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**STRATEGIES OF SMALL BUSINESS DEVELOPMENT OF THE
REPUBLIC OF KAZAKHSTAN DURING THE CRISIS PERIOD**

Abstract. The crisis phenomena in economy dictate new requirements to strategies of small business development that allows to “stay afloat” and to increase the competitiveness and stability. Small business is “locomotive” of economy, which will allow to rise by a new round of development and to provide the economic growth of the country. Businessmen have to use qualitatively new development strategies, change the reference points and business installations in activity of the enterprise. The state should pay more attention to development of small business in the conditions of crisis and to contribute to its successful development.

Keywords: small business, crisis, strategy, formation conditions.

The economic crisis in Kazakhstan has almost similar reasons, as in other countries of the Eurasian community: western sanctions against Russia; permanent weakness of the Kazakh tenge; fall of oil prices; internal problems of management of economy.

Falling of the world prices for oil plays the role in an economic crisis in Kazakhstan not only through influence on economy of Russia as main partner, but also has paramount value directly for GDP of Kazakhstan as our country itself is the exporter of oil and in many respects depends on the price of it.

It is possible to refer reduction of the liquidity, decrease in growth in hi-tech business to the general negative factors exerting impact on activity of small business, low investment activity.

In turn, the following belongs to specific factors. First, it is sharp reduction of access to additional financial opportunities and opportunities for investment. In spite of the fact, that at the moment the dependence on the banking sector and bank financing of small enterprises unlike large and medium-sized enterprises is not strongly expressed, crisis of liquidity in the banking sector reduces possibilities of banks for allocation of the additional credits to business, especially small business.

As a rule, the representatives of small business to a lesser extent use the credits (in comparison with larger) for implementation of projects on expansion of business and creation of new productions. Small business entities use the credits generally for replenishment of current assets and purchase of goods at large producers, wholesalers.

In other words, small business needs the short-term and medium-term credits. However, the banks limited in the resources because of crisis will not be able to satisfy demand from small enterprises for receiving such credits. At the same time more influence of bank crisis will be felt on themselves by the small companies working with small regional banks, which now experience the most considerable difficulties with liquidity and already find it difficult to grant the loans for small business.

Besides, in the conditions of deficiency of means, the banks began to toughen requirements to borrowers, including raising interest rates for the credits that led to the fact that not all small business entities which are wishing to obtain the credit and having the corresponding providing will be able to count on its receiving.

Secondly, it is necessary to pay attention to high dependence of small business on domestic demand. This factor is that small business is generally focused on requirements of the population and the enterprises operating in Kazakhstan. The share of export-oriented small enterprises is very low.

The decrease in solvent demand for goods and services of small enterprises exert the considerable negative impact on activity of small business. So, reduction of demand will lead to reduction of current assets that in turn will force the companies to cut down expenses due to reduction of volume of production, staff reduction, suspension of projects of own development and expansion of activity.

Thirdly, for small business (especially in the sphere of retail and wholesale shopping service business, production of construction materials) there will be inexpedient use during the work with large producers and suppliers of the scheme “advance payment for production -shipment of production” as because of crisis of liquidity and difficulty of access to financial resources of the company there will not be an opportunity to raise borrowed funds for purchase of necessary goods. In turn, it will lead to suspension of activity of separate small enterprises which business processes are based on the specified scheme.

Fourthly, the crisis phenomena increase risk of suspension of activity and even disintegration of infrastructure of support of small enterprises. At the same time, activity will be continued by organizations, which specialize in providing financial services to the small companies, for example, of the micro financial organizations.

Fifthly, the crisis phenomena provoke a leaving of small enterprises to the shadow sector. In the conditions of lack of means and solvent demand, small business entities are forced to reduce activity scales. In order to release additional resources, many companies minimize tax revenues; accept the maximum efforts on economy of expenses, including cover own income.

At the same time, in the conditions of the existing tax administration there is also other risk: excessive administrative pressure for the purpose of preservation of the existing level of fiscal charges from the concrete enterprises can be put upon small business.

In general, it is possible to note, that owing to existence of the crisis phenomena in economy small business entities:

1) Stop all projects, which are aimed at the development and expansion (purchase of the new equipment, an investment in infrastructure, hiring and training of personnel, development of the new land plots, opening of new outlets, improvement of management methods, organization of production and sale, etc.);

2) Use the best efforts on reduction of an investment and tax expenditure;

3) Reconsider methods of work with contractors (for example, the companies will refuse an advance payment on the bought goods and to impose more serious requirements to buyers to avoid a possibility of non-payments for the shipped production).

Certainly, crisis will influence not all small companies. The damage from an economic crisis to separate small business entities will be not really strong.

To the companies the followings belong:

- The companies, making inexpensive production of mass demand and providing rather cheap services to the population;

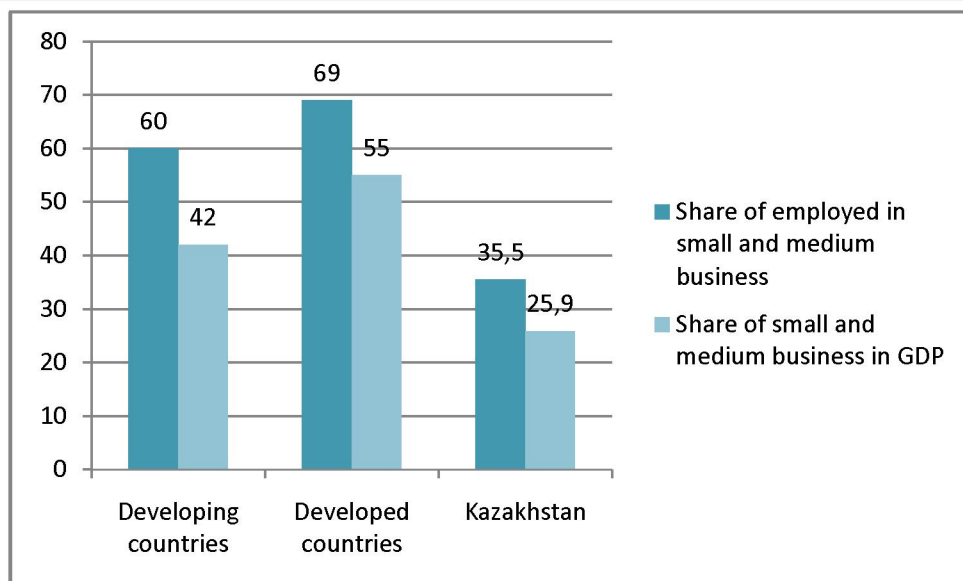
- The companies, making goods/service with inelastic demand;

- The companies, which do not use the borrowed funds;

- The companies, having constants and the improved relations with banks, which can grant the loans at the difficult moment;

- The companies, having administrative support and working by the state order.

If to consider small business in Kazakhstan, then it should be noted that it occupies 25.6 % of GDP, and the share of employed in small and medium business is 36% of republican labor market (figure 1, 2).



In scale of national economy, the popularity of business increases in Kazakhstan, however rate of activity are rather small. The levels of enterprises activity in Kazakhstan are twice lower than average world size (63% in GDP and 47% of number of employees) [1].

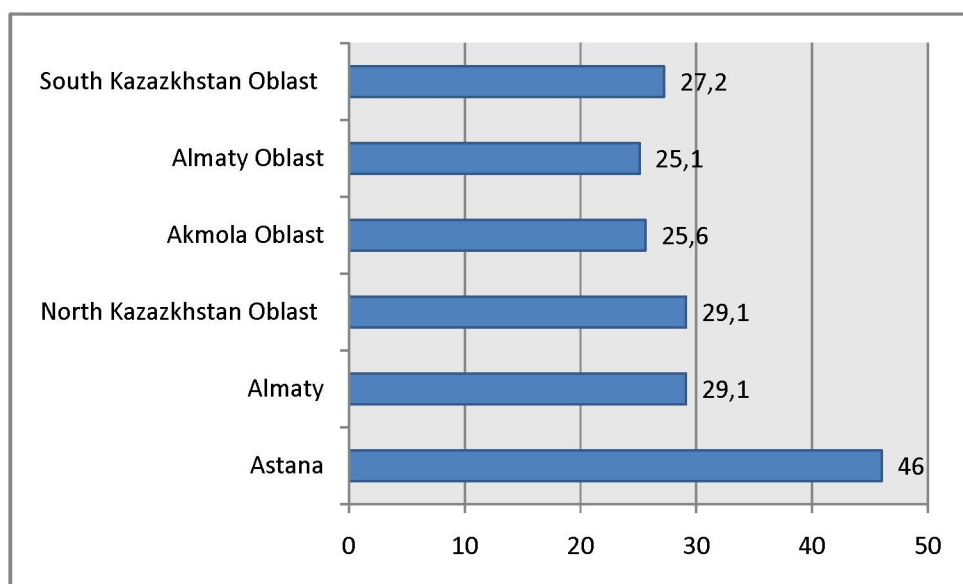


Figure 2 - Share of employed in small and medium business in 2016

The greatest influence of small and medium business in formation of a gross regional product among regions is observed in Astana - 46% of GRP, West Kazakhstan Oblast - 40 % and Almaty -29% [2]. In structure of small and medium business the traditional domination of the subjects of individual enterprise is observed, occupied in the trade activity and spheres, which do not need in high qualification.

At the same time, a world trend is considered the transition to production with high value added, to implementation of innovative mechanisms, effective production.

The number of small enterprises (legal persons) in a year is increased by 8% or 191 thousand units (figure 3). The most part of small business is concentrated in sectors of trade - 30% and construction - 16%.

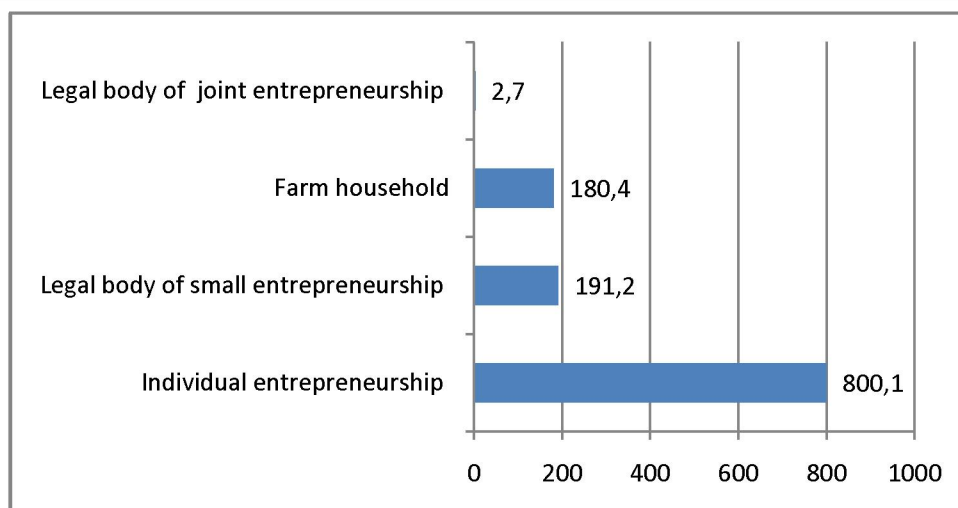


Figure 3 - Number of small and medium business in 2016 (thousand units)

Individual business in Kazakhstan shows low efficiency according to Asian Development Bank. The annual output per employee in the individual business is 3 000 US dollars, while in small and medium-sized companies - 27 000 US dollars. For the end of January, 2017 in Kazakhstan there are 800 thousand individual businesses or 68 % of small and medium business [3]. In a year their quantity was reduced by 15%. Nearly a half or 47% of the individual business is engaged in trade sphere (figure 4).

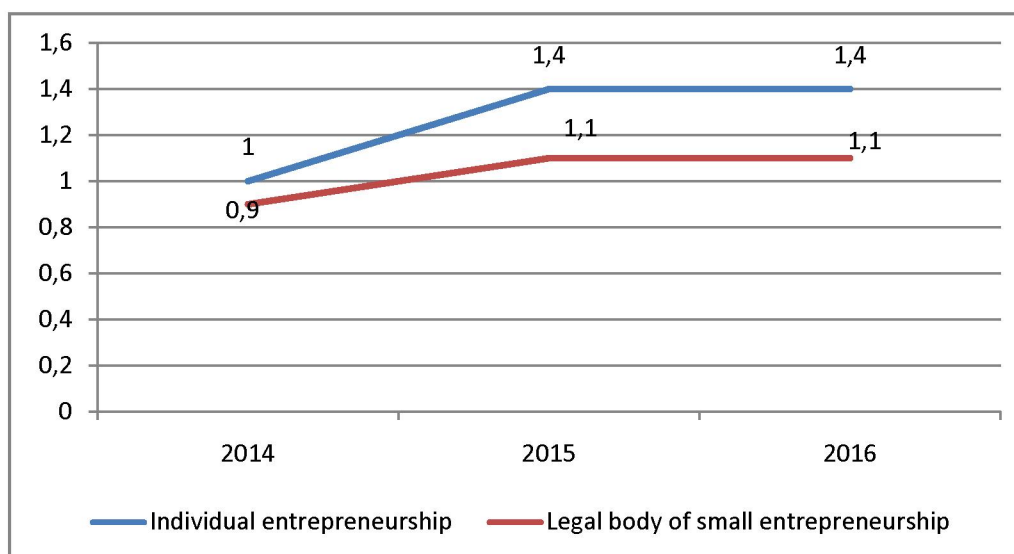


Figure 4 - Number of employees (millions of men)

Since 2015, the active growth of crediting is observed in small and medium business. The number of the credits given by banks increased by 2.3 times comparatively to 2014. In comparison with January of 2016 the volume of the credits increased by 29% or 3 trillion tenge (figure 5) [4].

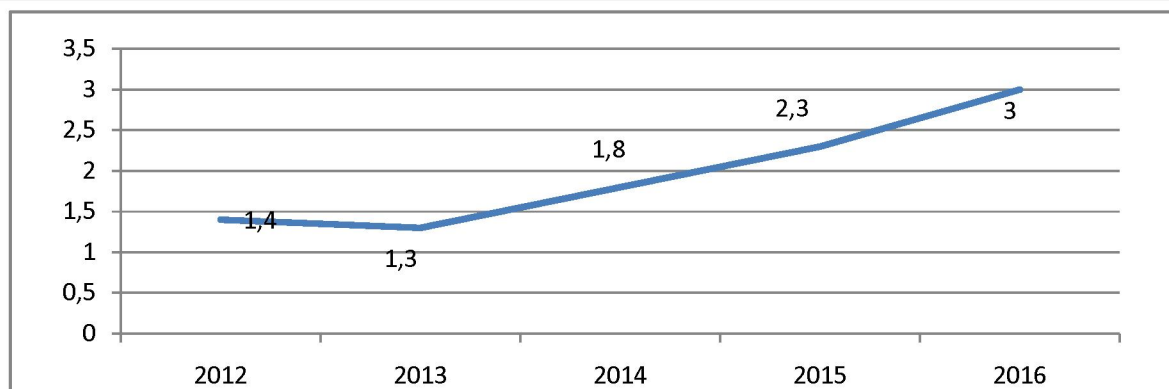


Figure 5 - Credits of banks to small business entities (trillion tenge)

However, according to Asian Development Bank, only 19% of small and medium business obtains the credits while the others refinance income or take loans from other sources [5]. It is connected with the fact that most the enterprises have bad credit history or has no necessary documents.

The direction of the credits shows primary activities of the enterprises: trade - 37%, construction - 13%, the industry - 13% and other branches, which are not connected with the main sectors of economy - 24% (figure 6).

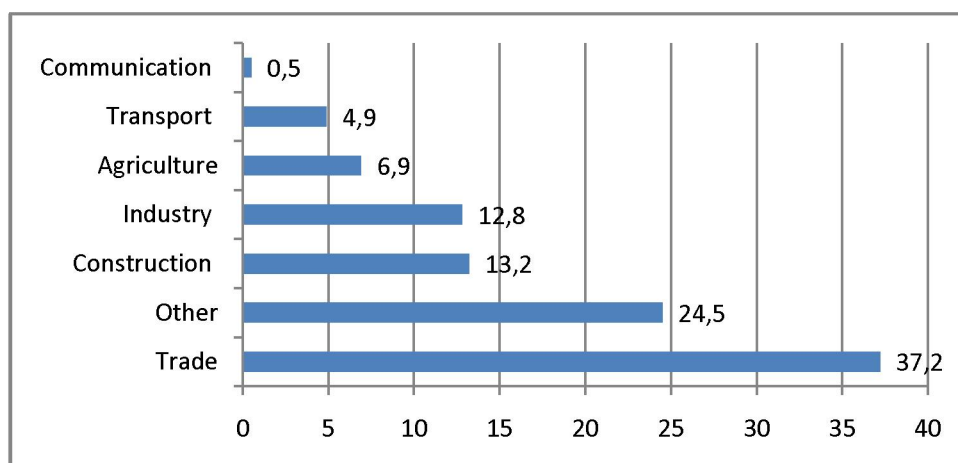


Figure 6 - Structure of crediting by sectors in 2016 year

Thus, the excessive dependence on the external environment, instability, especially to financial shocks, a lack of resources, difficulties with sales of products, etc. is characteristic to small business. It is obvious that the global financial crisis more exerts negative impact on a situation in the sphere of business, but especially it concerns small business.

About the place of small business in Kazakhstan economy always speak with enthusiasm, lay hopes on it, but further business does not go. In crisis such relation becomes more noticeable.

It is necessary to pay attention to three theses which, in our opinion, are a key to discussion of the place of small business in future, post-crisis economy.

1) The space for forming of strategy at small business is insignificant a little, as well as quantity of incentives to it that is not less important. Each crisis leads to disappearance of small business as the phenomena - to look enough at its branch structure, where the companies occupied with redistribution of someone's goods and services prevail. During the crisis period, they quickly reduce personnel, volume of the rented capacities and the areas. In the majority such companies do not own assets and are rather poorly motivated to search of new ways of development. Their key strategy is "to wait", they completely depend on a tactical cycle and the specific big customer (administrative or corporate).

About any independence and development are out of the question. There are no assets - there are no pledges - there are no credits (or provided under transcendental rates). Even representatives of enterprise associations spend more time for a talk on problems of small business, than on its progress.

2) Also, interrelations in small business are so insignificant. Very insignificant number of businessmen participates in the business unions, associations, explaining it with a lack of time, which demonstrates insufficient independence too. It is difficult to make business self-sufficient and self-development, because the owner spends time for settlement of the solving problems, and business survives in the mode of “manual control” in Kazakhstan.

As a result among responses to crisis we did not meet any (!) integration, it means that nobody sees in consolidation of an opportunity for development and an exit to new level, and but increase in scales of problems is considered quite real.

In such conditions, small business will always remain small. There is no consolidation - there are no opportunities for lobbying of interests. In addition, transition of the enterprises from category small to large is impossible with quotations at the foreign exchanges. The reason is the small number of candidates.

3) According to statistics, the aforesaid means to reach the developed countries, where the small companies form GDP to 50% and more, Kazakhstan is not fated in the nearest future. The experts, who are carrying out such comparisons, probably, expect that small business itself will win the place in the sun.

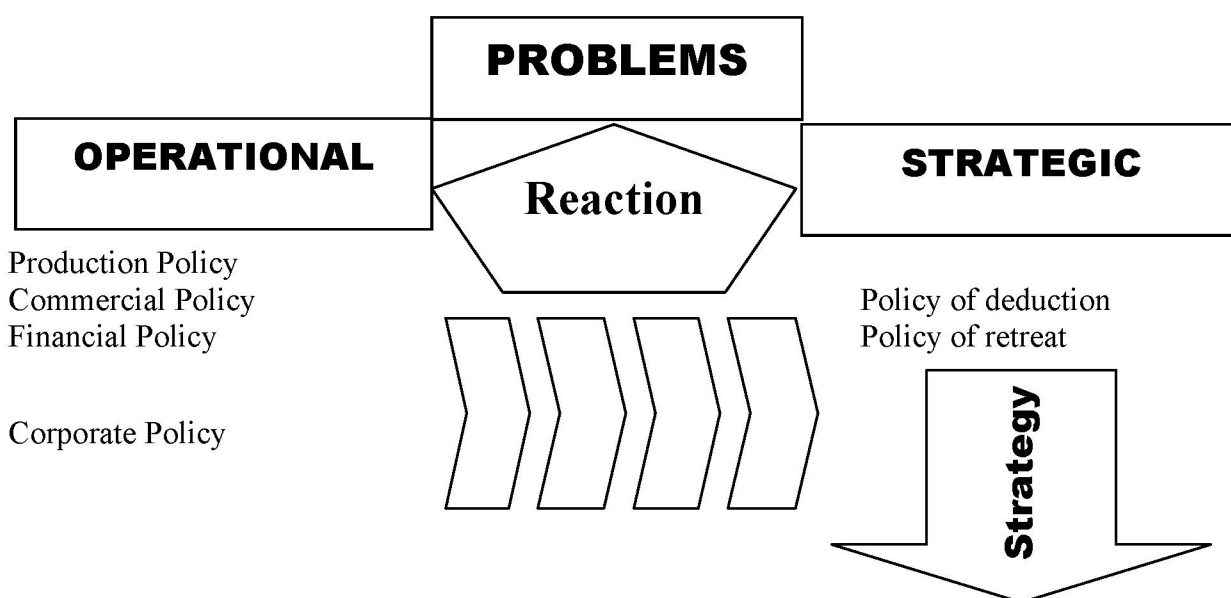


Figure 7 - Formation of strategy of small enterprises during the crisis period

First, lack of the diversified, changing economy to which requirements the small companies (not to create diversified economy) have to adapt small business gradually “grows” into large financial and industrial groups or official fiefdoms.

The stronger tendency to simplification of structure of economy is the feels worse independent small business (it is observed in present time) and the more scope for corruption on “familiar spots” [6].

Secondly, the trade borders of Kazakhstan are transparent and part of someone’s large business. As a result the domination of the cheap and not certified products, and often import hazardous to health of citizens, kills those sprouts of small business in production, which make the way through the state indifference, deprives of work of residents of the big and small cities.

During the research, we discussed with businessmen negative and positive manifestations of crisis in their companies and branch in general and also changes, which followed as reaction to adverse events on separate function blocks (figure 7):

We classified operational actions of small enterprises from the point of view of the specified four groups the policy (production, commercial, financial and corporate). The operational decisions made for business preservation “afloat”, as a rule, also form the new strategy of the company (see table 1).

Table 1 - General conditions of strategy formation

Strategy	Condition of formation
Strategy of minimization of expenses	
Economy at scales	Become difficult of confidence lack in the future, in contractors, expectations of prices reduction.
Reduction in cost of goods	Perhaps due to reduction of raw materials prices, refusal of additional services and privileges for clients, simplification of functionality (styles, packing) products, number of intermediaries reduction, decrease in expenses, first of all salary. Big plus is the possibility of receiving the commodity credit from suppliers.
Production optimization	It is possible because in the conditions of decline in demand and delay of turnover of means of expenses from idle time because of production change-over actually are absent (unlike the period of economic growth). Plus is emergence in labor market of a large number of the experts capable to introduce more effective technologies in the small companies.
Strategy of differentiation	
Improvement of goods quality	It is impossible without production optimization. Demand for quality grows together with increase in terms of business planning, and now the return tendency.
Improvement of service quality	Perhaps in moderately competitive markets, where fight for the client remains, however the client does not dictate the term yet. It is a step to diversification, which differs only in the fact that the additional service (privilege, a bonus) is not included in the price list.
Specialization	It is improbable in the conditions of a general tendency to diversification. However it will be demanded as soon as the situation in economy is stabilized as at the same time gives opportunities for reducing costs due to economy at scales.
Strategy of diversification	
Diversification	It is possible because of need: <ul style="list-style-type: none"> – to expand profitable base due to complex customer service; – to load production capacities; – to compensate violation of financial and trade flows in the market.

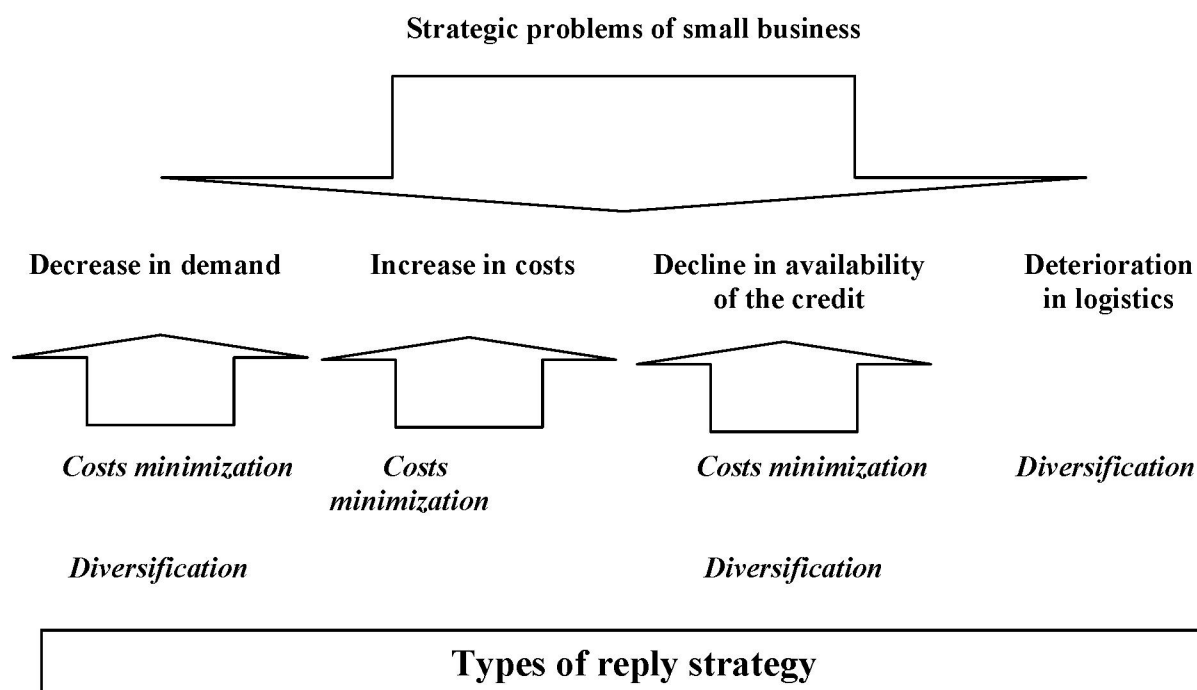


Figure 8 - Strategic problems of small business development during the crisis period

They differ depending on what strategic problems were most sharply shown in specific industry and company. We allocated 3 types of such reciprocal strategy, which are directed to redistribution of the falling demand at the expense of low expenses and the low prices or the best customer service (figure 8). At the same time, it should be noted that, unlike the large companies, small seldom use only one strategy, as a rule, it is a mix from several strategy.

Besides, the small companies not always purposefully move to a strategy realization, conversely, they can quickly refuse it (because of limited resources) or to choose the new direction of development in connection with the opened opportunities (financial, administrative, etc.).

1) The strategy of expenses minimization is focused on the cut in expenditure of the company, advancing drop in income. The minimization of costs helps to stop up the financial gaps. It is reason that a sharp reduction of availability of the commodity and bank credits.

2) The strategy of differentiation are directed to allocation of the company among competitors thanks to providing additional services, goods and services of the high quality (however, as distinct from the pre-crisis period, the price will play all the same a role).

3) The strategy of diversification assumes the grocery row expansion and number of income sources increasing and used, as a rule, if expenses of the company are already optimized. Besides, in the conditions of the worsening logistics and the growing number of obligations violations by contractors diversification allows to stabilize production in the company due to self-sufficiency by materials and services, critical for stability of production which during growth was more favorable to be bought on the party. The first main conclusion, the deterioration condition for crediting in Kazakhstan's economy extremely is painfully struck to small and medium business, which can be made on the basis research [7].

All crisis response strategies assume expansion of various non-monetary forms of maintenance of demand which are almost stated by businessmen. For example, refuse of monetary discounts and or granting commodity bonuses or additional services, or switching to cheaper range, lengthening of dates of performance of the order. The key factors of survival of small and medium business become an opportunity to get access to the commodity credit and to achieve increase in delays of payment. The violation of cash flows represents, perhaps, the main problem of small and medium business, which has no large supplies of cash and in the conditions of crisis was practically lost by access to the credit (even to short-term - on expansion of current assets). As the companies of small business often have no considerable fixed assets, for many businessmen there is relevant a strategy of "a temporary exit", when it is cheaper to close business, for not to incur the current costs, and to resume activity, having only waited for market revival.

Thus, a problem of extension of the monetary offer is obvious. Also, special measures for increase of small and medium business financing are necessary, for which required more confidential dialogue with bank community. In fact, the state guarantees program for the credits works insufficiently on a substantial scale. Direct state support is ineffective and has conditions for corruption; therefore it is worth thinking also of such measures as decrease or even cancellation of separate taxes on small and medium business.

Conclusion of the second - in total anti - recessionary behavior of small and medium business makes pro-crisis impact on national economy in general. The companies find opportunities to optimize the current business processes - reduce commodity stocks and a range of goods and services, pass only to price-work payment, refuse from purchasing of certain positions of import goods and accessories (because of sharp rise in price owing to devaluation), etc. But it is clear that it leads to decrease in cumulative demand. In certain sectors these processes already led to violation of traditional logistic chains. Here it will be appropriate to note that any integration strategy does not occur among responses to crisis, that is nobody sees in consolidation of an opportunity for development and an exit to new level, and here increase in scales of problems is considered quite real.

The strategies of specialization and reducing costs obviously prevail over the strategy of diversification and integration. It means that the current crisis leads only to simplification of the domestic business environment. The popular statement that crisis is also an opportunity to modernize and diversify national economy, remains a good wish.

At last, the third conclusion - there are problems with acquisition of assets and possession of them practically in all kinds of small enterprises activity.

The bureaucratic system creates for this purpose a set of obstacles, though officials intuitively have to understand, that much more simply to control the businessman with assets, as he is more predictable, than his colleague renting modest office. Thus, it is extremely important to solve a problem of assets. Not to distribute them and not to redistribute, and to simplify a turn. The speech does not even go that the state has to give the property on these purposes. The expanded corruption device literally does not leave time and an opportunity for integration of small business. Integration scenarios are improbable while the “manual control” predominates, caused by need “run on offices”, to solve problems (but not tasks of development), [7].

At the same time, the integration is important not through associations and the unions, and production and marketing - such interaction is clearer to small business. On the contrary, branch lobbying dominates in large business. Production and marketing integration is favorable to the state already that will allow increasing efficiency of expenditure of the funds, allocated for small support business. Production and marketing integration is favorable to the state that will allow increasing efficiency of expenditure of the funds allocated for support of small business. It is possible to distribute tenge (currency of the Republic of Kazakhstan) to 10 different enterprises, by means of the same tenge it is possible to start the whole production and marketing chain (the vertical market), where initial financing will be redistributed by the market principles.

There will be new jobs on all chain, and competitiveness level (stability) of the small business, included in the system of the vertical markets will be is higher, than now, when everyone survives independently. According to poll, the most of the interviewed successful businessmen could survive on forming of a wide range of the relations down of the movement of products from production to the consumer, without becoming isolated on the interests of the company. The crisis shows that cooperation with the large companies for small business comes to an end not always favorably. The capital of small business will appear as a result in the country. The share of small business will begin to grow and businessmen will be able to equal those hopes which are laid on them, if it is not “washed away” by officers, raiders, “unscrupulous” competitors.

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ҚАЗАҚСТАН РЕСПУБЛИКАСЫНДАҒЫ ШАҒЫН БИЗНЕСТІ ДАМУ СТРТЕГИЯСЫ ДАҒДАРЫС КЕЗЕҢІНДЕ

Аннотация. Экономиканың дағдарыс құбылыстары шағын бизнестің даму стратегиясына жаңа талаптарды тудырады, бұл олардың «тұруды» және олардың бәсекеге қабілеттілігін және тұрақтылығын артты-

руға мүмкіндік береді. Шағын бизнес - экономиканың «локомотиві», ол дамудың жаңа кезеңіне көшуге және елдің экономикалық өсуін қамтамасыз етуге мүмкіндік береді. Кәсіпкерлер кәсіпорынның қызметінде сапалы жана даму стратегияларын қолдануға, олардың өлшемдерін және бизнес-қондырғыларын өзгертуге тиіс. Мемлекет дағдарыста шағын бизнестің дамуына көбірек назар аударып, оның табысты дамуына ықпал етуі керек.

Түйін сөздер: шағын бизнес, дағдарыс, стратегия, қалыптасу шарттары.

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СТРАТЕГИИ РАЗВИТИЯ МАЛОГО БИЗНЕСА РЕСПУБЛИКИ КАЗАХСТАН В КРИЗИСНЫЙ ПЕРИОД

Аннотация. Кризисные явления в экономике диктуют новые требования к стратегиям развития малого бизнеса, что позволяет им «остаться на плаву» и повысить свою конкурентоспособность и устойчивость. Малый бизнес является тем «локомотивом» экономики, который позволит подняться на новый виток развития и обеспечить экономический рост страны. Предприниматели должны использовать качественно новые стратегии развития, менять свои ориентиры и бизнес-установки в деятельности предприятия. Государству следует уделять больше внимания развитию малого бизнеса в условиях кризиса и способствовать его успешному развитию.

Ключевые слова: малый бизнес, кризис, стратегия, условия формирования.

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