



## THE SOLUTION OF THE TRADESMEN-ARTISANS' FINANCIAL REQUIREMENTS “THE HALKBANK MODEL”



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# WHO ARE TRADESMEN-ARTISANS ?



The artisans-tradesmen are real person enterprises which are generally classified under SME definition ; employ fewer than 9 persons, annual turnover and size of assets does not exceed 1 Million TRY.



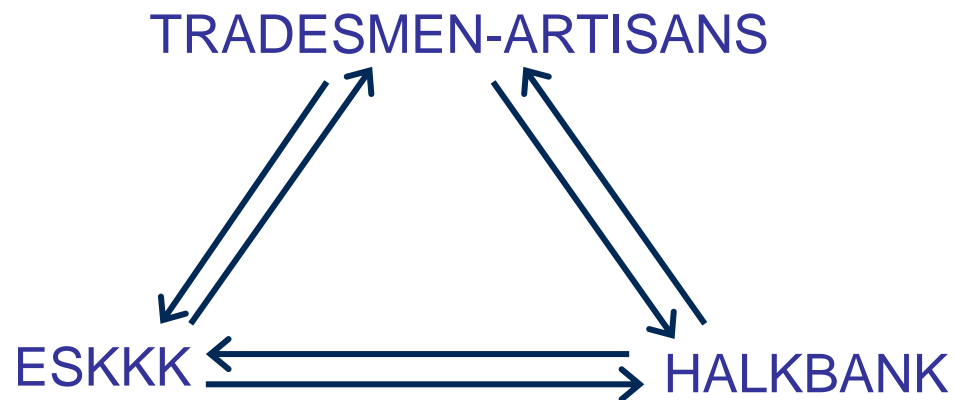
# THE SECTORAL DISTRIBUTION OF ARTISANS-TRADESMEN

Although artisans-tradesmen's occupations consists of wide range of jobs, some major occupations are can be listed as follows:

- Taxi driver, mover
- Grocer, kiosk business owner, deli owner, butcher
- Hairdresser, barber
- Mechanics
- Tailor, shoemaker
- Ready made seller,
- Hardware dealer,
- Carpenter, furniture manufacturer,
- Restaurateur, cafe owner

# WHO ARE TRADESMEN-ARTISANS ?

- The tradesmen-artisans are micro enterprises who establish and run their business with very small amount of capital.
- They are very fragile to economical crisis and they react easily.
- The tradesmen-artisans face financial difficulties because of collateral issues and high credit interest rates which are required by financial intermediaries
- At this point, Halkbank and Tradesmen and Artisans Loan and Surety Cooperatives (ESKKK) support artisans-tradesmen with a credit instrument which has lower interest rate and easier to build collateral conditions.



# HALKBANK AND SUPPORT TO TRADESMEN-ARTISANS

The Halkbank's support to artisans-tradesmen basically depends on the collateral given by cooperatives to the loans used by tradesmen and artisans.

In this system , at least 100 tradesman-artisan whose membership conditions are defined at the related law, come together under the roof of a cooperative.The tradesmen-artisans who are member of these cooperatives use credit with the collateral given by cooperative.





# HALKBANK AND SUPPORT TO TRADESMEN-ARTISANS

Halkbank is currently the sole distributor of cooperative loans in Turkey to entrepreneurial SMEs through a network of local cooperatives as its establishment purpose.

The government give particular importance to tradesmen and artisans as a significant part of the society and supports this group. Thus various supports are given and some legal exemptions and exceptions are applied to tradesmen and artisans:

- A part of the interest rate each cooperative loan extended is compensated by the Turkish Treasury
  - Banking and Insurance Transactions Tax exemption
    - Stamp Duty exemption
    - Resource Utilization Support Fund exemption



# HALBANK AND SUPPORT TO TRADESMEN-ARTISANS

The establishment of cooperatives has started in 1951. After that date their number increased and reached 450 by 1970 and by the end of 2011 to 943.

Today number of artisans-tradesmen who are member of these cooperatives reached 1 million people.

Since 1942 Halkbank dispurse credit to tradesmen-artisans , and from 1951 dispurse with the collateral of cooperatives.



# THE ESTABLISHMENT PROCESS OF COOPERATIVES

1

## The establishment goal of cooperatives

To provide the required credit, to member tradesmen-artisans for their professional activities or to provide collateral to these members to attain these credits or bank guarantees

2

By establishing cooperatives the tradesmen-artisan who don't have enough financial power and collateral structure can reach this opportunity in more favorable terms with goverment support.

3

At least 100 tradesmen/artisan gather and apply for the establishment of cooperative to governer's office with necessary documents.

4

The govaernorates transmit the acceptable demans to the Ministry which Directorate General of Cooperative is related to.



# THE ESTABLISHMENT PROCESS OF COOPERATIVES

5

The Ministry asks for the opinion of Halkbank and TESKOMB (Union of Credit and Guarantee Cooperatives for Tradesmen and Artisans of Turkey) about the establishment of the cooperative

6

The ministry is informed by Halkbank within the frame of the survey, about cofounders of the cooperative ,which is conducted by our regional coordinator's office

7

For the cooperatives which are licenced by the Ministry a working territory (district) is determined.

8

The cooperatives apply to our branches with Articles of Association , Trade Registry Gazette, General Board Documents

9

A branch is determined to work with the cooperative whose establishment period is over .

# THE ESTABLISHMENT PROCESS OF COOPERATIVES

9

The branch demands the limit which cooperative can give guarantee from Headquarters.

10

In the existing system there are 7 groups of cooperatives. The newly established cooperative starts from 7<sup>th</sup> group and at least for 1 year the Bank put lien on collateral received for the credits used by the members of the cooperatives.

11

When the cooperative rises to 5<sup>th</sup> group or higher (1 to 5) it can put lien on the collateral.

12

While determining the risk groups of cooperatives 13 different financial and nonfinancial criteria are taken into consideration. Some of those criteria can be listed such as, cooperative's registered capital, liquid assets, morality information of cooperative's directors, administrative structure of cooperative, employee information.

# THE CREDIT SCORING OF COOPERATIVES AND THEIR MEMBERS

1

The loan's maximum limit per person differs between each cooperative

- 1<sup>st</sup> group cooperatives can give guarantee up to 100.000 TRY
- 2<sup>nd</sup> group cooperatives can give guarantee up to 75.000 TRY
- 3<sup>rd</sup> 4<sup>nd</sup> and 5<sup>th</sup> group cooperatives can give guarantee up to 50.000 TRY
- 6<sup>th</sup> and 7<sup>th</sup> group cooperatives can give guarantee up to 35.000 TRY

2

While the client's creditworthiness is measured also the creditworthiness of cooperative is measured with the criteria cited above. Thus artisan-tradesman and the cooperative are scored respectively.

3

The cooperative's risk group has an effect on the measurement of the client's creditworthiness. To be member of a more creditworthy cooperative is an advantage for the client.

# THE CREDIT SCORING OF COOPERATIVES AND THEIR MEMBERS

4

The credit note which is the sum of the risk notes of the credit demanding tradesman-artisan and the cooperative which he is the member of, should stay within the admissible credit note limits.

5

The effect of risk groups of cooperative to its member's risk note is as follows:

- 1<sup>st</sup> group cooperatives: + 25 points
- 2<sup>nd</sup> group cooperatives :+ 20 points
- 3<sup>rd</sup> group cooperatives : + 15 points
- 4<sup>th</sup> group cooperatives : + 10 points
- 5<sup>th</sup> group cooperatives : + 5 points
- 6<sup>th</sup> group cooperatives : + 0points
- 7<sup>th</sup> group cooperatives : + 0points

# THE CREDIT SCORING OF COOPERATIVES AND THEIR MEMBERS

To illustrate;

When the minimum risk note to extend credit is 50;

If the risk note of the tradesman-artisan who is demanding credit is 32,

If this tradesman-artisan is a member of 3<sup>rd</sup> group cooperative,

Tradesman-artisan's risk note + cooperatives risk note =  $32+15 = 47$  Can not use credit

If he/she were member of a 2<sup>nd</sup> group cooperative,

Tradesman-artisan's risk note cooperatives risk note =  $32+20 = 52$  Can use credit

**Consequently, as cooperative's financial position gets powerful and its risk group improves, the opportunity of tradesmen-artisans to use credit increases.**

# THE CREDIT SCORING OF COOPERATIVES AND THEIR MEMBERS

In the existing system; from the each credit used by tradesmen and artisans some cuts are made .Which are;

- 2% cooperative equalization reserve cut,
- 1% Regional Union and TESKOMB cut

Also;

- the %4 of each credit held in cash collateral accounts at the Bank.

The collateral accounts are used to collect overdue loans which are not paid back by the tradesmen-artisans.

The cooperative loans are extended with the terms up to five years with monthly, quarterly and semi-annually instalments as working capital and investment loan. The maximum limit of investment credits is 250.000 TRY. The maximum limit of working capital differs between each cooperative according to cooperative's creditworthiness.



# THE GOVERNMENT SUPPORT ON COOPERATIVE CREDITS

The difference between the interest rate of cooperative credits and average market interest rate of commercial credits is compensated by the Turkish Treasury .Annually with the resolution of the Council of Ministers, coverage rate is declared.

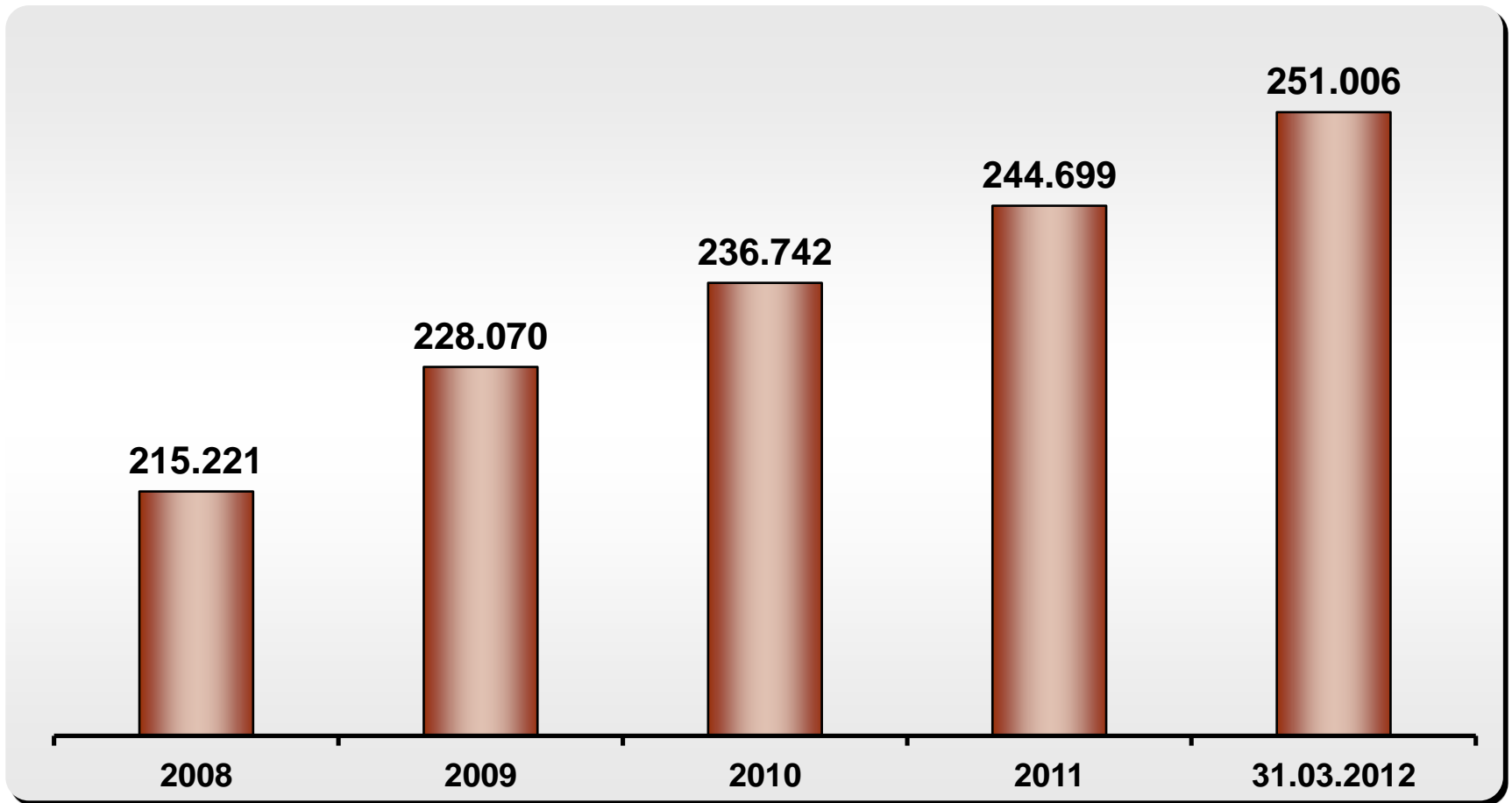
In 2012's regulations; at Treasury supported credits extended by Halkbank to tradesmen-artisans

- The credit extensions up to 25.000 TRY - 50% of the interest rate
- The credit extensions over 25.000 TRY 35% of the interest rate is covered by the Turkish Treasury.

In the last decade (2002-2012) 21 Billion TRY credit extended to approximately 850.000 tradesmen-artisans.In this period, total Treasury interest support is 1,7 Billion TRY.

# OVERALL POSITION OF COOPERATIVE CREDITS

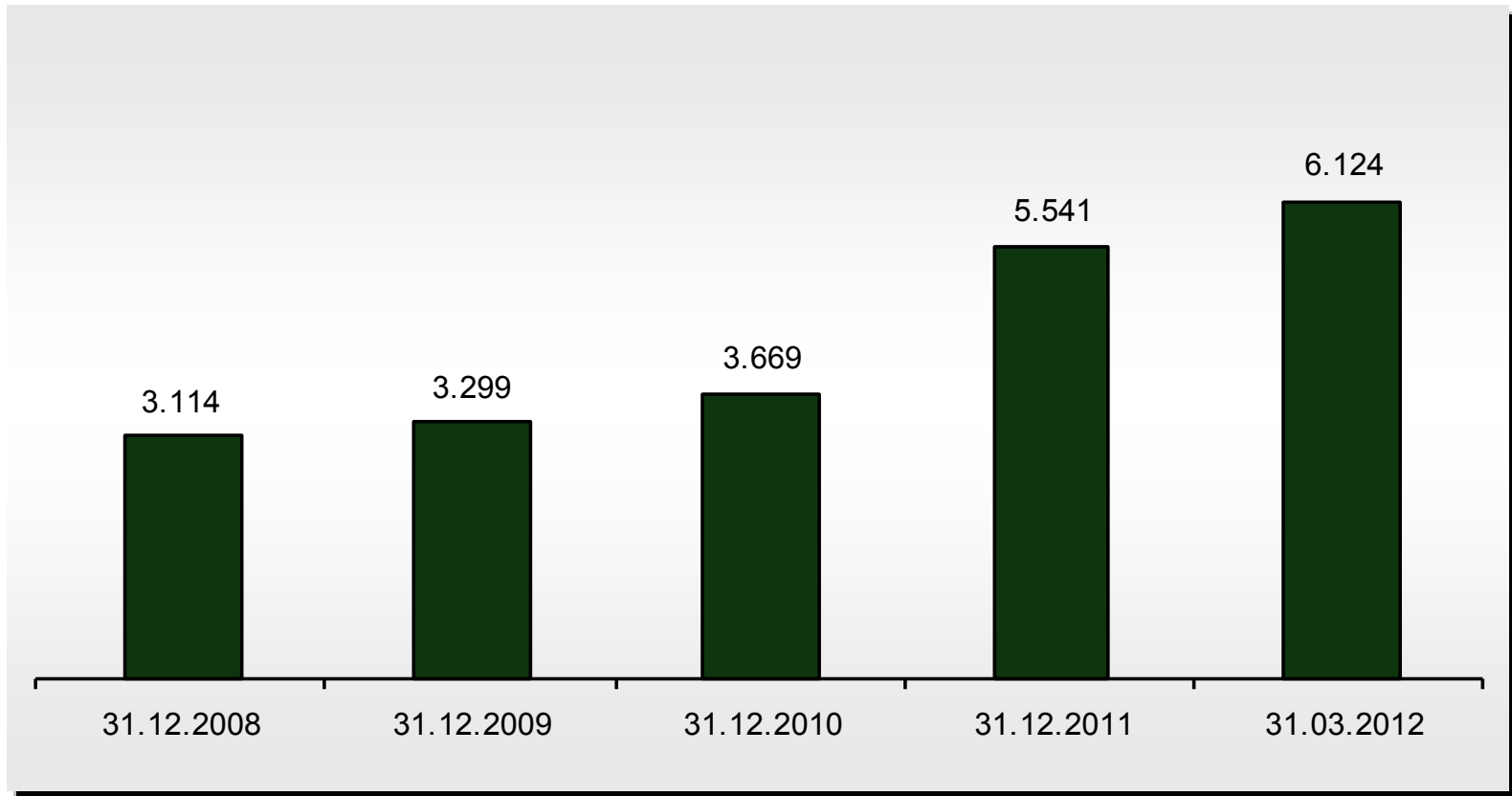
## THE CHANGE BY THE NUMBER OF CREDIT USING COOPERATIVE MEMBERS



# OVERALL POSITION OF COOPERATIVE LOANS

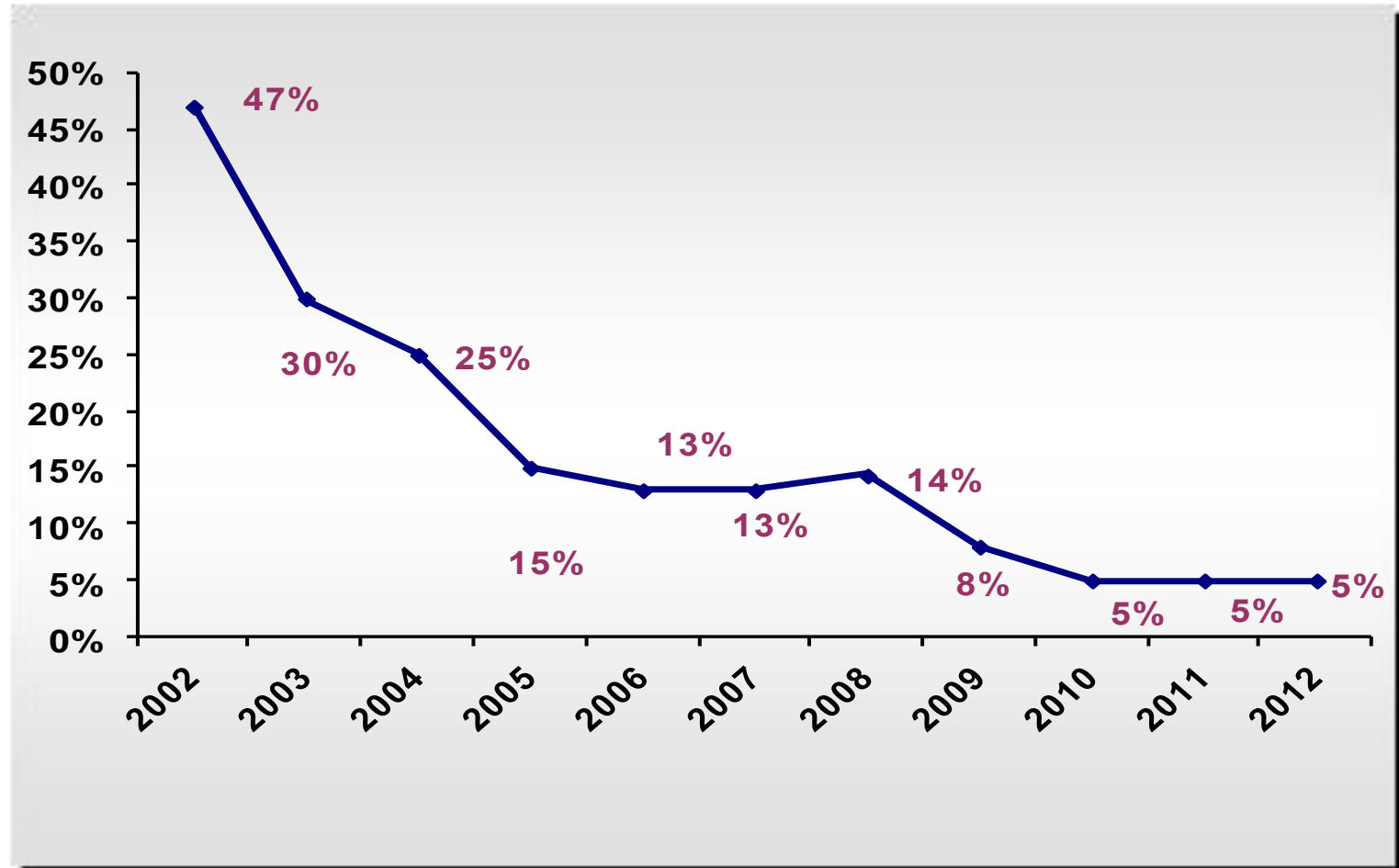
## THE CHANGE OF OUTSTANDING LOAN

(Million TRY)



# OVERALL POSITION OF COOPERATIVE LOANS

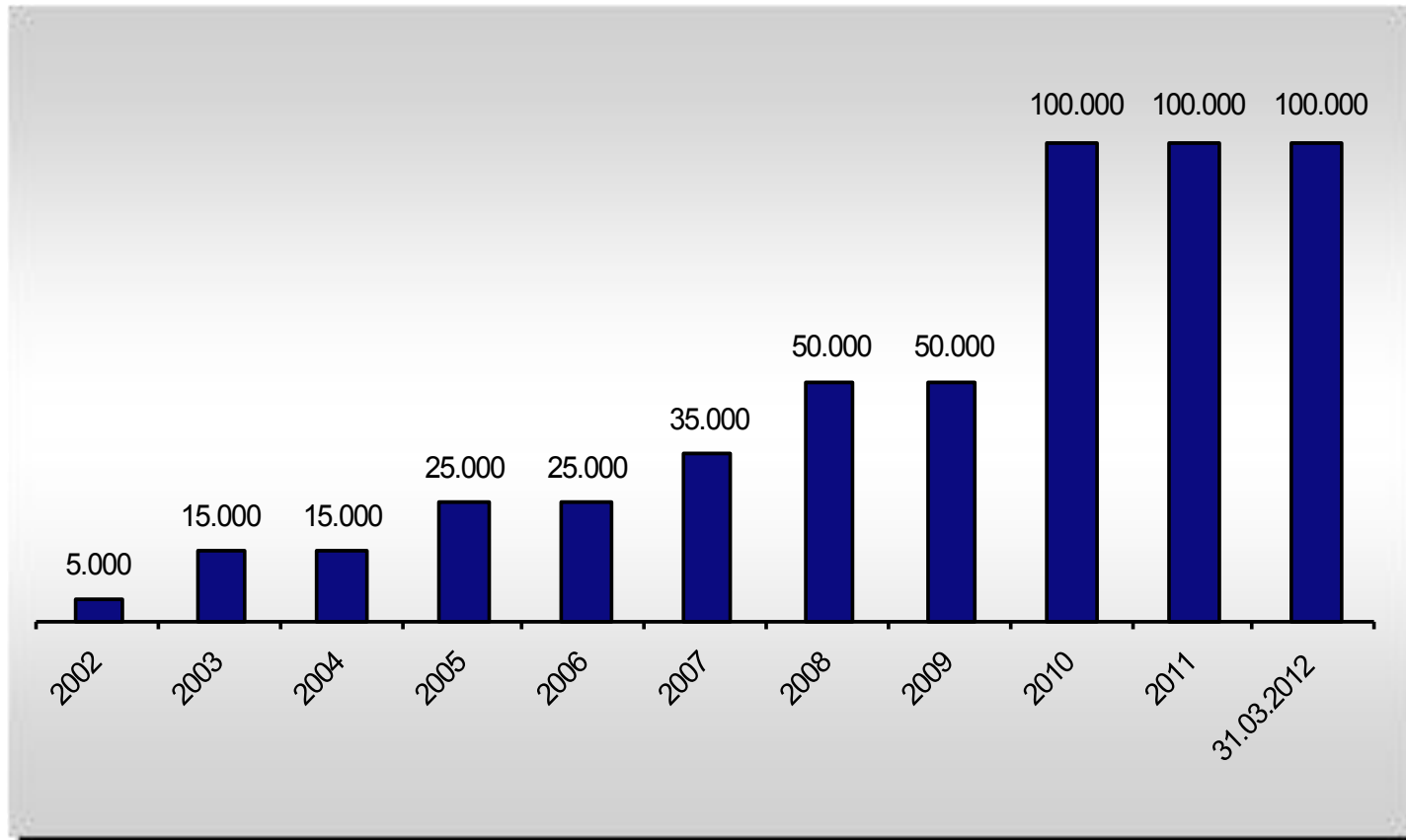
## THE CHANGE OF INTEREST RATE



# OVERALL POSITION OF COOPERATIVE LOANS

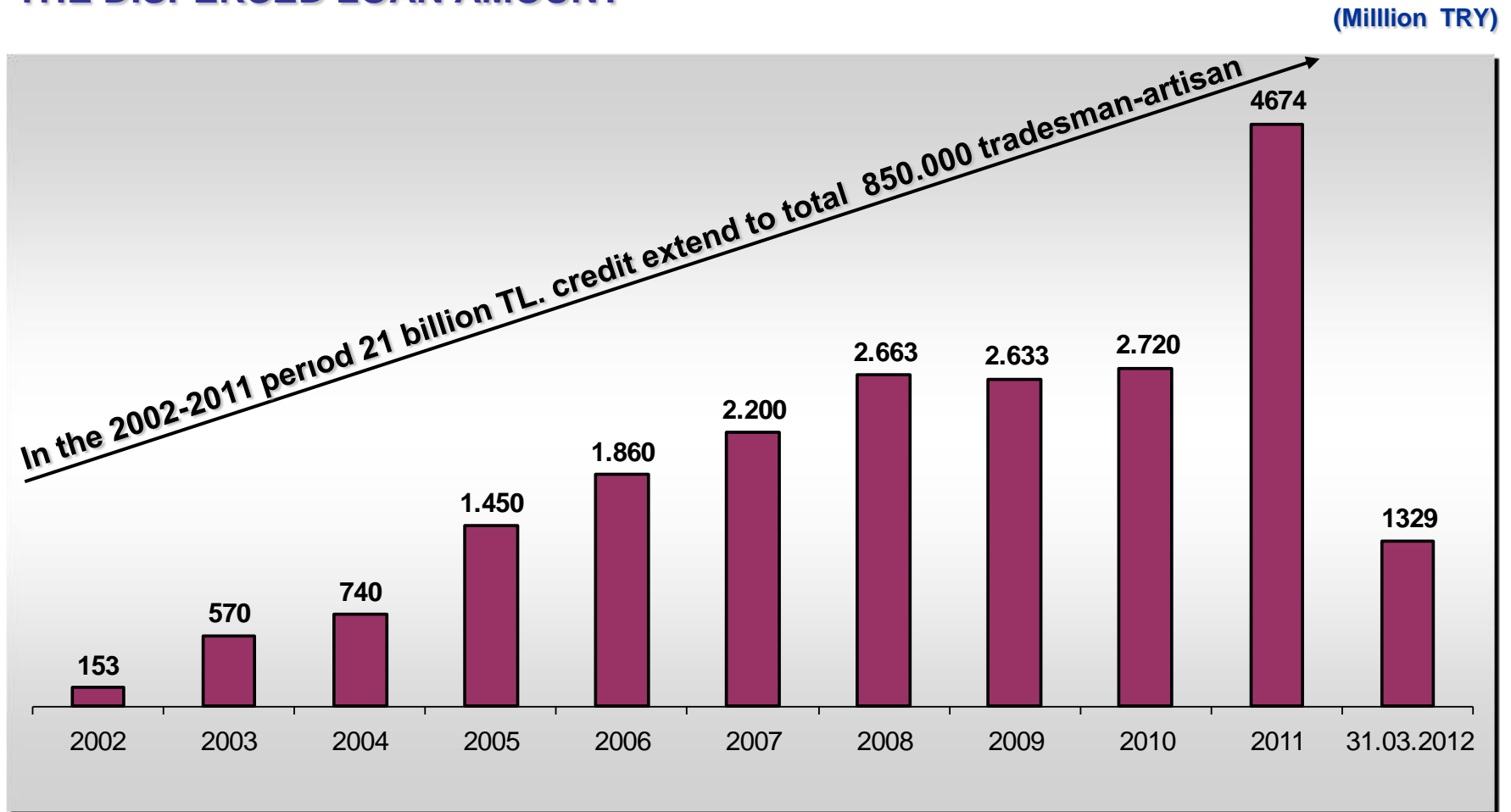
## THE CHANGE OF MAX. LIMIT PER PERSON (INVESTMENT CREDIT MAX. LIMIT PER PERSON 250.000 TRY)

(Million TRY)



# OVERALL POSITION OF COOPERATIVE LOANS

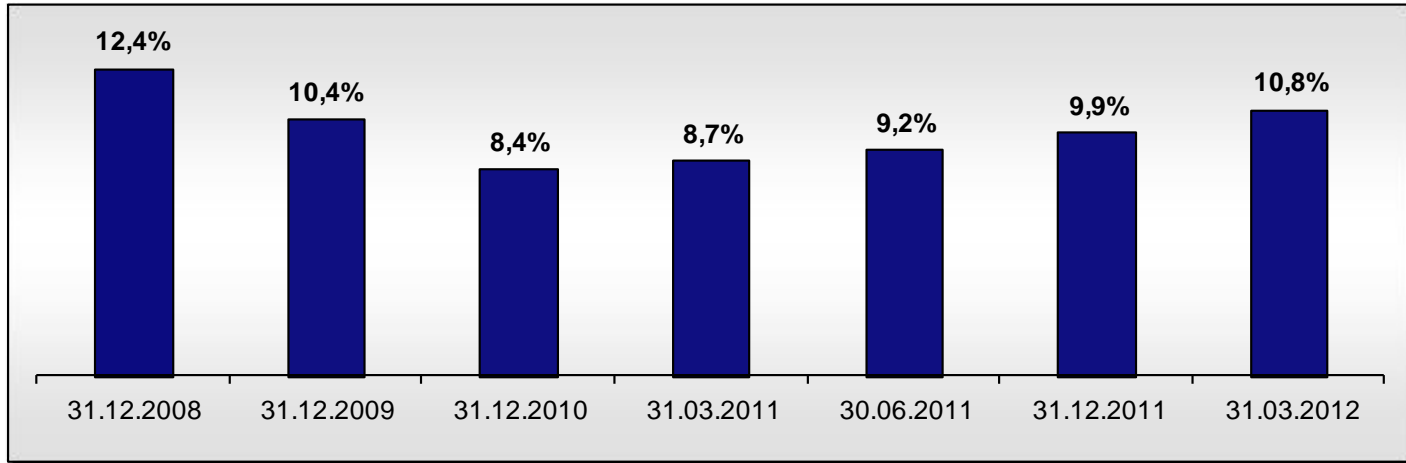
## THE DISPERSED LOAN AMOUNT





# OVERALL POSITION OF COOPERATIVE LOANS

## THE SHARE OF COOPERATIVE CREDITS IN TOTAL HALKBANK LOANS



(Million TRY)

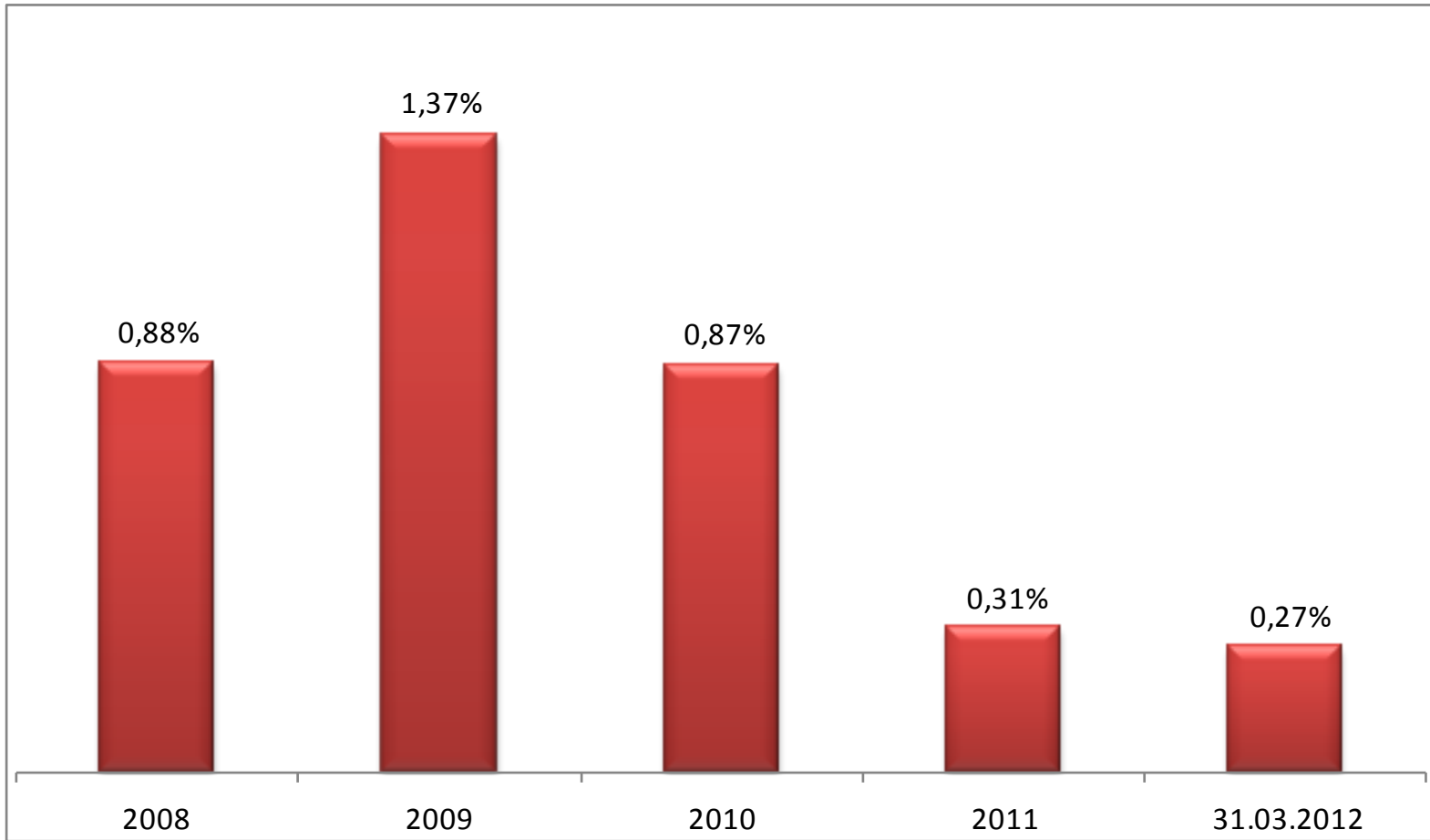
	31.12.2008	31.12.2009	31.12.2010	30.06.2011	31.12.2011	31.03.2012
<b>COOPERATIVE CREDITS</b>	3.114	3.299	3.670	4.644	5.541	6.124
<b>TOTAL LOANS</b>	25.046	31.666	43.559	50.752	56.216	56.716

# THE SECTORAL DISTRIBUTION

As Per 31.03.2012	The Number of Cooperative Members	%	The Loan Amount (Million TRY)	%
<b>1 - METAL GOODS AND MACHINERY</b>	12.291	5%	313.928.314	5%
<b>2 – AUTO AND OTHER MOTORIZED VEHICLES</b>	13.131	5%	307.321.368	5%
<b>3 –ELECTRICAL AND ELECTRONICAL INSTRUMENTS</b>	6.697	3%	163.166.417	3%
<b>4 - WOODEN GOODS</b>	10.577	4%	269.549.107	4%
<b>5 –LEATHER GOODS</b>	2.795	1%	68.795.804	1%
<b>6 -CONSTRUCTION</b>	3.967	2%	118.798.139	2%
<b>7 - TEXTILE</b>	6.449	3%	157.502.577	3%
<b>8 – FOOD</b>	6.602	3%	167.905.492	3%
<b>9 - OTHER</b>	7.168	3%	196.679.750	3%
<b>The Manufacturing and Repairing Occupations</b>	<b>69.676</b>	<b>28%</b>	<b>1.763.646.969</b>	<b>29%</b>
<b>1 – OTHER SERVICES ABOUT FOOD</b>	53.893	21%	1.238.417.654	20%
<b>2 –TRANSPORT SERVICES</b>	77.700	31%	2.046.614.029	33%
<b>3-TELECOMMUNICATION, ACCOMODATION AND ENTERTAINMENT SERVICES</b>	21.953	9%	454.945.442	7%
<b>4 – HEALTH, SANITY , BEAUTY AND CARE SERVICES</b>	12.342	5%	244.986.802	4%
<b>5 – SERVICES ABOUT CLOTHING</b>	12.660	5%	304.482.144	5%
<b>6 – SERVICES ABOUT STATIONERY AND PRINTING</b>	2.782	1%	71.304.915	1%
<b>The Service Sector Occupations</b>	<b>181.330</b>	<b>72%</b>	<b>4.360.750.986</b>	<b>71%</b>
<b>TOTAL</b>	<b>251.006</b>	<b>100%</b>	<b>6.124.397.955</b>	<b>100%</b>

# NPL RATES

## The Bank's NPL Rates



# HALKBANK

Halkbank was founded in 1938 to support artisans and tradesmen on favorable terms in order to promote permanent economic development.



While staying loyal to its principals, Halkbank is the pioneer of many achievements. In 1940 with the first SME credits given to small and medium sized enterprises Turkey's first hand looms launched . In 1964 Halkbank provided fund for the first time for establishment of small industry sites, In 1975, Halkbank gave loans to large industrial enterprises as well.

Halkbank maintains, successfully all the banking operations which are required by the modern banking sector, also continuous to support tradesman-artisans and SMEs as its core mission besides serves at every field from Retail Banking to Corporate Banking.

Having a prestigious place at Turkish Banking sector, Halkbank is the 7th largest Bank in terms of assets.

Today's many big companies has been supported by HALKBANK's cooperative credits at certain period of time through their business life.



At the every and each problem they face from financial issues to international regulations HALKBANK is there for them

Many SMEs is producing and growing with the Halkbank's credits and we are so proud of our role in their success eventually  
**TURKEY'S SUCCESS.....**

**THANK YOU**