8
Finland	40,1	33,4	24,3	47,9
France	25,8	39,4	22,9	51,2
Germany	39,4	43,7	24,2	40,9
Greece	29,9	50,4	39,7	63,2
Hungary	61,7	32,5	21,0	66,8
Ireland	57,8	59,0	29,0	56,0
Israel	36,9	74,9	15,0	49,8
Italy	21,5	53,4	22,8	61,4
Japan	37,3	42,1	31,9	40,1
Latvia	36,9	37,1	24,2	65,3
Luxembourg	56,9	38,6	27,7	32,9
Netherlands	52,7	41,8	24,5	44,1
Norway	39,2	37,4	23,0	26,5
Poland	16,0	62,5	12,5	53,4
Slovakia	18,7	22,1	25,8	89,8
Slovenia	61,8	42,6	27,4	63,8
Spain	43,2	38,0	19,7	72,4
Sweden	45,3	55,0	20,6	28,0
Switzerland	57,9	51,5	14,1	46,8
<b>Turkey</b>	<b>34,3</b>	<b>39,9</b>	<b>41,7</b>	<b>55,0</b>
United Kingdom	53,0	55,2	21,7	63,8
United States	71,2	74,1	41,5	45,8
<b>OECD Average</b>	<b>45,2</b>	<b>48,4</b>	<b>27,3</b>	<b>55,5</b>
BRICS Countries	To make a difference in the world	To build great wealth or a very high income	To continue a family tradition	To earn a living because jobs are scarce
Brazil	75,7	56,5	32,0	76,8
India	75,9	73,4	74,3	91,5
Russia	27,6	65,3	20,8	68,9
South Africa	81,4	83,3	63,2	84,7
<b>BRICS Average</b>	<b>65,2</b>	<b>69,6</b>	<b>47,6</b>	<b>80,5</b>
<b>Global Average</b>	<b>46,9</b>	<b>58,8</b>	<b>30,8</b>	<b>63,9</b>

**Note:** Respondents can indicate on a five-point Likert scale to which extent these motivations apply to them. The percentages reported in this table are determined by the share of respondents that replies ‘agree’ or ‘strongly agree’ to these motivations.

**Source:** GEM APS 2021

Finally, making a difference in the world was the least observed motivation, with only (34,3%) of respondents who agreed that it is their motivation to start a new business. One in three early-stage entrepreneurs in Turkey cited making a difference in the world as their motivation to start a business. This figure is lower than the GEM global average of 46,9%, in the OECD countries with an average of 45,2%, and BRICS countries with an average of 65,2%, respectively. Turkish entrepreneurs' motivation has less potential impact on a national and international scale, implying that their potential implications appear domestic compared to other entrepreneurs worldwide.

Overall, the most motivational reasons for early-stage entrepreneurial activity in Turkey are necessity driven and continue to be family-driven. The least motivational reasons are opportunity-driven and socially-driven entrepreneurial activity.

## **4.2. WHY STOP A BUSINESS IN TURKEY?**

Exits from businesses are a crucial component of a dynamic entrepreneurial economy. There are various reasons, some of which are positive and some negative. The negative reasons to exit might be insufficient sales or profitability, the burden of taxation or bureaucracy, the failure to access resources, including finance, or some change in personal circumstances. The coronavirus pandemic must be added to those negative reasons. The pandemic may have hit business not profitable directly because of illness, lockdowns or other disruptions or indirectly through its impacts on markets and supply chains. But there are also positive reasons to exit a business, including the chance to sell the business at an advantageous price, the attraction of a good or secure job, or some other business opportunity and retirement.

Respondents in the GEM Adult Population survey (APS) who had exited a business as owner/manager in the last 12 months were asked to



choose the most important from a list of reasons or to provide their own. These are summarized in Table 4.2.

Before the pandemic in 2018, the most common reasons for business discontinuance in Turkey were financial problems (34,8%), the business was not profitable (27.6%), and family or personal reasons (17,5%). When 2021 came, the “problem getting finance” remained the main reason for exiting the market. In 2018 and 2021, about 35% of respondents cited this as the main reason to exit in each year. Indeed, both before and after the COVID-19 pandemic, financial difficulty has always been a vital issue for entrepreneurs in Turkey. This figure is remarkably higher than the GEM global average of 9%, countries in the OECD with an average of 8,1%, and BRICS countries with an average of 15% in 2021.

**Table 4.2.** Reasons for business discontinuance in Turkey in 2018 and 2021 (%)

Reasons for exits		2018	2021
Positive reasons for exit	Opportunity to sell	2,8	0,5
	Another job or business opportunity	9,1	3,3
	Exit was planned in advance	1,1	2,6
	Retirement	4,3	2,2
Negative reasons for exit	Problems getting finance	34,8	35,3
	Business not profitable	27,6	12,8
	Family or personal reasons	17,5	12,7
	Government/tax policy/bureaucracy	2,9	0,6
	Incident	0,1	2,9
	The coronavirus pandemic	N/A	27,3

**Source:** GEM APS 2021

Attracting additional financing and problems securing finance has been essential for the viability of businesses in Turkey. The businesses in Turkey are more likely to discontinue because of financing issues than the global average.

In 2021, Turkey's second most common reason for business discontinuance was the COVID-19 pandemic (27,28% of projects have been stopped) and its effect with a considerably close rate to the global average of 26,2%. The impact of the Covid-19 pandemic on OECD countries (23,7% of businesses have been stopped) is relatively lower but higher in BRICS countries (33,1 of businesses have been stopped) compared to Turkey.

The businesses discontinued in 2018 due to non-profitability, with a rate of 27.6% decreased significantly to 12.8% in 2021. The vast decrease can be recognized as the replacement of the COVID-19 in 2021. However, this figure for non-profitability, with an average of 12.8%, is relatively lower than OECD countries, the global average and BRICS countries, with average rates of 20,6%, 23,5%, and 21,2%, respectively. In Turkey, the decision to discontinue a business was not primarily the result of problems encountered by entrepreneurs during a business's operation.

In Turkey, the decision to discontinue a business mainly resulted from negative problems encountered by entrepreneurs during a business's operation rather than the positive reason for the exit. Understanding the predominantly negative reasons for business discontinuation is essential for entrepreneurship. It may help policymakers deal with problems that entrepreneurs face to achieve entrepreneurial sustainability.

**Table 4.3.** Comparative position of Turkey - reasons for business discontinuance (%)

Reasons for exits		Turkey 2021	OECD Average	Global Average	BRICS Average
Positive reasons for exit	Opportunity to sell	0,5	5,8	4,8	6,4
	Another job or business opportunity	3,3	10,6	8,3	5,3
	Exit was planned in advance	2,6	4,6	3,1	2,0
	Retirement	2,2	5,3	3,9	1,2
Negative reasons for exit	Problems getting finance	35,3	8,1	9,8	15,0
	Business not profitable	12,8	20,6	23,5	21,2
	Family or personal reasons	12,7	13,1	13,2	8,9
	Government/tax policy/bureaucracy	0,6	5,6	4,7	5,7
	Incident	2,9	2,8	2,5	2,9
	The coronavirus pandemic	27,3	23,7	26,2	31,3

**Source:** GEM APS 2021

**CHAPTER**

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**5**

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**EFFECTS OF THE  
COVID-19 PANDEMIC**

Coronavirus (COVID-19) caused a global pandemic in late 2019, affecting public health worldwide. Governments have used city lockdowns, movement bans and social distancing due to the COVID-19 pandemic. Thus, the COVID-19 pandemic has posed significantly unexpected social and economic challenges. As a result, in the coming years, individuals' behaviour, institutional work structure, and models of entrepreneurial ventures have started changing. Therefore, entrepreneurs will have new functions, increasing the innovation and entrepreneurial ecosystem (Ratten, 2021). To better understand how people and entrepreneurs are responding to the COVID-19 pandemic, GEM gathered information about the pandemic's influence on the start, development, and nurture of businesses and other relevant factors. In this section, the effects of the Covid -19 Pandemic on household income, difficulties in starting a business, growth expectations, new opportunities for the new business, government effectiveness and use of digital technologies for selling your product or service will be analysed.

## **5.1. HOUSEHOLD INCOME**

The loss of household income was the pandemic's most noticeable and traceable economic impact. In this regard, one of the 2021 Adult Population Survey questions was about a decrease in the respondents' household income due to the pandemic. Figure 5.1 shows the impact of the coronavirus pandemic on the household income of the adult population involved and not involved in entrepreneurial activities in Turkey. In 2021, 54,48% of Turkish people reported losing their household income due to the pandemic. On the other hand, in Turkey's adults involved and not involved in entrepreneurial activities in terms of loss of income, more entrepreneurs (57,8%) than non-entrepreneurs (53,5%) reported that their household incomes decreased.

**Figure 5.1.** Impact of the coronavirus pandemic on household income (%)



**Source:** GEM APS 2021

Figure 5.2 shows the differences among the entrepreneurs in the different stages of entrepreneurial activities in terms of loss of income. Across the entrepreneurial process, entrepreneurs running a new business appeared as the most affected group - 67,2% reported a decrease in household income, against 56.4% of nascent entrepreneurs and 57,5% of entrepreneurs running an established business. Since these entrepreneurs running a baby business, by definition, have been operating in the market for the last 3.5 years at the most affected by Covid-19.

**Figure 5.2.** Effect of the COVID-19 pandemic on household income across the different entrepreneurial process (%)



**Source:** GEM APS 2021

## 5.2. DIFFICULTIES FOR STARTING A BUSINESS

From mid-March and mid-June 2020, the Turkish government had to declare a nationwide shutdown. After that, all publicly accessible places and businesses had protective concepts in the area, and cultural and other events remained banned. From mid-June to mid-July 2021, the APS survey was conducted. People involved in entrepreneurial activities were asked whether starting a business was much more difficult than one year ago. Table 5.1 demonstrates that In 2021, 62.4% of early entrepreneurs (TEA ) said it was more challenging to start a business than the previous year. This figure is higher than the OECD average of 39,1%, placing Turkey at the 2nd rank out of 25 participating countries and higher than the global average of 30,8%. Among BRICS countries, this proportion is also higher than Brazil (60,9%), South Africa (59,2%) and Russia (49,6%), except for India (86,8%). Globally, a higher proportion of entrepreneurs in Turkey thought that starting a new business was much more complicated than the previous year because of the pandemic.

**Table 5.1.** Effect of COVID-19 pandemic on the perception to start a business, 2021 (%)

OECD Countries	Early entrepreneur: starting a business (much more) difficult
Chile	66,7
<b>Turkey</b>	<b>62,4</b>
Colombia	58,4
Slovakia	57,5
Canada	52,8
Ireland	51,8
Japan	49,1
Spain	48,5
Italy	47,0
Poland	41,9
Greece	41,1
Israel	40,9
Germany	39,0
Luxembourg	38,8
United Kingdom	35,7
United States	35,4
France	35,2
Hungary	33,9
Netherlands	31,7
Switzerland	30,6
Slovenia	23,0
Sweden	18,6
Norway	14,5
Finland	13,3
Latvia	9,8
<b>OECD Average</b>	<b>39,1</b>
BRICS Countries	Early entrepreneur: starting a business (much more) difficult
India	86,8
Brazil	60,9
South Africa	59,2
Russia	49,6
<b>BRICS Average</b>	<b>64,1</b>
<b>Global Average</b>	<b>46,0</b>

Source: GEM APS 2021



### 5.3. GROWTH EXPECTATIONS

Entrepreneurs were asked to provide their expectations for business growth compared to the situation experienced one year ago. Table 5.2 shows the percentage of early-stage and established business entrepreneurs who estimated their growth expectation as either much lower or somewhat lower due to the Covid-19 pandemic.

Turkish entrepreneurs running established businesses demonstrated a more pessimistic view of future growth than early-stage entrepreneurs. Generally, a similar case is valid in most countries. This figure for early entrepreneurs (51,1%) and owner-manager established firms (EB) (56,3%) is higher in Turkey than the OECD average of 28,6% for early entrepreneurs and the OECD average of 34,5% for EB and higher than the global average for the entrepreneurs who are in the different stage of entrepreneurial activities.

Among BRICS countries, the proportions for entrepreneurs in the different stages of entrepreneurial activities (early entrepreneurs and owner-manager established firms) regarding lower expectations in Turkey are also higher than in Brazil, South Africa and Russia, except for India. Turkey is strongly affected by the pandemic since the proportion of entrepreneurs in terms of growth expectation in Turkey is considerably higher than the average of OECD, BRICS countries and the global average.

**Table 5.2.** Effect of the COVID-19 pandemic on the growth expectations for business growth in 2021 (%)

OECD Countries	Early entrepreneur (TEA)	OECD Countries	Owner-manager established firm (EB)
Poland	57,3	Poland	60,2
<b>Turkey</b>	<b>51,1</b>	<b>Turkey</b>	<b>56,3</b>
Germany	37,3	Japan	46,6
Colombia	36,7	Chile	46,3
Canada	36,3	Luxembourg	45,8
Ireland	34,3	Greece	43,1
Spain	34,1	Colombia	41,7
Luxembourg	33,9	Spain	36,3
Greece	33,2	Switzerland	35,0
Japan	32,5	Ireland	34,2
Slovakia	31,9	Canada	34,0
Chile	31,7	United Kingdom	34,0
France	26,2	Germany	33,0
Latvia	24,9	France	32,3
United States	24,8	Slovenia	30,8
United Kingdom	24,6	Israel	30,8
Sweden	24,4	Italy	30,3
Switzerland	22,8	Netherlands	29,1
Netherlands	22,5	United States	28,2
Italy	18,6	Sweden	28,1
Hungary	16,6	Slovakia	27,4
Slovenia	16,4	Hungary	27,4
Finland	16,2	Finland	26,5
Israel	14,8	Latvia	17,2
Norway	11,2	Norway	8,8
<b>OECD Average</b>	<b>28,6</b>	<b>OECD Average</b>	<b>34,5</b>
BRICS Countries	Early entrepreneur (TEA)	BRICS Countries	Owner-manager established firm (EB)
India	80,9	India	76,6
Russia	37,9	Russia	53,3
South Africa	34,7	Brazil	41,0
Brazil	33,1	South Africa	29,4
<b>BRICS Average</b>	<b>46,6</b>	<b>BRICS Average</b>	<b>50,1</b>
<b>Global Average</b>	<b>35,6</b>	<b>Global Average</b>	<b>39,4</b>

Source: GEM APS 2021

## 5.4. NEW OPPORTUNITIES FOR THE BUSINESS

In 2021, early-stage entrepreneurs and the owner or managers of established businesses in Turkey were asked, “The coronavirus pandemic has provided new opportunities that you want to pursue with this business”. The result of this question is illustrated in Table 5.3. Entrepreneurs of all stages are cautious regarding entrepreneurs’ opinions of new opportunities they desire to pursue during the epidemic. Only 33,2% of early-stage entrepreneurs report identifying new business opportunities because of the pandemic. This figure is lower than the OECD average of 43%, placing Turkey the 19th out of 25 participating countries and lower than the global average of 39,1%. A higher percentage of entrepreneurs in the BRICS countries, except for Russia, compared to Turkish entrepreneurs, are looking for ways to turn the epidemic into something positive despite its adverse effects.

The established businesses likely took advantage of these opportunities, as 39.4% felt that the epidemic offered prospects they wanted to engage in Turkey. Globally, this figure is higher than the OECD average (30,7%), placing Turkey at 9th out of 25 participating OECD countries and the global average of 31,8%. However, compared with BRICS countries, the rate of entrepreneurs who own and manage established businesses who want to turn the pandemic into an opportunity in Turkey is lower than the average in BRICS countries (45,9%), except Russia (11,4%). Concerning perceptions of new opportunities entrepreneurs wanted to pursue occurring during the pandemic, early-stage entrepreneurs are more sceptical than the owner or managers of established businesses in Turkey. The epidemic has created enormous commercial uncertainty, altered consumer behaviour, and disrupted supply networks. Early-stage entrepreneurs may be more hesitant to enter highly volatile and unpredictable markets. They may choose to wait for more stability and clarity before taking on new challenges. They may be more concerned with maintaining operations and dealing with present issues than with taking on additional risks connected with seeking new prospects. This survival mind-set may make individuals wary of diverting their limited resources and attention to new projects.

**Table 5.3.** Effect of the COVID-19 pandemic on perception of opportunities, 2021 (%)

Country	Early-stage entrepreneur	Country	Owner-manager established firm
Canada	67,1	Ireland	52,6
Chile	65,5	Chile	45,0
Ireland	60,5	Colombia	44,3
Netherlands	57,4	Canada	41,9
United Kingdom	57,4	Netherlands	41,7
Colombia	55,9	Norway	41,7
United States	52,6	Switzerland	40,3
Israel	50,0	United States	40,1
Luxembourg	46,8	<b>Turkey</b>	<b>38,1</b>
Italy	46,3	United Kingdom	38,0
Slovakia	45,1	Slovenia	31,5
Slovenia	44,9	Germany	30,9
Spain	40,8	France	30,9
France	39,9	Luxembourg	30,7
Sweden	38,6	Sweden	26,1
Switzerland	36,6	Israel	25,9
Germany	36,5	Spain	24,5
Latvia	35,0	Italy	23,4
<b>Turkey</b>	<b>33,2</b>	Finland	22,4
Norway	30,5	Poland	21,6
Greece	28,9	Japan	17,4
Finland	28,8	Latvia	17,2
Japan	28,0	Greece	14,9
Poland	24,8	Slovakia	13,4
Hungary	23,4	Hungary	11,9
<b>OECD Average</b>	<b>43,0</b>	<b>OECD Average</b>	<b>30,7</b>
BRICS Countries	Early-stage entrepreneur	BRICS Countries	Owner-manager established firm
India	77,6	India	68,2
Brazil	53,6	South Africa	54,2
South Africa	48,9	Brazil	49,7
Russia	21,0	Russia	11,4
<b>BRICS Average</b>	<b>50,3</b>	<b>BRICS Average</b>	<b>45,9</b>
<b>Global Average</b>	<b>42,6</b>	<b>Global Average</b>	<b>31,8</b>

Source: GEM APS 2021

## 5.5. GOVERNMENT EFFECTIVENESS

Another question in the survey related to the pandemic was designed to assess whether or not the government had adequately dealt with the economic consequences of the pandemic as of the time of the survey.

Only 33% of early-stage entrepreneurs and 35,8% of owner-manager of established firms in Turkey believe that the government has effectively managed the economic and social effects of the crisis. About 7 out of 10 entrepreneurs in different stages of entrepreneurial activities were somewhat disappointed with how the government responded to the economic challenges in Turkey.

Globally, entrepreneurs' satisfaction with governments' response to the pandemic varies in each country. The most satisfied countries are Canada, Luxembourg, Switzerland and Norway. On the other hand, the most disappointing countries to government response are Colombia, Japan, Latvia, Poland and Slovakia. Two-thirds of entrepreneurs were somewhat dissatisfied with the government's response to economic issues, which places Turkey at the 12th and 15th for early-stage entrepreneurs and owner-manager of established firms, ranking out of 23 OECD participating countries.

**Table 5.4** Entrepreneurs' satisfaction with governments' response to the pandemic (%)

Country	Early-stage entrepreneur	Country	Owner-manager of established firm
Canada	66,2	Luxembourg	73,7
Luxembourg	58,5	Switzerland	65,5
Switzerland	56,8	Netherlands	59,1
Norway	53,1	Canada	58,3
United Kingdom	48,3	United Kingdom	55,8
Netherlands	48,0	France	53,9
Slovenia	43,8	Norway	50,1
France	42,7	United States	44,3
United States	42,4	Sweden	38,8
Sweden	41,0	Finland	37,9
Chile	37,5	Slovenia	37,3
Finland	36,2	Chile	36,6
<b>Turkey</b>	<b>33,0</b>	Greece	36,5
Israel	30,1	Israel	35,8
Greece	29,2	<b>Turkey</b>	<b>35,8</b>
Hungary	27,6	Hungary	29,2
Italy	25,7	Italy	26,0
Spain	21,1	Spain	25,2
Colombia	19,8	Colombia	24,6
Japan	19,2	Latvia	20,5
Latvia	15,7	Poland	17,8
Poland	14,5	Slovakia	15,1
Slovakia	13,2	Japan	14,2
<b>OECD Average</b>	<b>35,8</b>	<b>OECD Average</b>	<b>38,8</b>
BRICS Countries	Early-stage entrepreneur	BRICS Countries	Owner-manager of established firm
India	69,9	South Africa	55,6
South Africa	56,7	India	47,6
Russia	30,9	Brazil	39,0
Brazil	29,1	Russia	31,4
<b>BRICS Average</b>	<b>46,7</b>	<b>BRICS Average</b>	<b>43,4</b>
<b>Global Average</b>	<b>37,8</b>	<b>Global Average</b>	<b>40,7</b>

Source: GEM APS 2021

## 5.6 USE OF DIGITAL TECHNOLOGIES FOR SELLING YOUR PRODUCT OR SERVICE

Most people would concur that since the pandemic, the business environment has changed and that using digital technology to sell goods and services is critical to taking advantage of the new opportunities resulting from the pandemic.

Table 5.5 compares early-stage and established entrepreneurs' views on the pandemic's impact on the use of digital technologies. Because of the pandemic, 37% of Turkish early-stage enterprises started or increased the use of digital technologies to sell products and services. The pandemic did not affect 66% of businesses this way. 23% of businesses planned to use digital technologies before the coronavirus pandemic, and 41% said they could run without digital technologies.

When it comes to established enterprises, 13% of them indicated that they had invested in digitalization, 17% increased the use of digitalization because of the pandemic, 30% had included the enterprise's digitalization in their plans prior to the pandemic, and 40% believed that their businesses did not need to implement digital solutions.

Comparing the data for young and established enterprises leads to the conclusion that young (TEA) entrepreneurs had more businesses using new digital technologies due to the pandemic than established entrepreneurs. On the contrary, a higher percentage of established entrepreneurs than the early phase entrepreneurs had the digital technology capabilities to sell products and services before the pandemic.

**Table 5.5.** Comparison of early-stage (TEA) and established entrepreneurs (EB)' views on the pandemic's impact on the use of digital technologies (DT) (%)

In response to the coronavirus pandemic, is your business making use of digital technologies for selling your product?	TEA	EB
Digitalization after Covid: Yes, adopted digital technologies in response to the coronavirus pandemic	18	13
Digitalization after Covid: Yes, enhanced the initial plans you had with new or improved digital technologies	19	17
Digitalization before Covid: No, already planned a range of digital technologies before the coronavirus pandemic	23	30
Business can function without digital technologies	41	40

**Source:** GEM APS 2021

During and before the pandemic, Turkish businesses were less likely than average OECD businesses to use or increase their use of digital technologies in their sales processes (Table 5.6). At the same time, the entrepreneurs in Turkey were much more likely to think their business did not need digitalization comparing entrepreneurs in OECD countries. When we compare the BRICS countries with Turkey, it is seen as closer to the average of the BRICS countries in digitalization. This is only partially explained by a country's level of wealth, as the highest percentage of businesses claiming they have no such need can be found in the BRICS countries. Alternatively, business owners in BRICS countries may lack awareness of the benefits of such technologies and have insufficient knowledge and skills to implement them efficiently.



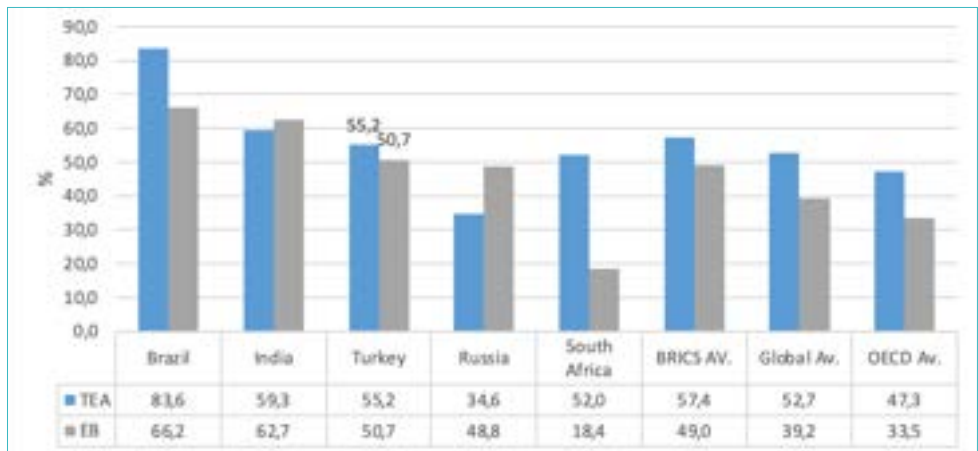
**Table 5.6.** Comparison of early-stage (TEA) and established entrepreneurs (EB)' views on the pandemic's impact on the use of digital technologies (DT) in OECD and BRICS countries (%)

OECD Countries	Digitalization After Covid	OECD Countries	Digitalization Before Covid	OECD Countries	Business can function without DT
Canada	61,8	Sweden	50,6	Poland	65,4
Greece	58,6	Latvia	45,8	Slovakia	58,1
U.K.	55,9	Finland	40,1	Norway	44,9
Ireland	55,6	Switzerland	39,8	Hungary	44,3
Colombia	54,5	Slovenia	39,0	<b>Turkey</b>	<b>41,0</b>
Israel	53,3	Luxembourg	37,9	Finland	39,9
Luxembourg	49,0	Japan	37,7	Slovenia	35,2
Spain	48,7	France	35,6	U.S	32,5
Italy	46,3	Spain	34,4	Japan	30,7
Germany	46,0	U.S	33,1	Colombia	30,6
Netherlands	43,4	Netherlands	32,4	France	27,1
Chile	41,9	Chile	32,1	Chile	26,0
Switzerland	40,4	Germany	30,4	Italy	25,4
Latvia	37,9	Italy	28,4	Sweden	25,3
France	37,4	Hungary	27,4	Netherlands	24,2
<b>Turkey</b>	<b>36,3</b>	Norway	27,2	Germany	23,6
U.S	34,4	Canada	24,8	Israel	22,7
Japan	31,6	Ireland	24,0	Greece	21,0
Hungary	28,3	Israel	24,0	U.K.	20,9
Norway	27,9	U.K.	23,2	Ireland	20,4
Slovenia	25,8	<b>Turkey</b>	<b>22,7</b>	Switzerland	19,9
Slovakia	24,9	Greece	20,4	Spain	16,8
Sweden	24,1	Slovakia	17,1	Latvia	16,4
Poland	23,3	Colombia	14,9	Canada	13,5
Finland	20,0	Poland	11,3	Luxembourg	13,2
<b>OECD Average</b>	<b>40,3</b>	<b>OECD Average</b>	<b>29,3</b>	<b>OECD Average</b>	<b>28,1</b>
BRICS Countries	Digitalization After Covid	BRICS Countries	Digitalization Before Covid	BRICS Countries	Business can function without DT
South Africa	46,2	Brazil	36,8	India	52,1
Brazil	41,0	Russia	25,5	Russia	51,4
India	36,9	South Africa	11,7	South Africa	42,1
Russia	23,1	India	11,0	Brazil	22,2
<b>BRICS Average</b>	<b>36,8</b>	<b>BRICS Average</b>	<b>21,3</b>	<b>BRICS Average</b>	<b>42,0</b>
<b>Global Average</b>	<b>42,5</b>	<b>Global Average</b>	<b>24,3</b>	<b>Global Average</b>	<b>33,3</b>

Source: GEM APS 2021

Figure 5.3 shows the early-stage and established entrepreneurs' plans for digitalization in the next six months. 55,2% of young Turkish enterprises and only 50,7% of established enterprises answered positively. These results are higher compared to the OECD average. In contrast, Turkey's situation resembles the BRICS country's average. However, the variation is high among the BRICS countries; 83,6% of Brazilian enterprises plan to digitalize in the next 6 months; on the other hand, this rate is 34,6 for Russian enterprises. In all the comparison countries, early-stage entrepreneurs answered 'yes' more often than established entrepreneurs, except Russia.

**Figure 5.3.** Comparison of early-stage and established entrepreneurs' views on their expectations of using digital technologies in next six months (%)



**Source:** GEM APS 2021

**TEA:** Early-stage entrepreneurs, are currently active in running a business that has paid salaries or wages less than forty-two months.

**EB:** Established entrepreneurs who have set up businesses that they have continued to own and manage and which have paid wages or salaries for more than 42 months.

## CHAPTER

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# 6

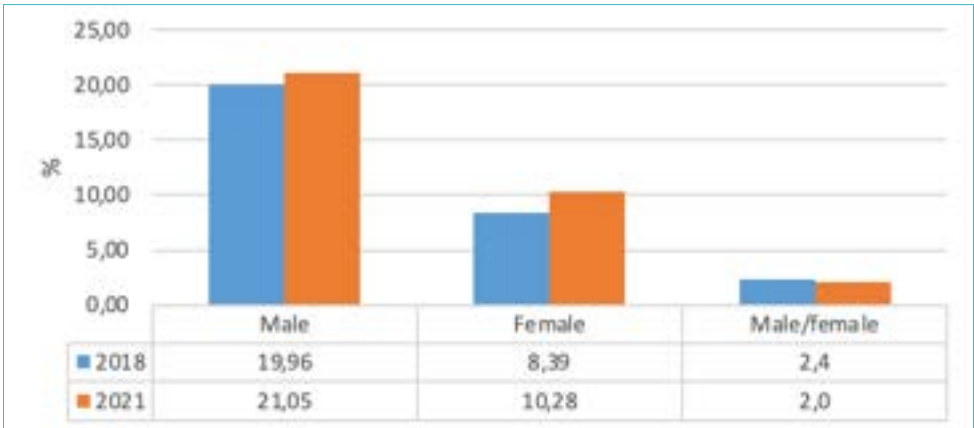
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## WOMEN ENTREPRENEURSHIP and ENTREPRENEURSHIP ACROSS AGES

## 6.1. WOMEN ENTREPRENEURSHIP

Generally, the prevalence of entrepreneurial activity among women is lower than that of men. This also holds in Turkey. Figure 6.1 shows the share of women and men early-stage entrepreneurs in the adult population in Turkey for 2018 and 2021. The increase in early-stage entrepreneurial activity of women from 2018 to 2021 is around 4 times higher than men. Hence, the gender gap between the proportions of men and women who are active entrepreneurs has narrowed slightly. The ratio of males to females has fallen from 2,4 in 2018 to 2 in 2021. In 2018, there were around 24 men for every 10 women and in 2021, 20 men for every 10 women starting or running new businesses in Turkey.

**Figure 6.1.** The share of women and men early-stage entrepreneurs in the adult population, 2018 and 2021 (%)



**Source:** GEM APS 2021

Globally, there is no gender equality in entrepreneurship. The table 6.1 and 6.2 show TEA rates by gender and the male/ female ratio in OECD and BRICS Countries. Women entrepreneurs outnumber only one OECD country, Spain, in early-stage entrepreneurial activities, and there is no BRICS country where women entrepreneurs outnumber men entrepreneurs. Comparing Turkey with OECD counties, Turkey has the third

highest male/female ratio in early-stage entrepreneurial activity after Norway and Japan. Compared with BRICS countries, the participation of women in entrepreneurial activity is the lowest, and Turkey have the highest male/female ratio. Although there was a decrease in the gender gap in Turkey throughout this period, the male/female ratio is still far above the average of the global, OECD and BRICS countries.

**Table 6.1.** TEA rates by gender and Male/ Female ratio in OECD Countries (%)

OECD Countries	TEA-male	TEA-female	TEA Male/ Female
Norway	4,36	1,75	2,5
Japan	8,45	4,03	2,1
<b>Turkey</b>	<b>21,05</b>	<b>10,28</b>	<b>2,1</b>
Sweden	11,77	6,03	2,0
Luxembourg	9,32	5,09	1,8
Italy	6,2	3,46	1,8
Switzerland	12,3	7,24	1,7
Hungary	12,09	7,49	1,6
Germany	8,37	5,3	1,6
Slovakia	7,8	4,99	1,6
Canada	24,43	15,78	1,6
Latvia	18,23	12,03	1,5
Finland	9,36	6,36	1,5
Poland	2,35	1,65	1,4
Greece	6,48	4,58	1,4
Chile	34,65	25,27	1,4
United Kingdom	14,24	10,92	1,3
Colombia	17,44	14,09	1,2
Ireland	13,69	11,33	1,2
Netherlands	15,45	12,96	1,2
Israel	10,4	8,75	1,2
France	8,36	7,06	1,2
Slovenia	7,16	6,11	1,2
United States	17,82	15,22	1,2
Spain	5,41	5,64	1,0
<b>OECD Average</b>	<b>12,29</b>	<b>8,54</b>	<b>1,4</b>
<b>Global Average</b>	<b>15,38</b>	<b>11,5</b>	<b>1,3</b>

Source: GEM APS 2021

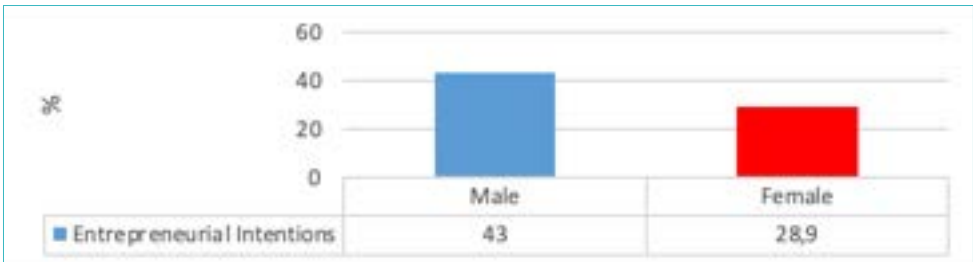
**Table 6.2.** TEA rates by gender and Male /Female ratio in BRICS Countries (%)

BRICS Country	TEA-male	TEA-female	TEA Male/ Female
Turkey	21,1	10,3	2,1
Russia	10,2	6,6	1,5
India	16,3	12,3	1,3
Brazil	23,3	18,7	1,3
South Africa	18,8	16,2	1,2
<b>BRICS Average</b>	<b>17,2</b>	<b>13,5</b>	<b>1,3</b>
<b>Global Average</b>	<b>15,4</b>	<b>11,5</b>	<b>1,3</b>

**Source:** GEM APS 2021

GEM considers intentional entrepreneurs who plan to launch their businesses within the next three years. Figure 6.2. shows that 43 per cent of men’s adult population have an intention to generate a business, while this rate is 28,9% in women. Men have a higher intention to set up their businesses rather than work for somebody else in the near future; it is not surprising that men have more intentional entrepreneurs more likely to have higher entrepreneurial activity. The male/female ratio is 2 means that 2 men for every 1 woman become entrepreneurs.

**Figure 6.2.** The Entrepreneurial Intention of Men and Women in Turkey, in 2021 (%)

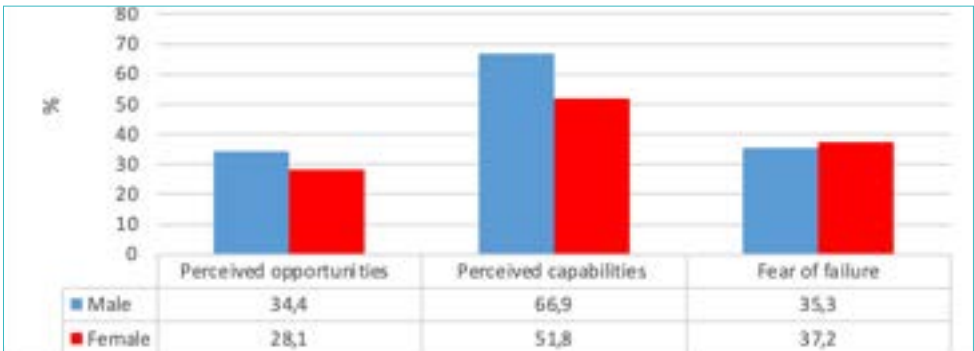


**Source:** GEM APS 2021

## 6.2. INDIVIDUAL PERCEPTIONS ABOUT ENTREPRENEURSHIP BY GENDER

Individual perceptions and societal values about entrepreneurship could influence an individual's decision to set up a firm and entrepreneurial intention to be entrepreneurship. Perceptual variables about entrepreneurship can shed some light on the difference in the entrepreneurial participation rates of males and females. Individual perception is mainly; their perception of opportunities within their environment (perceived opportunities), whether they have sufficient knowledge and skills (perceived capabilities), and a reduced reluctance to become involved in entrepreneurial activity through fear of failure.

**Figure 6.3.** The Perceptual Variables of Men and Women in Turkey, 2021 (%)



**Source:** GEM APS 2021

Figure 6.3 shows the difference between men and women regarding the perceptual variables. The differences between men and women are remarkable. Turkish men see more promising opportunities in their environment, are more confident about having the necessary skills and knowledge and have less fear of failure to start a business than women.

The striking difference can be seen in the capabilities perception measure, with 66,9% of men versus 51,8% of women believing they have enough skills to start a business. There is a nearly 15% point difference. The difference between men and women regarding the optimism

about the number of opportunities for entrepreneurship is 6,3%. The fear of failure is relatively lower. Men are more positive than women about entrepreneurs on each of these factors.

It shows that individual perceptions might be crucial for people to become entrepreneurs. Hence, we examined the “Individual Perception to Entrepreneurship Index” according to gender. This index was calculated as follows; entrepreneurs that reported they knew an entrepreneur, saw opportunities, and were confident they had the skill to implement a new business were assigned a value of 3. If they responded “yes” to any two of these items, they received a value of 2; if they responded “yes” to any one of the items, a value of 1; and if they responded “no” to all three, a value of 0. The table shows 6.3 “Individual Perception to Entrepreneurship Index” for entrepreneurial activity by gender. While 31,5% of females do not presence of these three factors are not exist, this rate is only 18% for male respondents. On the other, more male respondents reported the presence of two or three positive factors, more than 50%. The entrepreneurial activity of men might be higher than women when men have positive responses to these three issues: those who know a recent entrepreneur, perceive good business opportunities; and have confidence in their skills for implementing a new or entrepreneurial activity.

**Table 6.3.** Individual Perception to Entrepreneurial Index (%)

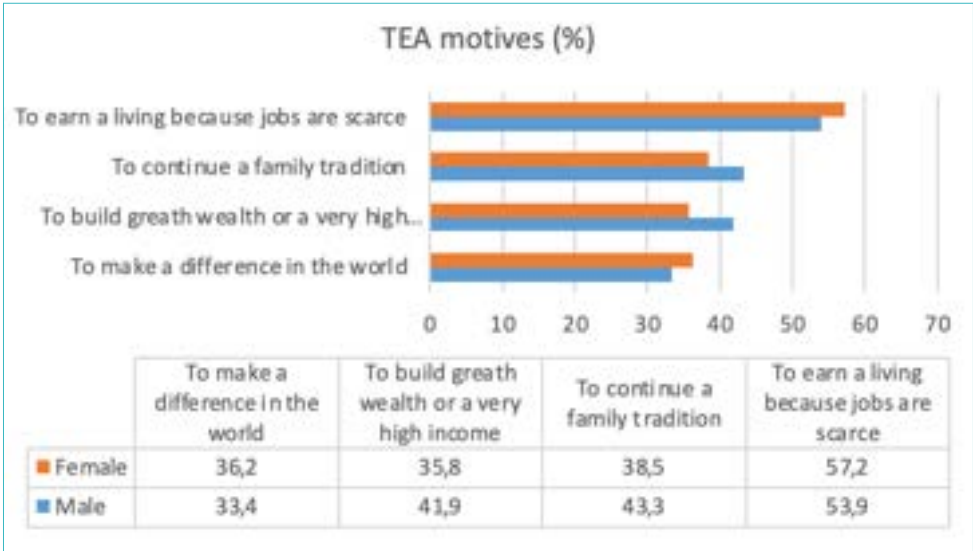
Individual Perception to Entrepreneurial Index	Adult Population 18-64 age	
	Male (%)	Female (%)
Low (None/three)	18,6	31,5
Moderate (One/three)	30,1	36
High (Two/three)	32,2	22,8
Maximum (Three/three)	19,1	9,7

**Source:** GEM APS 2021



### 6.3. MOTIVES OF WOMEN FOR STARTING A BUSINESS

Figure 6.4. Motives of women for Starting a Business (%)



Source: GEM APS 2021

Men who are starting businesses and running the business are more likely to agree with the motive “To build great wealth or very high income”, This motivation is more important for male entrepreneurs (41,9%) than for females (35,8%) in Turkey. It shows that male entrepreneurs are more opportunity-driven and interested in financial matters. In addition to that, of the 41,9% of male entrepreneur’s s motivated “To continue a family tradition, 35,8% were female entrepreneurs. Male entrepreneurs are more interested in taking over the family business, which might be because the expectation of families to continue a family tradition has a solid cultural component.

The higher percentage of female entrepreneurs is more elevated than men in the following two motivations to be entrepreneurs: “to earn a living because jobs are scarce” and “to make a difference in the world”.

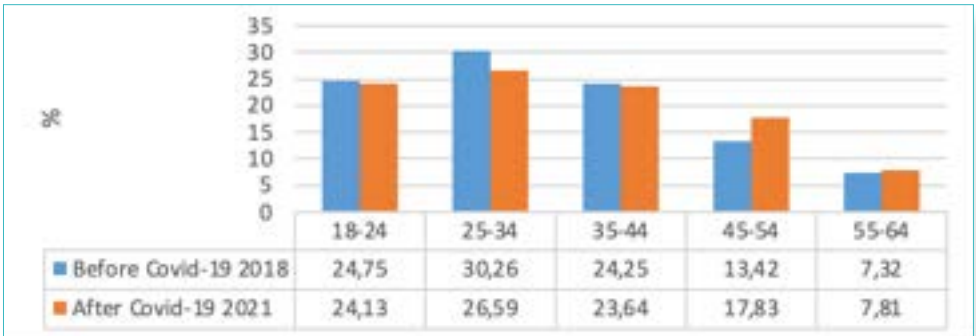
The motivation “to earn a living because jobs are scarce” refers to starting a business out of necessity rather than an opportunity, often driven by a lack of alternative employment options or financial resources. Figure 6.3 shows that necessity entrepreneurship tends to be higher among women (57,2%) than men (53,9%). Regardless of gender, access to financial resources is challenging in Turkey. However, women often have significantly more difficulty gaining access to financial resources and encounter many obstacles when attempting to secure finance for their businesses. Because of this, more women may feel compelled to start businesses out of necessity rather than an opportunity because they may have fewer chances to obtain finance for businesses motivated by opportunity.

Figure 6.3 suggests that the motivation to make a difference in the world through entrepreneurship may be higher among women (36,2%) than men (33,4%) in Turkey. Women entrepreneurs are frequently motivated to start enterprises that solve social or environmental challenges and make a good influence in their communities or the world at large. They may be more likely to undertake entrepreneurial endeavours that match their ideals and help to effect social change.

#### **6.4. THE AGE DISTRIBUTION OF ENTREPRENEURS**

There have been two significant shifts in the age distribution of Turkish business owners since the pre-covid era. Before the covid-19, the prevalence of early-stage entrepreneurial activity was highest among individuals aged 25 to 34 years in 2018. The early career (25-34 years old) group showed a decrease in TEA from 30,2% to 26,6%. On the other hand, late-career (45-54) groups showed increases from 13,4% in 2018 to 17,8% in 2021. There is a considerable change in the age of early-stage entrepreneurs which means that the population of Turkish entrepreneurs is getting older.

**Figure 6.5.** The Age Distribution of Early-Stage Entrepreneurs, 2018 and 2021 (%)



**Source:** GEM APS 2021

Globally, entrepreneurial activity rates are based on the age groups of their respondents; Turkey is significantly above average in youth entrepreneurship (18-24 age group), which places Turkey 1st among 25 participants in OECD countries. In comparison, the percentage of youth entrepreneurship in Turkey is 25 per cent, which is higher than the OECD average of 14%, BRICS countries' average of 17,7% and the global average of 8%. This is unsurprising because Turkey's young population rate is much higher than that of OECD countries.

This is probably a reaction to higher unemployment rates and the increased necessity of entrepreneurship among younger people. Although the rate of young entrepreneurs is high at the international level, senior entrepreneurship, which means entrepreneurial activities among 55-to-64-year-olds, has usually been the category in which Turkey is in the last 4 ranks among OECD countries with a rate of 7.8 per cent after Poland, Luxemburg and Latvia.

**Table 6.4.** Ranking of TEA for 18-24 age category, 55-64 age category (%)

OECD Countries	18-24 age category	OECD Countries	55-64 age category
<b>Turkey</b>	<b>24,1</b>	Japan	21,2
Greece	21,8	Norway	17,1
Canada	21,4	Israel	16,3
United Kingdom	18,9	Finland	15,9
Luxembourg	18,0	Sweden	15,5
Ireland	17,7	Switzerland	15,4
Colombia	17,2	Spain	14,3
United States	17,2	United Kingdom	13,2
Latvia	16,8	Italy	13,1
Slovenia	16,6	Netherlands	11,9
Germany	14,5	Germany	10,6
Sweden	14,4	Chile	10,6
Netherlands	13,8	Ireland	10,4
Chile	13,8	Colombia	10,1
France	13,7	Canada	10,0
Norway	13,3	Slovenia	9,5
Hungary	12,5	Greece	9,3
Finland	10,8	Hungary	8,8
Switzerland	10,0	United States	8,5
Italy	9,1	Slovakia	8,3
Israel	8,9	France	8,2
Japan	8,4	<b>Turkey</b>	<b>7,8</b>
Slovakia	7,7	Latvia	6,0
Spain	5,9	Luxembourg	4,5
Poland	2,5	Poland	2,5
<b>OECD Average</b>	<b>13,5</b>	<b>OECD Average</b>	<b>10,7</b>
BRICS Countries	18-24 age category	BRICS Countries	55-64 age category
South Africa	24,8	South Africa	10,4
India	20,9	Russia	9,3
Russia	12,8	Brazil	7,3
Brazil	12,6	India	7,2
<b>BRICS Average</b>	<b>17,74</b>	<b>BRICS Average</b>	<b>8,54</b>
<b>Global Average</b>	<b>15,51</b>	<b>Global Average</b>	<b>9,98</b>

Source: GEM APS 2021

## **CHAPTER**

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# **7**

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## **EFFECTS OF THE COVID-19 PANDEMIC ON THE ENTREPRENEURIAL ECOSYSTEM**

GEM has defined several specific National Entrepreneurship Framework Conditions, as stated below, to assess the environment in which businesses exist.

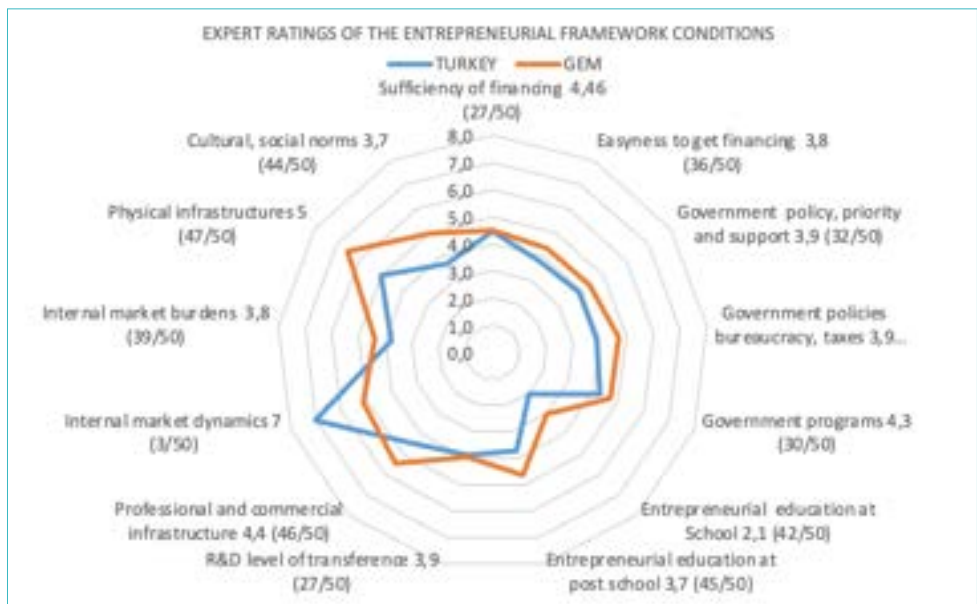
The conditions that determine and shape the infrastructure of the GEM entrepreneurship ecosystem are as follows:

- A1. Entrepreneurial Finance: are there sufficient funds for new start-ups?
- A2. Ease of Access to Entrepreneurial Finance: are those funds easy to access?
- B1. Government Policy Support: support and relevance do they promote and support start-ups?
- B2. Government Policy: taxes and bureaucracy or are new businesses burdened?
- C. Government Entrepreneurial Programs: are quality support programs available?
- D1. Entrepreneurial Education at School: do schools introduce entrepreneurship ideas?
- D2. Entrepreneurial Education Post School: do colleges offer courses in starting a business?
- E. Research and Development Transfers: can research be translated into new businesses?
- F. Commercial and Professional Infrastructure: are these sufficient and affordable?
- G1. Ease of Entry: Market Dynamics are markets free, open and growing?
- G2. Ease of Entry: Burdens and Regulation: do regulations encourage or restrict entry?
- H. Physical Infrastructure: Is this sufficient and affordable?
- I. Social and Cultural Norms: does the culture encourage and celebrate entrepreneurship?

These conditions, which represent and determine the infrastructure of entrepreneurship, are evaluated by a survey conducted with at least thirty-six experts in entrepreneurship within each country participating in the GEM project. In the study conducted in the 2021 survey, a 10-point evaluation system was used, and each question received a value between 1 and 10; “1” was evaluated as low and “10” as high.

The average values of the conditions constituting the entrepreneurship infrastructure in Turkey in 2021 will be given and later compared with the average of GEM.

**Figure7.1.** Comparison of the Entrepreneurial Framework Conditions for Turkey and GEM average, 2021



**Source:** GEM National Expert Survey 2021

**Table 7.1.** Comparison of the Entrepreneurial framework conditions in Turkey and GEM average, 2021

	TURKEY	GEM	Ranking
Sufficiency of financing	4,5	4,5	27/50
Easiness to get financing	3,8	4,4	36/50
Government policy, priority and support	3,9	4,4	32/50
Government policies bureaucracy, taxes	3,9	4,7	41/50
Government programs	4,3	4,7	30/50
Entrepreneurial education at School	2,1	3,0	42/50
Entrepreneurial education at post school	3,7	4,6	45/50
R&D level of transference	3,9	4,0	27/50
Professional and commercial infrastructure	4,4	5,4	46/50
Internal market dynamics	7,0	5,1	3/50
Internal market burdens	3,8	4,4	39/50
Physical infrastructures	5,0	6,6	47/50
Cultural, social norms	3,7	5,0	44/50

**Source:** GEM National Expert Survey 2021

According to experts, the dynamic nature of the internal market in Turkey is the most important factor supporting the entrepreneurial ecosystem. They stated that the consumer goods and services market and the producer products and services market in Turkey change rapidly yearly. Markets with a fast and variable structure, where new products are constantly emerging, are of vital importance both for the survival of existing companies and for the start of new entrepreneurial activity. Experts scored 7 out of 10 regarding the dynamic nature of the internal market dynamics. This is above the average of GEM countries and places Turkey at the 3rd place for having favourable internal market dynamics.

Another positive condition that constitutes the entrepreneurship infrastructure in Turkey, as stated by the experts, is the physical infrastructure. Physical infrastructure includes information on the ease of access



and financing of new and developing companies' communication tools (telephone, internet, etc.) and basic services such as roads, natural gas, electricity, and water. Experts on this subject gave a score of 5 out of 10. This is the second-highest-ranked condition in the Turkish entrepreneurial ecosystem. However, compared with the GEM average, Turkey is listed at 47 among 50.

Experts stated that another positive condition that creates entrepreneurship infrastructure in Turkey is the availability and accessibility of effective professional services to support new and growing companies. They gave a score of 5.53 out of 9 in terms of qualities such as "it is easy to get good banking services (demand deposit accounts, foreign exchange transactions, etc.) for new and growing companies" and "there are enough subcontractors, suppliers and consultants to support them".

On the other hand, experts stated that the system in primary and high school education needs to be revised to support the development of creativity, self-sufficiency and personal initiative and that no formal education system trains individuals needed by an entrepreneurial economy. They stated that education in primary and high schools needs to be improved, and the quality of education has decreased due to continuous changes. Experts, who argue that there is a very inadequate level of entrepreneurship education in primary education, gave the quality of entrepreneurship education in primary and high schools 2.76 points out of 9.

## **Expert Opinions on the Effects of the COVID-19 Pandemic on the Entrepreneurial Ecosystem**

In 2021, the national experts were asked specific questions to assess the effects of Covid-19.

According to national experts, Turkey has ranked 46 among the 50 GEM countries concerning progress and support for digitalization and telework due to the pandemic. This shows that the progress and help of digitalization and telework for businesses in Turkey has been less

than the other countries. More support needs to be given to digitalization and teleworking arrangement since this will be a continuing trend for the next decade. Although there has been supporting several programs introduced to enhance the digitalization of SME's, it is still considered insufficient.

As for the increment of the gig economy as a start-up driver and business model due to the pandemic, Turkey is placed at 26 among the 50 GEM countries. This indicates that there has been an increment in the gig economy being a start-up driver and business model for Turkish entrepreneurs. New start-ups, along with newly established businesses, prefer this business model. With additional support and increased awareness, Turkey could be placed at higher levels in the upcoming years.

Experts were also asked for their opinion on the prioritization of environmental protection at companies' and governments' impulse toward the green agenda due to the pandemic. In this aspect, Turkey has been placed at 37 among the participating 50 countries. This criterion has received 3,38 out of 10 points, indicating a low prioritization of governments regarding environmental protection. The GEM average for this criterion has also been relatively quiet, showing 4,14 out of 10. There has been an overall low emphasis on this criterion being the lowest rated related to Covid-19.

More specifically, experts rated that, due to the pandemic, a substantial number of new and growing firms prioritise protecting the environment above profitability or growth at 3.18 out of 10 points.

Their perception of the statement indicating that due to the pandemic, the government has accelerated the 'green agenda,' or specific environmental policy, taking adequate measures to promote sustainability and environmental awareness among all firms was also relatively low, 3.53/10 points.

Along with the criteria for the effectiveness of the government's measures to avoid a significant decline of new businesses and control the

health-harming economy as little as possible, Turkey has been ranked 43 amongst the 50 GEM nations. The expert rated Turkey with 3,11 points out of 10 points, whereas the GEM average value is 5,11.

## **A Comparison of Turkish entrepreneurial ecosystem; 2018-2021**

Turkey did not participate in the GEM project during the years 2019 and 2020. Therefore, a comparison of the results for 2018 and 2021 is provided. This will give important insights into how the Turkish entrepreneurial ecosystem has changed before and towards the end of the pandemic. The average values of the conditions constituting the entrepreneurship infrastructure in Turkey in 2021 will be compared with 2018.

In the survey conducted in 2018, a 9-point evaluation system was used, and each question received a value between 1 and 9; “1” was evaluated as low and “9” as high. However, the same survey for 2021 used a 10-point evaluation system, and each question received a value between 1 and 10; “1” was evaluated as low and “10” as high.

Due to the above-stated difference in the evolution system, the comparison is based on a 9-point Likert scale. Also, some additional questions were included in the 2021 version, which is not included in this comparison.

The framework conditions that were included in the 2018 and are used as the basis for this part are:

1. Entrepreneurial Finance
2. Government Policies
3. Entrepreneurship education,
4. R&D
5. Commercial and Professional infrastructure
6. Internal Market dynamics,
7. Physical Infrastructure,
8. Social and Cultural Structure

The figures below show the average values of the conditions constituting the entrepreneurship infrastructure in Turkey in 2021 compared to 2018.

As seen from the figures below, progress has been made only in a few of the criteria of the entrepreneurial ecosystem in the last 2 years. The general picture indicates a negative impact of the pandemic on the entrepreneurial ecosystem framework conditions in Turkey.

## **7.1. ENTREPRENEURIAL FINANCE**

One of the most important conditions supporting entrepreneurship infrastructure is the availability of financial support. This condition implies the financial resources (such as equity supply, stock and bond funding, subsidies, angel investors, and venture capital) supporting market entrepreneurs. Its availability and accessibility. In terms of financial support, according to experts, Turkey has made progress only in 2 aspects that constitute the financial structure. The first one is the observed increase in sufficient financing available from professional business angels for new and growing firms. Along this dimension, a rise of 6 per cent has been observed. Along the same line, funding available from venture capitalists for new and growing firms has been regarded as sufficient and increased by 6 per cent.

**Figure 7.2.** Entrepreneurial Finance change from 2018 to 2021



**Source:** GEM National Expert Survey 2021

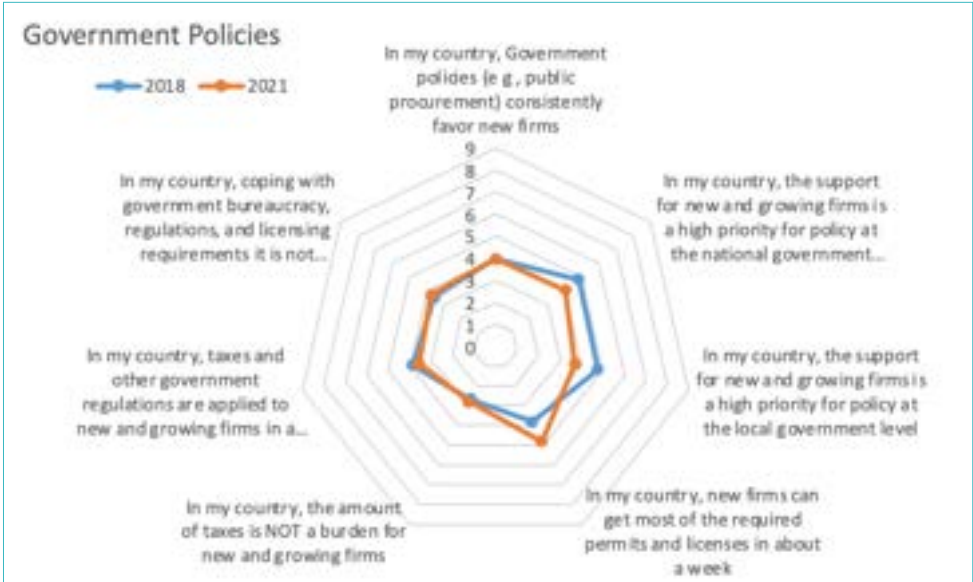
This favourable situation is also supported by Turkey’s welcoming of its first Unicorn during the pandemic. This success was soon followed by other Unicorns that later transformed into decacorn. Interestingly, as for the sufficiency of equity financing available for new and growing firms, the opinion of experts has decreased from 5.44 to 4.44, indicating that financing has been directed more toward early-phase investments.

## 7.2. GOVERNMENT POLICIES

In terms of government policies, the most significant improvement is observed in the fact that new firms can get most of the required permits and licenses in about a week, from 3.81 in 2018 to 4.79 in 2021. The pandemic has improved entrepreneurs’ time on the paperwork they need. This is also a result of the increased digitalization of governmental institutions in Turkey, which has noticeably reduced the red tape confronted. Support for new and growing firms is a high priority

for national and local government policy but has decreased from 2018 (4.83 and 4.75, respectively) to 2021 (4.06 and 3.69), respectively.

**Figure 7.3.** Government Policies change from 2018 to 2021



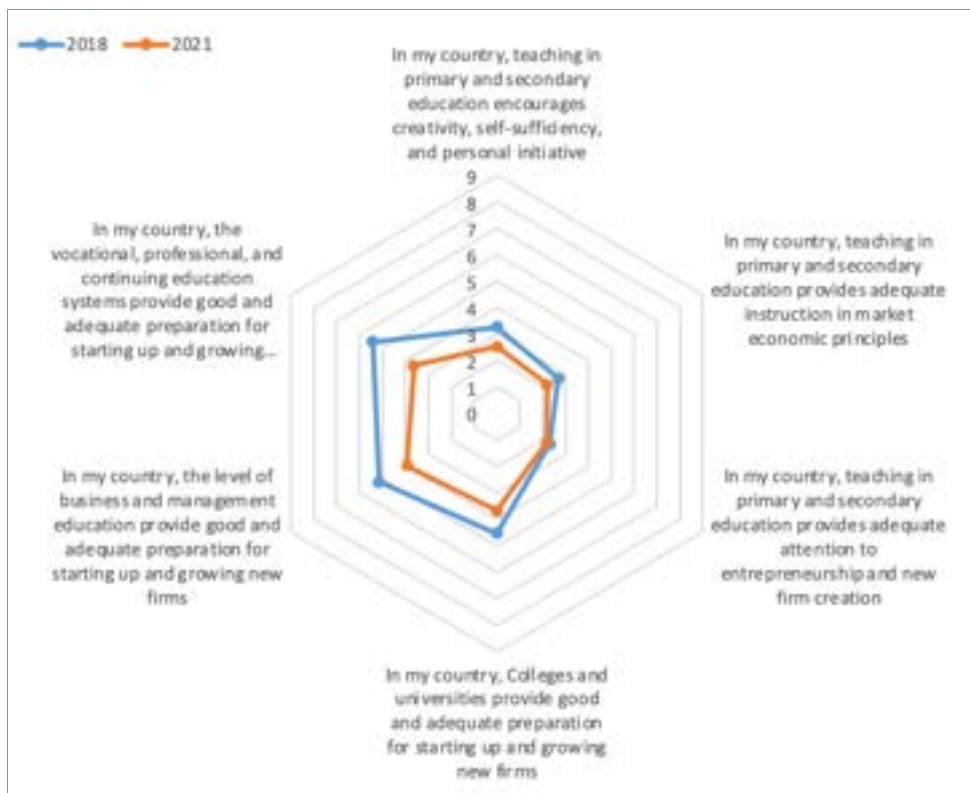
**Source:** GEM National Expert Survey 2021

### 7.3. ENTREPRENEURIAL EDUCATION

Experts evaluated the impact of education on entrepreneurship. This includes entrepreneurship education, the education system covering the process from pre-school education to university, and continuous training of employees and managers of companies and all segments of society. According to national experts, entrepreneurship education, an important part of Turkey’s entrepreneurship ecosystem, has weakened overall during the pandemic.

Experts stated that the weakest link in this dimension is the absence of high-quality primary and secondary education teaching that provides adequate attention to entrepreneurship and new firm creation, which has regressed from 2.31 to 2.17.

**Figure 7.4.** Entrepreneurship Education change from 2018 to 2021



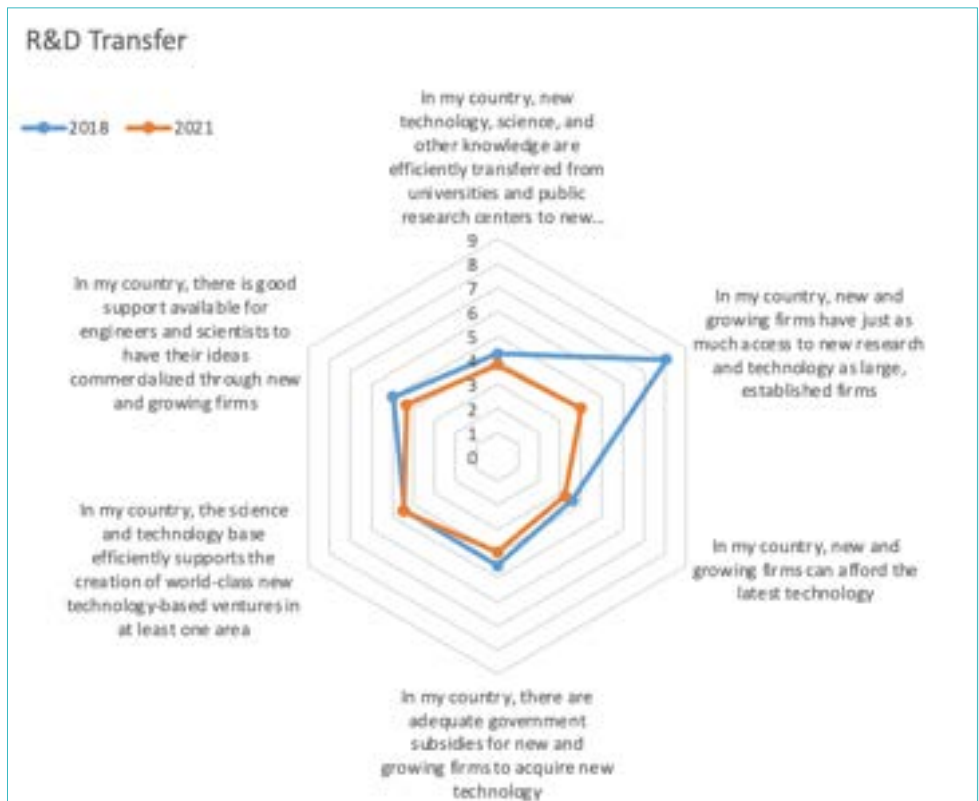
**Source:** GEM National Expert Survey 2021

### 7.4. R&D

Research and Development Studies include increasing scientific and technical knowledge, creating new commercial opportunities, transferring these opportunities to new and growing companies, and accessing these companies to new research and technologies. According to experts, new and growing companies have difficulty accessing the latest technology. For this reason, companies have been supported in developing their technologies and providing the necessary capital and human resource accumulation in recent years. In addition, university-industry cooperation is being tried to be made more effective and widespread.

Within this dimension of the ecosystem, the only increase is observed in the “In my country, the science and technology base efficiently supports the creation of world-class new technology-based ventures in at least one area” condition that has shown a very slight increase from 4.44 in 2018 to 4.48 in 2021, showing a slight improvement of as little as 1%. All the other conditions have been negatively affected during the pandemic, with “In my country, new and growing firms have just as much access to new research and technology as large, established firms” being the most noticeable, with a decrease of 50%.

**Figure 7.5.** R&D Transfer change from 2018 to 2021



**Source:** GEM National Expert Survey 2021



## 7.5. COMMERCIAL AND PROFESSIONAL INFRASTRUCTURE

This condition covers access to adequate commercial, legal and professional services (professionals and accountants, lawyers and consultants, etc.) to support new and growing businesses operating in an intensely competitive environment. Within the scope of effective commercial and services infrastructure, Turkey has made no progress compared to 2018. The score given by experts in 2018 regarding “In my country, it is easy for new and growing firms to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like)” was 7.19, while it decreased to 4.86 in 2021. This reflects a (-) 32% change. The effect of the pandemic can be observed quite obviously concerning this framework condition.

**Figure 7.6.** Commercial and Professional Infrastructure change from 2018 to 2021



**Source:** GEM National Expert Survey 2021

## 7.6. INTERNAL MARKET DYNAMICS

Another component of the entrepreneurial infrastructure is the market structure which has shown some improvements in 2021. Three dimensions within this component have been rated higher compared to 2018, indicating a positive reflection of the pandemic.

Experts stated that the markets for consumer goods and services had changed dramatically from year to year in Turkey (6.97 and 13% increase as compared with 2018); The needs for business-to-business goods and services vary dramatically from year to year (6,92 and 11% increase as compared to 2018), and that new and growing firms can quickly enter new markets (4.75 and 10% increase when compared with 2018).

A dynamic market structure and a large domestic market in Turkey are essential factors for entrepreneurship development.

**Figure 7.7.** Internal Markets change from 2018 to 2021



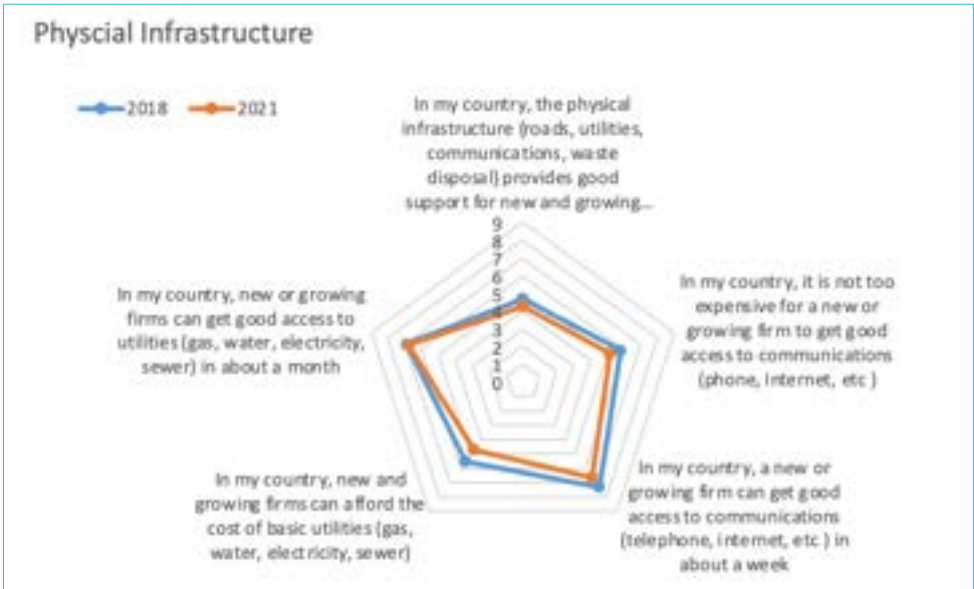
**Source:** GEM National Expert Survey 2021

## 7.7. PHYSICAL INFRASTRUCTURE

This important component of the ecosystem is a reflection of the needed infrastructure. According to National Experts, the overall situation for Turkey in 2021 has become more unfavourable in all of its dimensions compared to 2018. Only one dimension has shown an improvement as per the rating of the Experts as they indicate that “it is not too expensive for a new or growing firm to get good access to communications (phone, Internet, etc.)” with a shift from 5,78 in 2018 to 5,17 indicating -11% change. So it can be concluded that access to communications has become cheaper for new and growing firms.

The highest drop is observed in the “new and growing firms can afford the cost of basic utilities (gas, water, electricity, sewer) “condition. Experts on this subject gave Turkey a score of 4.72 out of 9, representing a -15% drop compared to 2018.

**Figure 7.8.** Physical Infrastructure change from 2018 to 2021



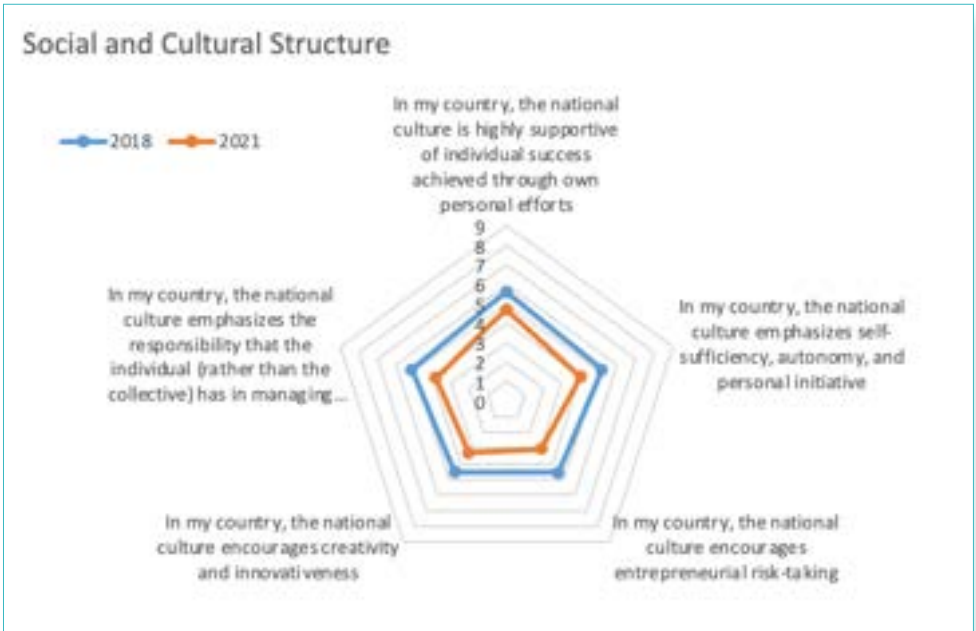
**Source:** GEM National Expert Survey 2021

## 7.8. SOCIAL AND CULTURAL STRUCTURE

This condition includes the attitudes, beliefs, languages and traditions of the society’s culture toward entrepreneurship. Societies encourage entrepreneurship by embracing, supporting and respecting entrepreneurial activities. When comparing the values given by experts in 2018 and 2021, it is again observed that the values have dropped. The most drop has been regarding how the national culture in Turkey encourages entrepreneurial risk-taking. There has been a decrease of 33%, which is shown with ratings in 2018 dropping to 3.06 out of 9.

The establishment of an entrepreneurial culture and change is not easy or fast. However, according to experts, society in Turkey supports individual success achieved by one’s efforts, and It has been observed that society has a more positive attitude towards entrepreneurs.

**Figure 7.9.** Social and Cultural Structure change from 2018 to 2021



**Source:** GEM National Expert Survey 2021

## 7.9. WOMEN ENTREPRENEURSHIP

The support for women's entrepreneurship and conciliation in Turkey was evaluated at 3.18, and thus Turkey ranked 49 out of 50 countries among the lowest in that dimension. The GEM average for this criterion has been noted as 4.85 out of 10 points. This reflects the actual difficult situation that women entrepreneurs face worldwide. The case looks even more challenging for Turkey, with all ratings below the GEM average.

The following table shows the comparative points experts in TR and the GEM average gave for each statement.

The results for GEM and Turkey reveal once more the long-lived fact that regulations for entrepreneurs are perceived not to be favourable enough that women prefer becoming an entrepreneur instead of an employee. In Turkey, experts gave 2.2 points to this dimension out of 10, the lowest-rated one among all the other dimensions. This fact is reflected in the underrepresentation of women entrepreneurs in Turkey and globally.

The national culture of Turkey is another dimension that has been rated relatively low by Turkish experts. They believe that the national culture does not encourage women equally as men to become self-employed or start a new business (2.64).

On the other hand, it is stated that access to financing is equally granted to male and female entrepreneurs (4.38 out of 10). This fact shows that funding alone is insufficient to increase the number of women entrepreneurs.

**Table 7.2.** Comparison of Access to Financing for Women Entrepreneurs in Turkey and GEM average, 2021

Statement	Turkey 2021	GEM 2021
In my country, there are sufficient affordable support services (i.e., child-care, home services, after school programs, elder care ...) so that women can continue to run their businesses even after they have started a family	3,06	4,12
In my country, regulations for entrepreneurs are so favourable that women prefer becoming an entrepreneur instead of becoming an employee	2,22	3,3
In my country, the national culture encourages women as equally as men to become self-employed or start a new business	2,64	4,45
In my country, market and public procurement are equally accessible for male and female entrepreneurs	3,94	6,03
In my country, access to financing is equally granted for male and female entrepreneurs	4,38	6,15
In my country, as a result of the pandemic, the increase in teleworking has improved work life balance for women	3,97	5,39

**Source:** GEM National Expert Survey 2021

**CHAPTER**

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**CONCLUSION**

The attitude toward entrepreneurship, which reflects Turkish society's view of entrepreneurship, has changed pre- and post-pandemic (i.e. 2018 and 2021). More Turkish people respect the successful entrepreneurs running their businesses in an environment where the effects of Covid-19 persist and economic uncertainties continue. On the other hand, After Covid-19 in 2021, Turkish people are less willing to choose entrepreneurship as a desirable career choice.

Individual attributes, including self-perception (perceived capabilities, opportunities, fear of failure), have also been changed pre- and post-pandemic (i.e. 2018 and 2021). Opportunity recognition is at the heart of the entrepreneurial process; playing an important role in shaping individuals' decisions to start new businesses has decreased. On the other hand, a slight increase in fear of failure index prevents people from starting a business. More Turkish people had confidence in their abilities for entrepreneurship in 2021 compared the before COVID-19 time. Perception of capabilities is mainly independent of the business cycle, unlike the perceived opportunities and fear and failure.

The intention rate to be an entrepreneur remains high pre- and post-pandemic (i.e. 2018 and 2021). Almost one in three people in Turkey intent to start a business in the next 3 years. The intention rate is very high and puts Turkey second among OECD countries and 2nd among the BRICS countries. Turkey's lower perceptions about opportunities, low fear of failure rate and high entrepreneurial intention are striking compared to global averages and speak to a willingness to consider undertaking necessity-driven entrepreneurial ventures.

More Turkish are setting up a new business and the rate of nascent entrepreneurs has increased after COVID-19 significantly, which was moved from 7,4% in 2018 to 10,8% in 2021. From a global perspective, this rate stands higher than the OECD average (6,1%), which places Turkey at 1st rank out of 25 participating OECD countries.

Unlike the nascent entrepreneurship rate, Turkey's new business ownership rate decreased after COVID-19 in 2021, moving from 7,1% in 2018



to 5,4%. One possible explanation is the failure of many entrepreneurs because of the pandemic. Hence, the suppressed demand, disruption in labour, the energy market, production and supply chain bottlenecks, and shipping and transportation constraints have affected the new business's survival.

Total early-stage entrepreneurial activity (TEA) combines nascent entrepreneurs and new entrepreneurs. Turkey's total early-stage entrepreneurial activity rate increased from pre-COVID-19 time (2018) to after COVID-19 in 2021, moving from 14,2% to 15,7%. The TEA increase is due to a significant increase in the nascent entrepreneurship rate even though the new business rate drops.

Compared to pre-COVID-19, the year 2018, Turkey's established business ownership rate (EBO) has increased from 8,7% to 11% in 2021. This higher rate of EBO means many new businesses have survived beyond the nascent and new business phases and provides some indication of the sustainability of entrepreneurship in the Turkish economy. From a global perspective, this rate stands higher than the OECD average (6,8%) and higher than the BRICS countries average, placing Turkey at 3rd rank out of 25 participating OECD countries and 1st among the BRICS countries.

More Turks start businesses out of necessity than opportunity. 55% of entrepreneurs start their own businesses because they don't have any other options. On the other hand, 39.9% of entrepreneurs were driven to start their own business because they saw an opportunity and chose to take advantage of it even though they had other job options. Entrepreneurship based on opportunities is more likely to make a big difference in the economy in terms of innovation and job creation.

Following the necessity motivation of being entrepreneurs, the second most popular motivation was to continue a family tradition (41.7%). Making a difference in the world was the least observed motivation, with only (34,3%) of respondents who agreed that it is their motivation

to start a new business. The motivations of Turkish entrepreneurs are likely to have less of an effect on the national and international levels than those of other entrepreneurs around the world.

After COVID-19, the exit rate—the number of people selling and closing their businesses—has increased from 5,2% in 2018 to 8% in 2021. Globally, Turkey's discontinuation rate (8.02%) is twice the OECD average (4%), placing it 3rd out of 25 OECD countries.

Unanticipated social and economic difficulties have emerged due to the COVID-19 pandemic. The pandemic's main economic impact was household income loss. The most affected group was entrepreneurs running a baby business, with 67.2% reporting decreased household income. In addition, 62.4% of early entrepreneurs (TEA ) demonstrated a more pessimistic view of the future growth of their businesses. Business owners at all stages were cautious about pursuing new opportunities during the epidemic. Only 33.2% of start-up founders say they have found new business opportunities due to the pandemic.

In Turkey, women's involvement in business is still very low. Only 10% of women and 21% of men are involved in an early-stage entrepreneurial activities. Hence, the gender gap between the proportions of men and women who are active entrepreneurs has narrowed slightly. Male-to-female ratio dropped from 2,4 in 2018 to 2 in 2021. In 2018, 24 men started new businesses for every 10 women in Turkey, and in 2021, 20 men did.

It shouldn't be a surprise that men are more likely to start their own business. Since, 43 percent of men adult population have an intention to generate a business, while this rate is 28,9% in women. The difference between men and women regarding the perceptual variables are remarkable. Turkish men, see more good opportunities in their environment, are more confident about having the necessary skills and knowledge and have less fear of failure to start up business than women.

Turkey's entrepreneurs' age distribution has changed significantly since pre-covid. Early-stage entrepreneurial activity was highest in 2018 among 25-34-year-olds. Early career (25-34 years old) TEA decreased from 30,2% to 26,6%. Late-career (45-54) groups increased from 13,4% in 2018 to 17,8% in 2021. Turkish entrepreneurs are getting older over time.

The effects of Covid-19 pandemic on the Turkish Entrepreneurial Ecosystem has been felt quite deeply. Turkey has a relatively young and still growing entrepreneurship ecosystem that needs the support of government intensively. However, a crisis like the pandemic has forced all government resources and attentions to be redirected to more survival related issues. On the other hand, getting banking and professional services was again challenged due to COVID-19. As a result, in all framework conditions except for Internal market dynamics, Turkey has been ranked below GEM average. The dynamic nature of the internal market in Turkey is the most important factor that supports the Turkish entrepreneurial ecosystem. Both the consumer goods and services market as well as the producer products and services market change rapidly from year to year. This represents a quiet desirable condition. Markets that have a fast and agile structure, where new products are constantly emerging, are of vital importance both for the survival of existing companies and for the start of new entrepreneurial activity. Along this line, the dynamic nature of the internal market dynamics in Turkey is observed to be the 3rd best and above the average of GEM countries. This can be a good opportunity for local and foreign entrepreneurs who are looking for new markets to enter. On the other hand, it also represents good investment opportunities to angel investors and VC's.

Another positive condition of the Turkish entrepreneurship ecosystem is its physical infrastructure. This is the second highest ranked condition of the Turkish entrepreneurial ecosystem although still not reaching the GEM average. The Turkish government is planning a consid-

erable number of investments with regard to physical infrastructure. Investments in the digital infrastructure are also of vital importance and should be taken into the agenda. However, one should not forget that physical infrastructure investments are long term investments and require also security and maintenance. Thus, it will take several years to see results.

The availability and accessibility of effective and professional services to support new and growing companies in Turkey is yet another dimension of the entrepreneurial ecosystem that is considered as favorable. The ease of getting banking services for both new and growing companies is well appreciated. In 2021, the Turkish ecosystem of fintech startups has received 64 billion USD and is expected to continue. Digital banking has brought a new way for transactions that is growing and diversifying from day to day. All these changes are also supported by the necessary legal frameworks to operate in a secure way.

The major area that needs to be addressed for improvement has been identified as the current Turkish education system. In the present education model, primary and high school education is insufficient to support the development of creativity, self-sufficiency and personal initiative. Additionally, there is no formal education system that trains individuals with competencies needed by an entrepreneurial economy. Education in primary and high schools is insufficient and the quality of education has decreased due to continuous changes in the education models applied. Thriving for an optimal and continuous model for education should be targeted. This model should be designed by integrating the opinions of various stakeholders, the competency needs for the upcoming years and country specific needs. Furthermore, and most importantly, it should foster and entrepreneurial mindset.

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