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## THE ROLE OF FINANCIAL INCENTIVES – AS SMB DEVELOPMENT FACTOR

The paper considers the role of financial incentives for the development of entrepreneurship. It revealed the contribution of small and medium-sized businesses in the country's economy. According to state programs in Kazakhstan, such as the Strategic Plan of Development of Kazakhstan till 2050, the State program for accelerated industrial-innovative development of Kazakhstan for 2015-2019, the development of small and medium-sized businesses identified as a priority. The experience of foreign countries such as the US, Japan and France, financial incentives for small and medium-sized businesses were Reviewed and analyzed. The negative factors for the development of small and medium business in Kazakhstan were identified. The state financial measures to stimulate entrepreneurship was presented, the most common form used by tax incentives, forms of state financial and credit support of small business were described, measures to improve the financial - banking system were proposed contributing to the development of small medium-sized businesses.

**Key words:** business, financial incentives, government support, the Kazakh economy, tax incentives.

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### Қаржылық ынталандырудың фактор ретіндегі – шағын және орта бизнесті дамыту рөлі

Бұл жұмыста кәсіпкерлікті дамыту үшін қаржылық ынталандырудың рөлі қарастырылған. Ел экономикасының дамуындағы шағын және орта бизнестің үлесі ашылған. Бұл Қазақстанның келесі мемлекеттік бағдарламаларына сәйкес: Қазақстанның 2050 жылға дейінгі стратегиялық даму жоспары, Қазақстанның 2015-2019 жылдары үдемелі индустриялық-инновациялық дамуының Мемлекеттік бағдарламасы, шағын және орта бизнестерін дамыту басым болып айқындалған. Шағын және орта бизнестегі АҚШ, Жапония және Франция сияқты шетелдердің қаржылық ынталандырудағы тәжірибесі қарастырылды және зерттелді. Қазақстандағы шағын және орта бизнестің дамуына кері әсерін тигізетін факторлар айқындалды. Кәсіпкерлікті қаржылай ынталандырудың шаралары ұсынылды, салық жеңілдіктерінің жиі кездесетін және қолданылатын формалары атап өтілді, шағын кәсіпкерліктің қаржылық-несиелік қолдаудың мемлекеттік формалары, шағын және орта бизнестің дамуына ықпал ететін қаржы-банктік жүйені жақсартудың шаралары көрсетілген.

**Түйін сөздер:** шағын және орта бизнес, қаржы ынталандыру, мемлекеттік қолдау, Қазақстан экономикасы, салық жеңілдіктері.

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### Роль финансового стимулирования как фактор развития малого и среднего бизнеса

В работе рассмотрена роль финансового стимулирования для развития предпринимательства. Так же рассмотрена роль малого и среднего бизнеса в развитии экономики страны. Согласно государственным программам Казахстана, как: Стратегический план развития Казахстана до 2050 года, Государственная программа по форсированному индустриально-инновационному развитию Казахстана на 2015-2019 годы, развитие малого и среднего бизнеса определено как приоритетное. Рассмотрен и проанализирован зарубежный опыт таких стран, как США, Япония и Франция, в финансовом стимулировании малого и среднего бизнеса. Выявлены отрицательные факторы,

тормозящие развитие малого и среднего бизнеса в Казахстане. Представлены меры государственного финансового стимулирования предпринимательства, перечислены наиболее часто встречающиеся формы используемых налоговых льгот, формы государственной финансово-кредитной поддержки малого предпринимательства, предложены меры по улучшению финансово-банковской системы, которые будут способствовать развитию малого и среднего бизнеса.

**Ключевые слова:** малый и средний бизнес, финансовое стимулирование, государственная поддержка, экономика Казахстана, налоговые льготы.

## Introduction

The development of small and medium business is the basis of the economy of any country. Without a developed small and medium-sized business it is difficult to talk about the stability of the macroeconomic situation of states. As a result, at the dawn of independence, small and medium-sized businesses were identified in Kazakhstan as a major sector of the economy. Comprehensive support for small and medium-sized businesses has always been a priority of public policy. Thanks to this, despite the difficult economic situation in the country during the years of independence, the number of small and medium-sized businesses has grown hundreds of times.

**Experimental part.** Fundamental provisions of the theory of entrepreneurship, including small business, developed in the scientific works of M. Weber, J.G. Galbraith, E. Durgeym, D.M. Keynes, A. Marshall, A. Smith, J. Schumpeter, A.V. Chayanov. Among the domestic authors who made the first attempts to understand the patterns and trends of small business development during the transition period of the economy, it should be noted A.A. Akhmadeeva, A.K. Kudenova, Okaeva KO, Smagulova H.T., Yanovskaya O.A., Biketova E.B., Asangalievu R., Sabden O.S., Koshanova A.A., Yermekbayev B.Zh., Arzayev M.Zh., Perdashova A., Nikitinskaya E.S., Doszhan R.D., etc. However, it should be recognized that some aspects of the problems of SMEs, especially its financial incentives, are not yet sufficiently developed theoretically.

The methodological basis of the article is a general scientific dialectical method of cognition, which allows considering the relations resulting from financial stimulation of entrepreneurial activity as a dynamic category, depending on various conditions.

**Results and discussion.** World practice convincingly shows that in countries with a developed market economy, small and medium-sized businesses have a serious impact on the development of the national economy, the solution of social problems, the increase in the number of employed workers. In terms of the number of employees, in terms of the volume of goods produced and sold, the

work and services performed, small and medium-sized businesses in some regions play a leading role.

The significance of the development of the small and medium business sector is determined by developing countries as a fundamental task for raising the level of the economy as a whole. For example, one of the dynamically developing countries of the world Taiwan, where about 90% of industrial production is in the hands of small and medium-sized businesses; More than 70% of all employed, over 55% of GDP and about 99% of the total number of registered enterprises account for small and medium business [1, с. 40].

When assessing the impact of small businesses on the economy of the state, one should pay attention to the difference in the situation of small business subjects in comparison with the situation of large business. Large companies initially exist in more favorable conditions in comparison with small enterprises. As an example, it should be noted that they are owners of significant means of production, skilled labor, well-established relations with counterparties, financial and information base, as well as advantages in obtaining borrowed funds. Therefore, small enterprises, under equal conditions of economic activity, become uncompetitive with respect to large organizations due to their essential features. In such the state should carry out financial and credit support and stimulate small business.

In Kazakhstan, all the prerequisites for the development of entrepreneurial activities have been created, in particular, a lot of work has been done to privatize property, thanks to which a solid economic basis for the development of entrepreneurship is created.

Creation of favorable conditions for the development of entrepreneurship is one of the priorities of state policy defined in the main program documents of the state: the Strategic Plan for the Development of Kazakhstan until 2050 [2], the State Program on Forced Industrial and Innovative Development of Kazakhstan for 2015-2019 [3].

The main objectives of the state policy for the development of small business are: to create favorable conditions for the implementation of effective business; Accelerated development of

small business as the basis and factor of formation of a competitive environment; Expansion of self-employment of the population; Increase in the share of participation in the formation of gross regional and gross domestic product, in the tax revenues of budgets of all levels.

As we have already noted, over the past few years the state has taken steps to develop targeted programs to assist various areas of small and

medium-sized businesses. Despite this, the share of the contribution of SMEs to the GDP of Kazakhstan is only 25.6% in 2016, moreover, in comparison, in 2015 this figure was 26.2%. According to the Committee on Statistics of the Republic of Kazakhstan as of November 1, 2016, the number of active SMEs in comparison with the corresponding date of the previous year decreased by 6% and amounted to 1 240 916 [4].

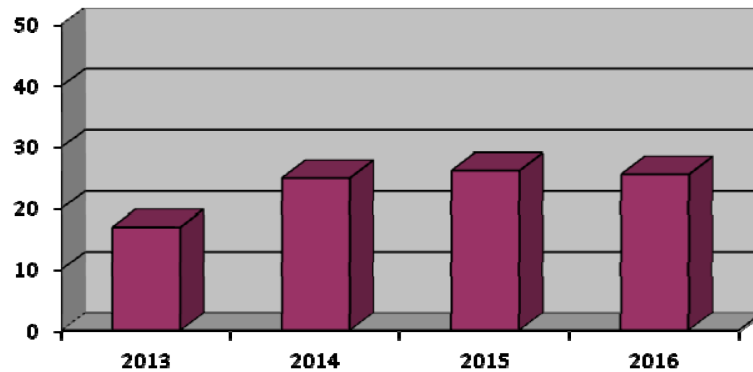


Figure 1 – The share of the contribution of small and medium businesses in GDP for 4 years.

In our opinion, the main problems in the development of small and medium-sized businesses have recently been the lack of financing, the lack of liquid collateral outside major cities, the barriers of second-tier banks in lending to small and medium-sized businesses, and the lack of conditions for access to markets.

Thus, in our view, the problem of state support for small and medium-sized enterprises is currently most relevant. At the same time, a very important role is played by financial support for small and medium-sized businesses. It's no secret that almost everyone who decided to do business has to face financial problems. Bank and give loans only on the security of property. And what can a beginner entrepreneur lay down if he does not have any basic or working capital? This problem should be solved at the state level. But in part it could be removed, creating a society of mutual lending to small businesses, where the deductions from the incomes of all participants will accumulate.

In many foreign countries, small business is provided with serious financial and credit support from the state through special structures and funds, for example, through the Administration for Small Businesses (USA), the Small Business Credit

Insurance Corporation (Japan), "Credit for medium and small Firms" (France) [5, c. 24].

The American experience of state support of small and medium business deserves special attention. The USA is not only a country of giant corporations, but also of small enterprises, employing more than 50% of private sector employees (6, p. 208]. It turns out that the main employer is by no means large, namely a small one

And medium business. Approximately one out of every three American families is involved in small business. That is, small and medium business in the US is not just one of the types of entrepreneurship, but in essence, a way of life.

In the US, about 600,000 small businesses are registered each year and about 500,000 are liquidated. However, this does not terrify anyone. The fact is that the owners of small enterprises are very sensitive and flexible react to the dynamics of demand. Realizing that in another sphere or in another place their business will go better, they fold their old business and open a new one. Americans in this sense are very adaptive and can quickly rebuild. Even if their business just went bad, they do not lose enthusiasm and consider the end of old business the beginning of a new one. 90% of US residents positively assess the role of small businesses. Small

and medium-sized enterprises operate in trade, manufacturing, finance, consulting, innovation, and social services [7].

The most important task of the US government is the preservation and development of a competitive environment, which, through a mechanism to reduce production costs, encourages producers to switch to the use of more efficient technologies. The Small Business Administration (SBA) provides loans guarantees to small and medium-sized enterprises. In addition, a wide range of financing methods is offered - from microloans to loans to cover large debts. Small business development centers provide many types of services related to specific projects and in various fields (from home business to maritime and international trade), as well as technical assistance, assistance in managing and processing loan applications [1, p. 41].

In Kazakhstan, the increasing interstate integration processes and competition cause the creation of a favorable financial climate in the small

And medium-sized businesses. The creation of EurAsEC opens up great opportunities for small and medium-sized businesses for further development. In these conditions, the formation of a favorable business climate in the country acquires particular urgency. Creation of a competitive business climate in Kazakhstan is impossible without a favorable tax climate. [8, p. 305]. When implementing policies to stimulate small and medium-sized businesses, they usually come from tax incentives. The most common forms of tax benefits used [9, p. 22]:

- investment discounts;
- accelerated depreciation;
- special tax regimes;
- free economic zones.

The most burdensome for the state budget and, at the same time, the most attractive for entrepreneurship is financial and credit support, including concessional lending, provision of guarantees for loans from commercial banks, etc. In accordance with the legislation, financial and credit support for entrepreneurship is mainly aimed at supporting small businesses.

The following forms of state financial and credit support for small business stand out [10, p. 68]:

- subventions and subsidies to individuals and legal entities;
- budgetary credits, loans, loans;
- state guarantees.

The most important direction for creating favorable conditions for business is the improvement of the financial and banking system. As effective measures is the need:

- adoption by the National Bank of provisions that improve and protect the settlement system;
- the introduction of periodic re-registration and all business structures so as to stabilize the economic situation to restrict the activities of low-value enterprises and at the same time to encourage and support in every way the productive activities aimed at saturating the market with goods and services;
- to provide state protectionism to banks that are lending in this area.

### Conclusion

Thus, we found out that one of the most serious obstacles to the development of SMEs in Kazakhstan is limited access to financing

At all stages of enterprise development: from creation to development. Compared to 2015, in 2016, the share of the contribution of SMEs to GDP has decreased by 0.6%, as there has been a decrease in the number of operating SMEs. In our opinion, the decrease in activity is due to the fact that lack of financing, lack of liquid collateral outside major cities, Barriers of second-tier banks when lending to SMEs, lack of conditions for access to markets.

The state in turn creates conditions for the normal functioning of SMEs: tax incentives (investment discounts, accelerated depreciation, special tax regimes, free economic zones), state financial and credit support for small businesses (subventions and subsidies to individuals and legal entities, budget loans, loans, Loans, government guarantees) and so on.

The most important direction for creating favorable conditions for business is the improvement of the financial and banking system.

As effective measures it is necessary to: adopt by the National Bank provisions that improve and protect the settlement system, the introduction of periodic re-registration and all business structures so that before stabilizing the economic situation limit the activities of low-value enterprises and at the same time encourage and support in every way the productive activities directed To saturate the market with goods and services, to provide state protection to banks that are lending in this Sphere.

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