

Evaluation of the Support Given to Economic Investments in Diyarbakir

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ÖZET: With its agricultural potential and geographical position, Diyarbakir is a city appropriate to the development of agriculture and agricultural industry. Such a potential is certainly important, but putting this potential into effect is much more important. It is an undeniable fact that support and incentives provided by various corporates are influential on good use of this potential. The present study investigated the industrial distribution of the supports provided by various corporates in Diyarbakir between 2005 and 2012, the level of use of the subsidies, the problems experienced during the use of the subsidies, and the areas of activity intended to be primarily supported in future. This study was conducted with the help of “Agricultural Investments Research and Development Project” with the reference number of TRC-11-DFD applied by Diyarbakir Chamber of Commerce within the framework of the Direct Activity Support Program executed by Karacadağ Development Agency in 2011.

Anahtar Kelimeler: Investments, subsidies, socio-economic, development

Diyarbakır’da Ekonomik Yatırımlara Verilen Desteklerin Değerlendirilmesi

ABSTRACT: Diyarbakır tarımsal potansiyeli ve sahip olduğu coğrafi konum itibarıyla, tarım ve tarıma dayalı sanayinin gelişmesine uygun bir ildir. Potansiyele sahip olmak oldukça önemlidir fakat bu potansiyelin harekete geçirilmesi daha çok önemlidir. Bu potansiyeli harekete geçirme noktasında çeşitli kurumların sağladıkları teşvik ve desteklerin etkili olduğu tartışılmaz bir gerçektir. Bu çalışmada, 2005-2012 yılları arasında Diyarbakır ilinde faaliyet gösteren çeşitli kuruluşların sağladıkları desteklerin sektörel dağılımları, desteklerden faydalanma düzeyleri, desteklemelerden faydalanmada yaşadıkları sorunlar ve bu sorunların dereceleri, gelecekte öncelikli olarak desteklenmesi istenilen faaliyet alanları araştırılmıştır. Bu araştırma Karacadağ Kalkınma Ajansı tarafından yürütülen 2011 yılı Doğrudan Faaliyet Desteği Programı çerçevesinde, Diyarbakır Ticaret Borsası tarafından uygulanan TRC2-11- DFD referans numaralı “Tarımsal Yatırımları Araştırma ve Geliştirme Projesi”nden faydalanarak hazırlanmıştır.

Keywords: Yatırımlar, desteklemeler, sosyo-ekonomi, gelişme

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INTRODUCTION

In many countries, socio-economic life is intervened with different policies and tools not only to achieve socio-economic development but also to overcome the deficiencies in certain poor industries due to geographical location and troubles with the distribution of sources. Such an intervention could occur as legal, institutional and political regulations (Bedir et al., 2012). In addition, these interventions are quite important to avoid such difficulties as decreasing the industrial and developmental differences, migration and social explosions.

In this respect, besides interventions in social areas such as social aids and transfers, subsidies are used as the most important tools for economic policies and development programs (Meydan, 2014). The sources of these subsidies could be obtaining finance from national and international foundations. In countries like us where there are industrial and regional differences, such subsidies are much more important (Ören et al., 2001).

Furthermore, in countries like Turkey where markets do not function well and where the necessary capital stock has not been formed in most industries or transferred into other industries, subsidies and donations are important. For this reason, policy makers, legislators and the government that provide a considerable part of the finance can contribute to development in various ways and try to achieve this with incentives and subsidies. The goal of the incentives and subsidies provided in all countries throughout the world should change some developmental indicators according to type and amount of the subsidies in terms of countries, regions and sectors as well. The results of some related studies (Bartik, 1992; Loh, 1995; Goss and Phillips, 1999) revealed that the incentives had positive influence on employment, the increase in income and the development in a region, while the results of some other studies (Fisher and Peters, 1998) demonstrated that the incentives were ineffective, poor or negligible. For instance, Bartik (1992) found that tax-incentives provide cost effectiveness in locations where there is high level of unemployment and low level of income. Fisher and Peters (1998) reported that incentives have quite little, and even negligible influence on employment. Goss and Phillips (1999) pointed out that incentives are not a consistent relationship of unemployment and local economic

development; that incentives increased development in regions where there was a low level of unemployment; and that incentives did not increase development in regions where there was a high level of unemployment. It is possible to examine the development efforts in Turkey in three periods: 1920-1959 (early years of the republic), 1960-2004 (Period of planning) and 2005 and later (European Union Membership Process). In the first period, there was poverty in the country. The State has established factories in some provinces to reduce poverty. In the second period, central government prepares national development plans every 5 years, which include rural development program since 1961 and rural development programs are implemented according to the plan.

The region of TRC2, which includes the city of Diyarbakır, is ranked 23rd among 26 regions. Diyarbakır is ranked 67th in terms of socio-economic growth and 12th in terms of population (Anonymous, 2012). When the industrial distribution in the city is examined, the ratio of textile industry is seen as 15.3%; food industry as 15.1%; and construction as 13.2% (Anonymous, 2011). The fact that food and textile industries using agricultural raw material shows that the agricultural industry is important for Diyarbakır. The area of irrigation in the city is 106 000 hectares. When the irrigation projects are fulfilled, an area of 393 000 hectares will be open to irrigation (Anonymous, 2014). Thanks to the agriculture involving irrigation, the amount of production and the variety of products will increase; consequently, the agricultural industry will develop as expected. This study was carried out to investigate the sustainability of corporates which made use of the donations and support provided by various foundations in the city of Diyarbakır between 2005 and 2012. In the study, the effectiveness and distribution of these supports were examined as well. For this purpose, the project of “Supporting economic and agricultural investments” carried out by Diyarbakır Chamber of Commerce in 2012 and supported by Karacadağ Development Agency was used.

MATERIAL AND METHOD

The main population in the study included 192 agricultural enterprises that received the support and donations provided between 2005 and 2012 by Food, Agriculture and Animal Ministry (GTHB) Rural Development Investments Program in Diyarbakır;

Agriculture and Rural Development Institution; Karacadağ Development Agency; Southeast Project Local Development Administration for Supporting and Developing Small-Scale and Medium-Scale Enterprises. The size of the research universe was determined as 192 enterprises. As it was possible to reach this number, the complete inventory method was used without any need to use a separate sampling method (Gökçe, 1988). The questionnaire was first applied in December 2012. In the study, 141 corporates were involved, and 51 corporates were not involved as they were not active corporates. During the application of the questionnaire, the manufacturers were interviewed on face-to-face basis, and they understood the questions well and answered them accordingly. The manufacturers replying to the questionnaires were farmers who had lands according to the farmer register system. The data gathered via the questionnaires were analyzed with SPSS 15.0 package software. The responses to all the questions were examined considering the percentages and frequencies.

DISCUSSION

Demographic Features

When the age distributions of the natural and legal investors making use of the supports in the city of Diyarbakir between 2005-2012 had been examined, it was noticed that 15.60% of all investors were in the young-age group with ages ranging between 20 and 30; that 31.40% of them were in the middle-age group with ages ranging between 31 and 40; that 24.11% of them were in the group with ages ranging between 41 and 50; and that 12.06% of them were in the group with ages ranging between 51 and 60. The highest number of investors was in the age group of 31 to 40, which was considered to be age group with the most cognitive skills (Sezer, 2013). The second group was between 41 to 50, which, according to Planck, included farmers with highest productivity (Planck, 1972). As for the investors who made use of the supports provided by grant institutions, 39.01% of them were high-school graduates, and 43.26% of them were graduates of a university. Of all the investors participating in the study, 75.1% of them were doing business in more than one area; 51.77% of them were doing agricultural production; 41.13% of them were doing industrial production; 39.72% of them were doing trade; 30.17% of them were active in agricultural industry; 30.50 of them were active in service sector; and 5.67% of them

were active in public sector. By determining the year of establishment of the corporates making use of the supports and donations, the influence of the supports and donations on incorporation was measured. Among the corporates within the scope of the study, it was seen that 44% of them were established before 2005 and that 56% of them were established in the seven years between 2005 and 2012.

Industrial Distribution of the Sources Used and Distribution of the Corporates Supported

Within the scope of the study, the number of projects presented by the investors between 2005 and 2012 to get supports of corporates in the city was examined. Of all the investors, 56% of them demanded support and donation for at least two projects in a period of seven years; 34% of them with 3 to 4 projects; 9% of them with 5 to 6 projects; and 1% of them with seven or more projects. Considering the fact that the number of the investors interviewed was 141 and each investor presented more than a project, it could be stated that there is a small population of investors reaching or trying to reach the sources in the city. When the distributions of the corporates providing support and donation in those years were examined, it was found out that 56.74% of the investors made use of the sources provided by Ministry of Food, Agriculture and Livestock (GTHB); that 36.17% used those by Karacadağ Development Agency; that 24.11% of them used those by KOSGEB (Small and Medium Industry Development Organization); and that 4.96% of them used those by European Union. It is an interesting but natural fact that the first three corporates providing these sources were public institutions and that national sources were used. The supports provided by public institutions are likely to have influence on the transfer of sources to underdeveloped regions (Ören et al., 2001).

When the industrial distribution of the supports and donations provided in the city of Diyarbakir between 2005 and 2012 was examined, it was found out that the agricultural industry had a share of 69%; that the industrial sector had a share of 29%; and that the service sector had a share of 2% (Table 1). It was also found out that 75% of the supports provided for the agricultural industry were used in plant production enterprises and that 25% of them were used in animal production enterprises (Table 1).

Table 1. The organizations provided sectoral resources and support distributions

Sectoral Distribution	Distribution Of Plant-Based Investments				The Distribution Of Investments Of Animal Origin			
	No	%	No	%	Sayı	%		
Industry	41	29	Greenhouse	22	29	Milk processing	9	48
Agricultura	97	69	Packing	18	23	Combined Feed	3	19
Service	3	2	Drying	9	12	The dairy	5	22
			Flour, Bulgur	9	12	Small Ruminant Livestock	2	8
Distribution of Agricultural Investments			Cold Storage	7	8	Silk worm	1	3
	No	%	Silo	4	5	Used Investment Programs		
Herbal Agricultural Industry	77	75	Pickles	2	2	No	%	
Animal Agricultural Industry	20	25	grape processing	5	6	New investment	91	63.83
			Pickles	2	2	Capacity increase	24	17.07
						Tecnolgy renovation	26	18.47

It is also found out that the supports provided for the agricultural industry cover agricultural industry and primary production in animal production and that they do not cover primary production agricultural industry in plant production. Moreover of all the sources used in Diyarbakır between 2005 and 2012, 29% of them were used for greenhouses; 23% for the packaging of plant products (grain and spice); 12% of them for processing flour and bulgur; 12% of them for dried vegetables and fruits; 8% of them for cold storage; 5% of them for grain elevators; 6% of them for grape processing; 2% of them for pickle production; 2% of them for certified seed processing; and 1% of them for raw oil processing (Table 1). The fact that 29% of the supports and donations were used in greenhouses demonstrates that greenhouses draw the attention of investors. On the other hand, considering the fact that even open field vegetable growing is not much productively done in the region, it was thought that the investors used the support. Also, it is thought that high level of lentil and pea production in Diyarbakır and neighboring cities caused establishments of packaging to take the second level. Within the scope of supporting economic investments, support and donations were provided for the primary and secondary productions in animal production. The reason for this could be the constant decrease in the number of animals in the region between 1991 and 2008.

In the study, examination of how the corporates benefitting from the supports and donations between 2005

and 2012 revealed that 63.84% of them used the supports and donations to found new investment establishments; 17.58% of them to increase their capacity; and 18.49% of them to renew their technology. Depending on the high ratio of new investments, it could be stated that the supports and the donations encouraged the entrepreneurs. In addition, the supports and donations used for renewing the technology and increasing the capacity were sequential investment processes; therefore, it could be stated that the enterprises were now at a certain level and that there was a market steadiness to a certain extent.

Phases of Support-Donation Use and Problems Encountered

This part presents the phases of supports and donations's usage and summarizes the problems encountered. In this respect, the process included three phases: investors' recognition of the supports and donations, putting the donations into effect and the maintenance of the project. There are various phases for the spread of an innovation or a technology (Rogers, 1983). The phase of recognition is important not only because it is the first phase but also because of the direct proportion between the decision makers and the amount of announcement of the renovation.

When the ways the investors recognized the supports and donations between 2005 and 2012 were examined, it was found out that 38.30% of them recognized the supports and donations with the help of a **counselor**.

44.68% of them with the help of Province/district Directorates of Ministry of Food, Agriculture and Livestock; 7.9% of them with the help of posters; 5.67% of them with the help of TV; and at least 4.26% of them with the help of newspaper advertisements (Table 2). As can be seen in Table 1, the reason why the investors recognized the supports and donations at most with the help of Province/district Directorates of Ministry of Food was thought to be a result of the transfer of these supports and donations mostly into the agricultural industry. Following the phase of recognition of the supports and

donations, it is an obligation for all corporates to prepare a project so that the investors can deserve the supports and donations. Of all the investors, 73.05% of them stated that they had counselling firms prepare the projects; 14.89% of them said they prepared the projects on their own; 9.22% of them requested an acquaintance to prepare the projects; 2.84% of them had their own staff prepare the projects; and 17.72% of them did not respond to the related question (Table 2). The fact that counselling firms were asked to prepare the projects in the phase of preparation of the projects demonstrates that a related sub-sector occurred.

Table 2. Support-grant usage stages and challenges

The way of news about supports and grants			Difficulties using the grants			
	No	%		No	%	
By Advisor	54	38.3	Resource shortages	42	30	
GTHB City/County Management Through	62	44.6	The Number of Firms to Establish the Buildings, Less/ None	37	26	
By Banner	11	7.9	The Difficulties in Obtaining documents and paperwork	34	24	
By TV	8	5.6	Difficulties in the Procurement Process	28	20	
By Newspaper	6	4.2				
Total	141	100	Total	141	100	

Project Preparation Form			Problems In Implementing The Project				
	No	%		Significant		Insignificant	
				No	%	No	%
By Consulting Company	103	73.0					
By Himself	21	14.8	Infrastructure Deficiencies	89	63.1	52	36.8
By The Investor's Close	13	9.2	Project Planning Errors	61	43.2	80	56.7
By Investors' Elements	4	2.8	The payment interruptions in Grants and support	45	32	96	83.6
No Answer	24	17.7	Consulting Services To Be Given On Time	38	26.9	103	73.0
Total	141	100	Trace Failure To Appropriate Evaluation	25	17.7	116	82.7

Active/Inactive companies			Evaluation Of The Project/Consulting Companies				
	No	%		Significant		Insignificant	
				No	%	No	%
Active Companies	124	64.5					
Inactive Companies	68	35.4	Technical Support	73	51.77	68	48.23
Total	192	100	Official Documents Tracking	101	71.63	40	28.37
			Problem Solver	54	38.3	87	61.17
			No Benefits	17	12.06	83	87.94

In the study, the areas where the investors experienced difficulties regarding the use of the donations were examined. These difficulties were reported by the investors to be due to lack of equity capital (30%), few or no firm to find the related establishments in Diyarbakir (26%), problems experienced in providing the documents required for the application for the donations (24%) and the difficulties experienced in the process of bidding (20%). In the phase of deserving the donation and putting the project into practice, it was seen that the investors experienced difficulties regarding more than one issue at a time. Of all the investors, 63.12% of them experienced difficulties due to lack of substructure; 43.26% of them due to the mistakes in project planning; 32% of them due to failures in the payment of donations; 26.95% of them due to failure to receive counseling services in time; and 17.73% of them due to the problems experienced regarding the monitoring and evaluation activities of the corporates providing the support (Table 2). The substructure-related inefficiencies among the problems experienced by the investors were mostly related to land registry, cadaster, master plans and license. These were the problems that did not occur in relation to the investor. The second and fourth most important problem experienced by the project investor was related to the project planning-design mistakes and the failure to receive the counseling services in time. This problem results from the mistake made by the investor or by the person or the institution that prepared the project. The third most important problem was related to the failure in donation payment due to the corporates providing the donations or the support. Consequently, all these problems have influence on corporates' production and permanence. Thus, in the study, it was found that 35.41% of the corporates (192) making use of the supports and donations between 2005 and 2012 were not active, and this ratio is quite high.

As can be seen in Table 2, when the problems experienced by the investors in the phase of putting the project into practice were examined, it was found out that these problems resulted from the mistakes in project planning (43.26%) and from inappropriate or inefficient counselling services (26.95%). In general, the counseling firm was also the corporate preparing the project. Thus, the cause of these two problems was common. The investors' views about these corporates were investigated, and the importance of the services given was examined. It was found out that the most

important services for the investors provided by the project/counseling firms included following the official documents (71.63%), providing technical support (51.77%) and problem solving (38.30%), respectively. Of all the investors, 12.06% of them thought these services did not have any benefits.

CONCLUSION

When the industrial distribution of the supports and donations provided in the city of Diyarbakir between 2005 and 2012 was examined, it was seen that the highest level of support was provided for agricultural industry. This was a positive result because it is important to use this potential since Diyarbakir is an important city with its agricultural potential as well as with its variety of products. As in animal production, in plant production, providing support for primary production at least regarding certain products lentil, pea, Karacadağ rice) is important for product variety and for the maintenance of local materials. In Diyarbakir, there are enough corporates providing support for economic investments. However, the sectors provided with support by these corporates should certainly be different, and source transfer into the industry and service sector should be achieved. The problem encountered by the investors most in using the donations was related to lack of equity capital. Thus, public funds should not be wasted by not providing any support for the corporates with any equity capital, or they should be provided with opportunities to use credits in appropriate conditions. It is necessary to accredit the project/counseling corporates which are few in number and which do business in the city. In addition, it will be quite beneficial to include the responsibilities of the corporates in the support/donation directives. In addition, it is immediately necessary to complete the substructure of the organized industry for the strengthening of the substructure in the region. It is also important to complete the land registry and cadaster procedures in the city. With the metropolitan municipalities law number 6360 put into effect, a number of rural areas were transferred to municipalities; however, because related institutionalization has not been completed within the municipalities, there are still ongoing problems with the license procedure. The reason is that permissions like license for the area where the establishment will be founded are quite time-consuming and complex. Therefore, there is too much bureaucracy, which leads to a waste of time and money and results in giving up the investment.

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