

A.P. Zhaishylyk^{*1}, Xu Lifan¹

¹Nanjing University of Science and Technology,
School of Economic and Management, Nanjing, China

^{*}E-mail:aiko_93a@mail.ru

DEVELOPMENT AND COMPETITIVENESS OF SMALL AND MEDIUM ENTERPRISES IN KAZAKHSTAN

Development of small and medium-sized enterprise is the basis of any economy. The experience of developed countries shows that the creation and development of small and medium enterprise gives opportunity for economic recovery. Also it helps to form and develop a competitive environment and overcome sectoral and regional monopolies. Moreover, there is a saturation of the market in goods and service. It also can carry out de-monopolization of the economy. Furthermore, through developing technological progress, the tangible and intangible resources can be used effectively. Also, it can lead to increase export potential of country and it can be foster to format the middle classes, which is one of the key factor of sustainable development of country. These benefits contribute to the fact that small and medium enterprise is an essential element of the market economy, attractive to hundreds of thousands of people. This article examines the current condition of the small and medium enterprises in Kazakhstan and its competitiveness. In addition, there was described contribution of Kazakhstani small and medium enterprises to gross domestic product of the country. The weakest indicators in Kazakhstani small and medium enterprises development are low rate of real annual sale growth, low share of companies obtained international certification, low share of companies using websites, low percentages of companies investing in research and development activities. As the main obstacles of running business-high tax rates, corruption and access to finance were determined. In the conclusion were provided the suggestion for raising the level of competitiveness of Kazakhstani small and medium enterprises.

Key words: small and medium-sized enterprises, competitiveness, government support.

А.П. Жайшылық, Сюй Лифан

Қазақстан шағын және орта кәсіпкерліктің бәсекеге қабілеттілігі және дамуы

Шағын және орта кәсіпкерліктің дамуы кез келген экономиканың негізі болып табылады. Дамыған елдердің тәжірибесіне сүйене келсек, шағын және орта бизнесті дамыту, ол экономикалық ақуалды қалпына келтіруге мүмкіндік береді деп көрсетеді. Сондай-ақ, шағын және орта бизнес бәсекеге қабілетті ортаны қалыптастыруға және салалық пен өңірлік монополияларды жеңуге көмектеседі. Сонымен қатар, техникалық прогресс күшейту арқылы материалдық және материалдық емес ресурстарды тиімді пайдалануға болады. Сондай-ақ, елдің экспорттық потенциалын арттырумен қатар, қоғамда орта таптардың қалыптасуына септігін тигізеді. Осы аталған факторлар елді тұрақты дамуға жағдай жасайды. Бұл мақалада Қазақстанның шағын және орта кәсіпорындардың қазіргі жағдайы және оның бәсекеге қабілеттілігі қарастырылады. Сонымен қатар, елдің жалпы ішкі өнімінің қазақстандық шағын және орта кәсіпорындардың үлесі анықталып, сипатталады. Қазақстандық шағын және орта кәсіпорындарды дамыту ең өлсіз көрсеткіштері мыналар: нақты жылдық сатылымның өсу төмендігі, халықаралық сертификатқа ие компаниялардың үлесінің төмендігі, веб-сайттарды пайдаланатын компаниялардың үлесінің төмендігі, ғылыми-зерттеуді дамытудағы инвестиция мөлшерінің аздығы болып табылады. Шағын және орта кәсіпкерлікті қалыптастыруда негізгі кедергілердің бірі – салық мөлшерінің жоғары болуы мен елде жемқорлықтың өршуі болып табылады. Мақаланың қорытындысында, қазақстандық шағын және орта кәсіпорындардың бәсекеге қабілеттілігін арттыру үшін ұсыныстар қарастырылады.

Түйін сөздер: шағын және орта кәсіпкерлік, бәсекеге қабілеттілік, мемлекеттік қолдау.

А.П. Жайшылык, Сюй Лифан

Развитие и конкурентоспособность малого и среднего предпринимательства в Казахстане

Развитие малого и среднего предпринимательства является основой любой экономики. Опыт развитых стран показывает, что создание и развитие малого и среднего бизнеса дает возможность для восстановления экономики. Кроме того, она помогает формировать и развивать конкурентную среду для преодоления отраслевых и региональных монополий. А также происходит насыщение рынка товарами и услугами. Она также может осуществлять демополизацию экономики. И здесь нужно подчеркнуть, что за счет развития технического прогресса материальные и нематериальные ресурсы могут быть эффективно использованы. Кроме того, это может привести к увеличению экспортного потенциала страны и быть приемлемым для формирования среднего класса, который является одним из ключевых факторов устойчивого развития страны. Эти преимущества способствуют тому, что малый и средний бизнес является одним из важнейших элементов рыночной экономики, привлекательной для сотен тысяч людей. В данной статье рассматривается текущее состояние малого и среднего бизнеса в Казахстане и ее конкурентоспособности. Кроме того, был описан вклад казахстанских малых и средних предприятий в валовой внутренний продукт страны. Самые слабые показатели в казахстанском развитии малых и средних предприятий – это низкие темпы реального годового роста продаж, низкая доля компаний, получивших международный сертификат, низкая доля компаний, использующих веб-сайты, низкий процент компаний, инвестирующих в научно-исследовательских и опытно-конструкторские работы. В качестве основных препятствий ведения бизнеса были определены высокие налоговые ставки, коррупция и доступ к финансированию. В заключение были предложены предложения относительно повышения уровня конкурентоспособности казахстанских малых и средних предприятий.

Ключевые слова: малое и среднее предпринимательство, конкурентоспособность, государственная поддержка.

Introduction

Development of small and medium-sized enterprises recognized as the core of any economy. Without the development of small and medium enterprises is difficult to talk about the stability of the macroeconomic situation of country. This is why, since independence of Kazakhstan small and medium business has been identified as an important sector of the economy.

In Kazakhstan, the development of small and medium business is one of the priorities of state policy. Its successful implementation determines the further economic and political development of the country.

Further strengthening the business environment was given extraordinary attention in the Message President of Kazakhstan “New Kazakhstan in the new world” from March 28, 2007, which defines the successive steps to support SMEs.

The government of Kazakhstan recognized that diversification of industries is required to minimize the risks resulting from its excessively resource dependent economic structure. This means industrial diversification should be realized in order to achieve sustainable, stable and long-term economic development in Kazakhstan. Furthermore, these efforts should be pursued

through the expansion and diversification of the SME sector. This is because in general, SMEs play a positive role in establishing the foundation for the stability of a nation’s economy, activating the development of the economy, expanding the export base, and advancing the industrial structure. The contribution of SMEs to Kazakhstan’s economy is very limited, and SMEs in Kazakhstan are not well developed.

This is way, Kazakhstan government is taking account to develop and support SMEs. For example, in the implementation of the Concept of Transition of Kazakhstan to Sustainable Development for the period of 2007-2024 particularly importance is placed on efficiency and sustainability of small businesses, the establishment with their participation of new economic relations, including the foreign economic relations, activation of the production and innovation [1].

Experimental part

SMEs play a positive role in establishing the foundation for the stability of a national economy, activating the development of the economy, expanding the export base, and advancing the industrial structure. SMEs have played a fundamental role in the evolution of the economies of developed countries.

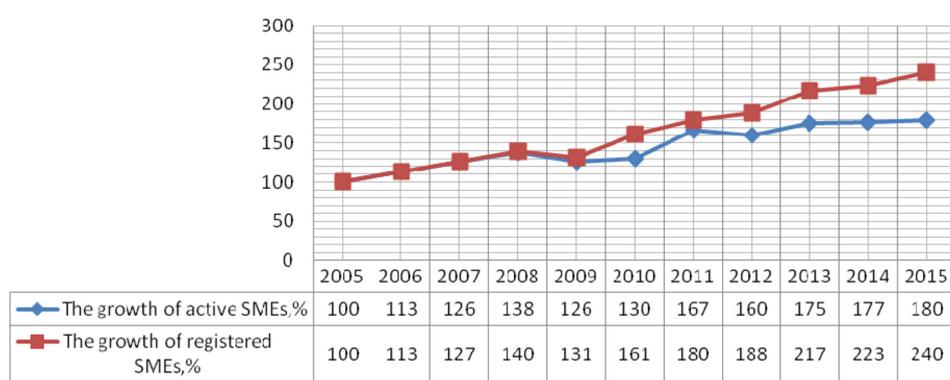
In 2015 the number of registered SME enterprises enlarged to 2.3%, and the total

number of SME had reached 1,756 thousand enterprises. Their shares to active enterprises are estimated to be 96.5% [2].

The biggest growth among all sectors was registered in service, trade real estate and education. In 2015 dynamic of registered and active SMEs showed a positive growth tendency. Generally the dynamic of growth of SMEs was started from 2010.

Table 1 shows the growth tendency for the last 10 years [3]. If specifically say, the number of registered SME enterprises have grown to 123%, among these active registered SMEs accounted for 77% [4].

In absolute numbers, amount of registered SMEs has increased to 1242 thousand units in 2015 compared to 2005, while the amount of active SMEs has extended to 735 thousand units[5].



Source: Fund of entrepreneurial development «Damu», www.damu.kz

According to the data from the Fund of entrepreneurial development DAMU in 2015 share of actively working SME to the number of registered have shown 56% [5].

Result and discussion

Among active SME enterprises based on their legal forms, individual entrepreneurs predominated, which didn't form legal entity but working as individual entrepreneurs instead: In 2015 total number of individual entrepreneurs was 670.2 thousand entities; agricultural farms around 158.6 thousand units, and legal enterprises 81.4 thousand units. In dynamics, active SMEs have shown general tendencies from the period of 2005 to 2015:

- Number of individual entrepreneurs for the past 10 years have raised up until 130%, which lead to a notable change in structure of active SME: Growth of individual entrepreneurs have risen from 58.6% in 2005 to 80% in 2015 [6].

However, as the result rising in the amount of individual entrepreneurs, share of the agricultural farms among active SMEs has declined, as in 2005 it was 30.9%, in 2015 it had dropped to 17.5% [7].

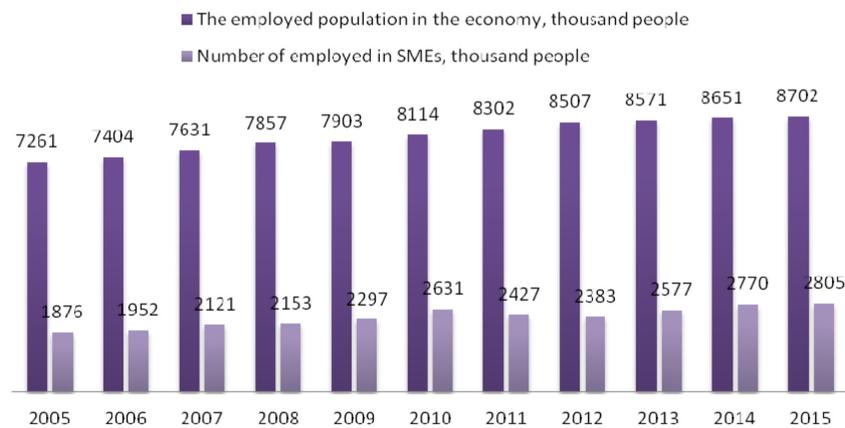
According to analysis of population involved in SME is portraying significance of the entrepreneurship in solving problems with unemployment. The amount of population working

at SMEs as of the second period 2015 had increased 33% of total employed population. Dynamics of this index in the period of 2005 to 2015 shows a positive growth. The amount of people working at SMEs had grown by 6.3% compared to 2005. In absolute terms, the amount of workplaces in SME sector had been increased to 898 thousand. In 2015, employment rate in SME sector had raised to 140 thousand people [8].

Total number of SME has grown up until 49.7%. Share of SMEs in respect to active SME as of 2005 have declined on 1.7% and in 2015 on 8.9% [8].

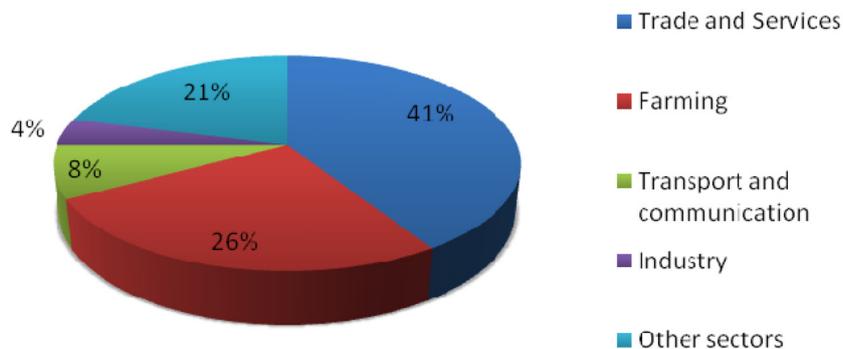
In Kazakhstan the biggest part of active enterprises of SME are involved in trade (41%) and in farming (26%). According to the data of 2015 the share of active enterprises of SMEs in trade increased by 9% and in farming decreased by 6%. There are 8% of active subjects of SMEs in transport and communication, and 4% in engineering and industry [9].

Thus, through analyzing of SMES structure by sector reveals that active subjects' quantity does not show the positive tendency for national economy diversification. The history of private enterprises in Kazakhstan is shorter than 25 years, the majority of enterprises started working in trade and services which is described by low risk and less amount of initial capital [10].



Source: <http://www.stat.gov.kz>

SMEs share by sector



Source by: Fund of entrepreneurial development "Damu," www.damu.kz

The engagement of SMEs in transport and communication might solve the economic problem of GDP growth by increasing production. Development and normal functioning of the business sector is closely related to funding, the main source of working capital. Financing reduction of private businesses leads to reduction of the rate of GDP growth. State support of the priority sectors of the economy does not allow the portfolio reduction and even leads to increase of its size in such sectors as industry, transport, communication and services.

Private enterprise is the "forceful engine of development" of economical processes and sustainable development in most developed countries. Feature of SMEs are creation and implementation of innovation, which become a main key factor of competition in the world market. For example, in the EU, U.S., Japan the share of innovative enterprises is about 40% of the total number of SME companies. Comparative analysis

of the development of the SME sector in Kazakhstan and other countries demonstrates a noticeable lag in contribution of SME to GDP and employment of our country. In the EU countries there are over 20 million businesses, in China there are about 40 million SMEs, while in Kazakhstan - twenty times less [11].

One of the most key issues of development of business units are as follows.

Lack of monitoring and control of the state to assess the effectiveness of government support measures for SME has led to the emergence of a large variety of forms of support and poor ability to track the results of their implementation in practice.

The problems that reduce the effectiveness of instruments of financial support for SMEs: high lending interest rates, lack of business start-up funding, as well as other forms of support, except for the collateral in lending to SMEs, inefficient operations and high interest rates of the ICE [13].

The administrative barriers still have a significant pressure on the business. Because of the inconsistency of the measures carried out by government agencies virtually no reduction of permits and licenses, risk assessment system is working efficiently enough. There is no mechanism for identifying and setting the loss of redundant and inefficient administrative procedures, as well as their monitoring and effectiveness.

There are systemic weaknesses in the organization of regional technology parks and business incubators: specifically, the problems related to business education, the formation of capital, the creation of infrastructure and production facilities, the lack of the use of intellectual property in the form of a contribution to the authorized capital and the lack of safeguards to protect the interests of universities and research organizations in the parks.

In general, as shown by business surveys, the main barriers to the creation of new and development of existing small innovative firms are associated with funding and staffing problems.

Conclusion and recommendation

Kazakhstan's economy is growing in unstable dynamics and is still oriented on the raw materials. In times of stagnation of economic growth, caused by fluctuations on raw materials markets, further integration of economic reforms makes it possible to transform the economy to a competitive and innovative one.

In order to realize these opportunities it is important to development of SMEs, to set innovation goals, formulate institutional terms, and mobilize innovative potential for successful transformation. Summarizing the analysis of SME conditions in Kazakhstan, it can be concluded that:

1. Improvement of economic relations of SMEs in production with the purpose of ensuring their competitiveness in the global market.

2. Both state and market price regulation on products of small and medium size businesses with the goal to raise demand among the population and

increase competitiveness of local businesses both on the domestic and foreign markets.

3. Implementation of the guaranteed minimum prices system, which can provide the sufficient level of profitability for small businesses.

4. Tax concession exemption for small businesses, which invest in the priority industries or are committed to the sustainable development principle observing ecological standards.

5. Moderate protectionist policy of SMEs advocacy.

6. Growth of small businesses' investment attractiveness, various privileges implementation, which promote re-equipment of material and technical base of small businesses.

7. Control over export and import turnover of the main strategic items produced by small businesses.

8. The priority industries reconstruction and development by means of special-purpose programs to make it possible for small businesses to take the largest part of market share.

9. Direct financing of the SMEs investment projects by the government.

10. The regional franchising pattern (when a parent enterprise deals with the certain territory) fits enterprises of Kazakhstan. The main franchising for this region is involved in division of payment and fees for common advertising fund. Also it pays license and advertising fees direct to the parent franchising company. It's necessary to change current law regarding the issues of franchising activity registration. In European countries the franchising registration is performed by the franchise buyer, while in Kazakhstan it is performed by the buyer. It is necessary to formalize in legislation the liability for unauthorized use and copying of trademarks and brands, because it undermines the general development tendency in Kazakhstan.

12. From observation there is poor infrastructure which is hindering the development of SMEs. This is why, government should take account in its policy improvement of infrastructure.

13. Also, SMEs are facing lack of innovative strategy in their development. Every SMEs should develop their research and development and improve their marketing skills.

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