
**REPORTS OF THE NATIONAL ACADEMY OF SCIENCES
OF THE REPUBLIC OF KAZAKHSTAN**

ISSN 2224-5227

Volume 4, Number 320 (2018), 33 – 38

UDC 338(100-87) LBC 65.9(4/8)

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gilash.uashov@narxoz.kz**TRENDS OF SMALL AND MEDIUM-SIZED BUSINESS
DEVELOPMENT IN KAZAKHSTAN**

Abstract: This article monitors the development of entrepreneurship at the present stage of management, on its basis the main problems in the sphere of legislation of tax and financial-credit systems are revealed, and prospects for development of directions for improving small and medium-sized businesses are determined. The author notes the role and place of entrepreneurship in the socio-economic development of the state, identifies the interests of economic entities in the implementation of entrepreneurial activities, as well as describes problems that impede the effective functioning of the business sector

Keywords: development tendencies, state support, small business, SMEs.

Introduction. World experience shows that without a free market economy, without an independent producer, without entrepreneurial activity, the prosperity of society is impossible. The formation of small and medium-sized market structures in all sectors and branches of the country's economy, without exception, meets the world economic tendencies of economic processes, as in all countries of the world in the small business sector, there is a significant number of small enterprises of various profiles. Entrepreneurial activity (entrepreneurship) is the most important element of any market economy since it provides economic growth, production of a growing mass of various goods designed to satisfy quantitatively and, more importantly, qualitatively changing needs of society, its various strata and individuals. This is the driving force behind the development of the modern market economy, so it is important to understand the various aspects of entrepreneurship as a socio-economic phenomenon.

Small business provides high efficiency, due to the necessary mobility, creates a deep classification and cooperation under market conditions. Secondly, it is able not only to fill the niches that are formed in the consumer sphere but also to pay them back quickly enough. Thirdly, to make an atmosphere of obvious competition. Fourth, this is the most important and main thing, without which a market economy is not possible in fact, it creates the necessary atmosphere and spirit of entrepreneurship. The importance of entrepreneurship lies in the fact that while small businesses are fiercely competitive for survival in the market, they are forced to constantly develop, improve and adapt to the current market conditions, because in order to survive, means are needed to exist and they are obliged to be better than others in order to maximize profits [1].

In Kazakhstan, the development of entrepreneurship is one of the priority directions of the state's economic policy, and the Government strives to form a middle class and a competitive dynamic business community focused on the creation of new high-tech industries with the greatest added value.

Small enterprises are mobile, and therefore feel most confident in the production of goods and services, where supply and demand depend on the changing range and taste of consumers. Small enterprises and, in general, small business have taken their place in economic activity, which is maximally tentative to regional and local needs [2].

Micro-entrepreneurship, reacting quickly to changes in market conditions, gives the market economy the necessary flexibility. A significant contribution is made by the small business in the formation of a competitive environment, the implementation of a breakthrough in a number of important areas of scientific and technological progress, and it cannot be forgotten that small enterprises have less impact on the ecological situation.

Currently, the greater dependence of the national economy as a whole and individual entities on world markets is a negative consequence of the global crisis.

At the same time, the greatest threat to the economy of Kazakhstan was the continued fall in world oil prices, which led to a drop in industrial production, increased unemployment, increased inflation and reduced consumption.

Results of the study - To date, systematic measures are being taken in Kazakhstan to develop the SME sector. The Unified Business Support Program "Business Roadmap - 2020" operates, which determines the key directions of the state policy in the field of increasing the private entrepreneurial initiative. An institutional framework has been created, including an extensive system of state and non-governmental organizations. However, it should be noted that in the context of a slowdown in the economic growth and difficult economic conditions in the external environment, there is a need to transform the system of support and development of business. At the same time, the adaptation of the state strategy to new conditions requires a detailed and systematic study of the environment in which entrepreneurial activity is realized. In this regard, the urgency of studying the entrepreneurial climate or the so-called business climate is growing. Business climate, reflecting the quantitative and qualitative indicators of the business environment, is the determining factor of entrepreneurial activity.

The development of small and medium-sized entrepreneurship which is the main source of employment, attracting investment, the foundation of building a competitive economy is one of the main priorities of the Ministry of National Economy.

Work in this direction is carried out according to three system blocks. They are:

1. Improvement of state regulation and improvement of business climate;
2. Expanding the access to finance and improving support measures;
3. Removal of industry barriers.

In the direction of improving the state regulation and improving the business climate, a corresponding draft law has been prepared, which turned out to be very voluminous, contains about 1000 amendments, providing for changes in 100 laws and 13 codes.

The draft law provides for the reform of state control and supervision, the reduction of onerous reporting by entrepreneurs, the reduction of frontal business costs, the exclusion of exclusive rights of market entities that impede the development of competition, and the improvement of Kazakhstan's position in the World Bank's Doing Business rating.

The next important direction is to increase the availability of business financing. Here, the key support tools are the Single Business Support and Development Program "Business Road Map 2020", the Program for the Development of Productive Employment and Mass Entrepreneurship, as well as credit lines of international financial organizations.

Within the framework of the Unified Program for Business Support and Development "Business Road Map 2020", over 192 thousand entrepreneurs and people with entrepreneurial initiative were covered by support measures in 2017, which is 10% more than in 2016. In 2017 the economy of Kazakhstan was influenced by the trends formed in 2015, as global economic trends continue to have a negative impact on the country's economic development. Nevertheless, the measures taken by the Government to support the economy in the period of high volatility of world oil prices and a reduction in consumption ensured GDP growth at the level of 1.1%. One of the key factors in the economic growth was an increase in investment activity. The investment volume in the fixed capital increased by 5.1% to 7.7 trillion. tenge (approximately \$ 22.9 billion). The net inflow of foreign direct investment in 2016 exceeded \$ 14.3 billion, and in comparison with the same period in 2015 increased in 4.2 times. In 2016, foreign trade turnover fell to \$ 61.9 billion, but the positive trade balance remained at the level of \$ 11.6 billion [3].

Today, SME forms 25% of the value added and provides employment to 37% of the population in Kazakhstan, while in most OECD countries these figures are 57% and 60-70% respectively. At the same time, the majority (60%) of small and medium-sized enterprises operates in sectors that produce goods and services with the low added value. On the scale of the national economy, the popularity of entrepreneurship in the Republic of Kazakhstan is increasing, but the pace of efforts is quite small - the levels of entrepreneurial activity in Kazakhstan are half the world average (63% of GDP and 47% of the number of employees).

Among the regions, the greatest influence of SME in the formation of a gross regional product is observed in Astana - 46% of GRP, in West-Kazakhstan region (40%) and in Almaty (29%).

In 2018, in ranking Kazakhstan is near China (34), Russia (35), Slovenia (37) and Belarus (38). Kazakhstan outperforms Hungary (48), Belgium (52) and Italy (46). Kazakhstan developed cadastral plans accessible to the public through the e-government website, introduced legislation that promotes transparency, clarified corporate governance laws, reduced customs costs and simplified the customs clearance procedure.

Table 1- Kazakhstan in the World Bank "Doing Business" ranking

Indicators	2017 ranking	2018 ranking	Improvements/Impairments
Establishment of enterprises	45	36	+9
Dealing with Construction Permits	22	41	-19
Connection to electronic networks	75	70	+5
Registration of property	18	17	+1
Borrowings	75	77	-2
Taxation	60	50	+10
International trade	119	123	-4
Contract performance security	9	9	0
Resolving Insolvency	37	39	-2
Source: World Bank Report "Doing Business 2018"			

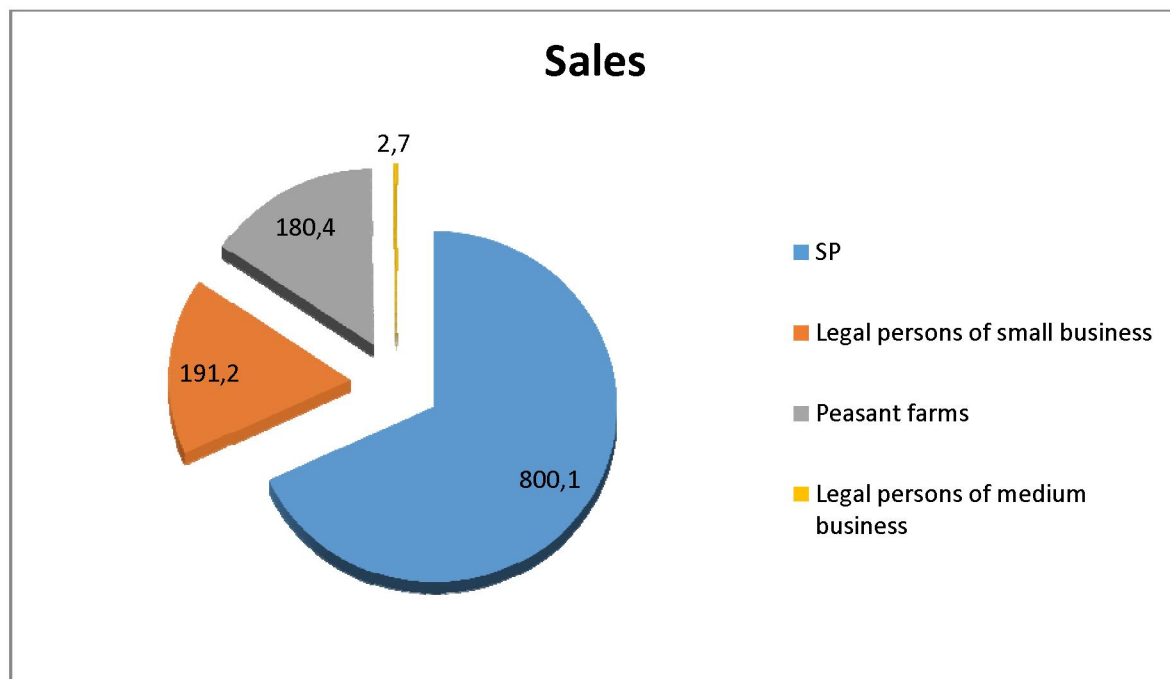


Figure 1- Number of SMEs at 2017/1 (thousand units)

In the SME structure, there is a traditional domination of subjects of individual entrepreneurship, engaged in commercial activities and spheres that do not require high qualification. At the same time, the world trend is the transition to the production with high added value, the introduction of mechanisms for innovative, efficient production ("Kazakhstan 2050").

As of the end of January 2017, 800,000 sole proprietors operate in the Republic of Kazakhstan, accounting for 68% of SMEs. For a year their quantity was reduced by 15%. Almost half (47%) of SP are engaged in trade [3].

As the Asian Development Bank notes, a sole proprietorship in Kazakhstan demonstrates low productivity. The annual output per employee in the SP is \$ 3 thousand, while in small and medium-sized enterprises - \$ 27 thousand.

For the year, the number of small enterprises (legal entities) increased by 8% and amounted to 191 thousand units. Most of the small businesses are concentrated in the sectors of trade - 30% and construction - 16%.

Since 2015, there has been an active growth in SME lending. The number of loans issued by banks increased in 2.3 times since 2014. Compared to January last year, the volume of loans increased by 29% and amounted to 3 trillion tenge. The direction of loans reflects the main activities of enterprises: trade (37%), construction (13%), industry (13%) and other industries not connected with the main sectors of the economy (24%).

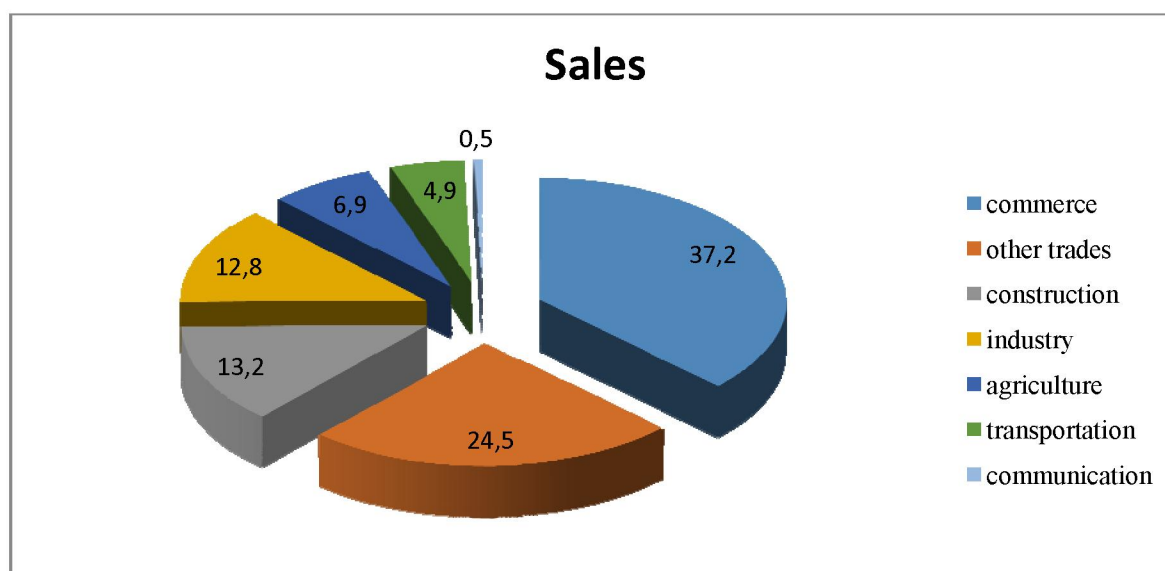


Figure 2- Lending structure by sectors for 2017/01

In addition to well-known state programs, loans from MFOs for the period up to 2020 were also actively attracted to the development of SMEs from 2015 to 2017. This year, the implementation of the third tranche of \$ 200 million under the ADB project [4].

The project is aimed at increasing the availability of SME financing, increasing the number of borrowers by more than 20% and the number of loans issued by 2020. Also including a gender policy so that at least \$ 50 million will go to lending to women's entrepreneurship. Also, at least \$ 120 million will be allocated for lending to enterprises outside Almaty and Astana.

This year the World Bank (IBRD) will allocate an additional \$ 9.24 million for the SME competitiveness project. The aim of the project is to strengthen government programs and increase the competence of SMEs [5].

At the moment, a vendor development program is being developed, the role of which will be to increase market ties for SMEs with large local and multinational corporations in the oil and gas, railway and metallurgic sectors. Within the framework of the project, a team of specialists from the KIID will be provided with modern market tools for the development of clusters, including training and equipping programs according to the SPIID (state program of the industrial-innovative development). Also, online platforms will be developed for the purchase of invoices and verification of SME receivables, which will also increase an access to business financing.

By the end of the project, it is planned to increase the number of "accredited suppliers" for large companies - from zero in 2015 to 200 in 2019. The percentage of SMEs involved in improving management and business practices will increase, from 5% in 2015 to 75% in 2019.

However, according to the ADB, only 19% of SMEs receive loans, while the rest refinance their income or take loans from other sources. This is due to the fact that most enterprises have a bad credit history or do not have the necessary documents.

Discussion of results - An important factor affecting the economy of Kazakhstan is the level of inflation. In 2015, the Kazakhstan national currency - tenge - depreciated by 45% due to the introduction

of a floating exchange rate. However, this decision allowed to keep the inflation rate in 2016 at the level of about 8.5%, determined in the monetary policy of the National Bank. One of the main economic consequences of the introduction of the floating exchange rate of tenge was the decrease in consumption by the population due to the decrease in consumer confidence. For the first quarter of 2018, 3.7 thousand small legal entities were liquidated, which is 2.5 times more than in the same period last year - 1.5 thousand. Basically, economic partnerships cease their activity, for a year their number has decreased by 1.9 thousand [6].

Table 2- Liquidated small legal entities (units)

	2018/1	2017/1	Прирост
Business partnership	3049	1153	164.4%
Governmental enterprises	63	34	85.3%
Incorporated enterprise	48	13	269.2%
Other legal organizational forms	518	279	87.7%
Total	3678	1476	149.2%

In the context of the regions, the largest outflow of small business in the first quarter of 2018 was recorded in Almaty - 1.7 thousand versus 324 companies a year earlier. Further, South-Kazakhstan region - 290 liquidated small businesses, a year earlier - 124. Three anti-leaders are closed by the East-Kazakhstan region - 236 small legal entities were liquidated for January-March 2018 (January-March 2017 - 147 companies). In the capital the number of liquidated small businesses also increased - they became 213 fewer, and this is 30 liquidated enterprises more than in 2017. The number of liquidated small legal entities has decreased only in Atyrau region - 31 companies against 40 than in 2017. The main outflow of small businesses was concentrated in the wholesale and retail trade, repair of cars and motorcycles - 1.4 thousand (38.4%). Further, construction - 290 companies (7.9%). The number of liquidated small enterprises in the sectors of professional, scientific and technical activity and manufacturing industry was 262 and 252, respectively (specific weight - 7.2% and 6.9%). The share of the five listed sectors is 66.1% or 2.4 thousand liquidated small businesses.

In addition to the already liquidated small legal entities, 4.8 thousand small businesses are in the process of liquidation (a year earlier - 4.3 thousand). In Almaty, there is the largest number of entrepreneurs who leave small business - 825. However, in a year their number decreased, since last year in the process of liquidation there were 929 small businesses. In Kostanai region, on the contrary, the number of those who want to abandon the activity of small businesses is growing - 727 companies, against 670 last year. The TOP-3 anti-leaders is closed by Karaganda region - 513 small businesses in anticipation of liquidation, a year earlier, their number was 670 units [7].

Conclusions - The analysis of trends in small business shows that the development of this sector of the economy has a dynamic and progressive nature and brings its positive results, becoming a factor in reducing social tension and the basis for ensuring employment. Thus, the entrepreneurial structure increasingly gives the economy the necessary flexibility, becomes a decisive factor in its development. By creating new enterprises and working places, small entrepreneurship provides employment for the population, saturates the market with a variety of goods and services.

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ҚАЗАҚСТАНДАҒЫ ШАҒЫН ЖӘНЕ ОРТА БИЗНЕСТІ ДАМУ ТЕНДЕНЦИЯЛАРЫ

Аннотация: Мақалада шарауашылық жүргізудің қазіргі сатысындағы кәсіпкерліктің даму жағдайына мониторинг жүргізілген, осының негізінде салық және қаржы-несие жүйесі заңдылықтары аясындағы негізгі мәселелер көтерілген, сондай-ақ шағын және орта кәсіпкерлікті дамыту алғышарттары анықталған. Автор мемлекеттің әлеуметтік-экономикалық дамуындағы кәсіпкерліктің орны мен ролі атап көрсетілген, кәсіпкерлік қызметті жүзеге асырудағы экономикадағы субъектілердің мүдделері сәйкестендірілген, сондай-ақ, кәсіпкерлік қызметтің тиімді қызмет етуіне кедергі жасайтын негізгі мәселелер сипатталған.

Кілт сөздер: даму тенденциялары, мемлекеттік қолдау, шағын бизнес, ШОБ.

УДК 338(100-87) ББК 65.9(4/8)

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ТЕНДЕНЦИИ РАЗВИТИЯ МАЛОГО И СРЕДНЕГО БИЗНЕСА В КАЗАХСТАНЕ

Аннотация: В данной статье проведен мониторинг развития предпринимательства на современном этапе хозяйствования, на его основе выявлены основные проблемы в сфере законодательства налоговой и финансово-кредитной систем, а также определены перспективы в части развития направлений совершенствования малого и среднего предпринимательства. Автором отмечена роль и место предпринимательства в социально-экономическом развитии государства, идентифицированы интересы субъектов экономики в реализации предпринимательской деятельности, а также описаны проблемы, препятствующие эффективному функционированию предпринимательского сектора

Ключевые слова: тенденции развития, государственная поддержка, малый бизнес, МСБ.