

СЕКЦИЯ: ГЕОГРАФИЧЕСКИЕ НАУКИ

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Sagidolla Mukhtarovich Dosmakhov, Serikbolat Aldungarovich Talzhanov,
Layla Taumyrova Malayeva, Galina Nikolaevna Chistyakova,
Gaukhar Makhanovna Zhangozhina, Uzakbay Altynbaevich Suimukhanov,
Aydyn Imankeshovich Amanzholov
Buketov Karaganda State University
(Karaganda, Kazakhstan)

THE ROLE AND SIGNIFICANCE OF A SMALL BUSINESS IN THE ECONOMY OF KAZAKHSTAN

Annotation. *This article deals with peculiarity of history of small and medium business in market economy during the year of independence in Kazakhstan Republic and problems of mainstreaming of entrepreneurship in modern stage. Industrial – innovative programs receiving in the country are major source for business connecting with development of this economy sector. As a result of making analysis were determined types of performing products in small and medium business, development of business geography in regional and republican measures. This article deals with innovational ways of development of individual entrepreneur, establishment of national system of implementation of venture capital investments which can include substantial contribution in development of Kazakhstan economy.*

Key words: *economics, industry, innovation, business, micro-economics, entrepreneurship, statistics, programs, venture, company.*

Аннотация. *В статье рассматриваются особенности истории развития малого и среднего бизнеса в рыночной экономике за годы независимости Республики Казахстан и проблемы повышения значимости предпринимательской деятельности на современном этапе. Основным источником для рассмотрения вопросов, связанных с развитием данного сектора экономики являются принимаемые в стране индустриально-инновационные программы. В результате проведенного анализа были выявлены виды производимой продукции по отраслям малого и среднего бизнеса, развитие географии бизнеса областного и республиканского масштабов и их экономические проблемы. В статье предложены инновационные пути развития индивидуального предпринимательства, создание национальной системы внедрения венчурных инвестиций, которые могут внести большой вклад в развитие экономики Казахстана.*

Ключевые слова: *экономика, индустрия, инновация, бизнес, микроэкономика, предпринимательство, статистика, программа, венчур, компания.*

When each nation aims at reaching a constant and gradual development in social economy program, one of the compulsory tasks they face with is to strengthen small and medium enterprises by giving a wide range of opportunities as

it has been practiced widely in world experience. As a fact, small and medium businesses represent a major part of internal and external economic relationships in most developing countries. Today from 40 up to 60 percent of all manufactured goods are represented by small and medium enterprises. Thus, it proves again that since early times this sector has been on a focus on the countries, which are much ahead in economic growth today.

In the economy of particular countries the role and contribution of small and medium enterprises can be determined but the structural components of economic sector, service centers, manufactured products.

For instance, in the USA the profit, that it is gained from small and medium enterprises, constitutes from 48 to 50 percent of gross revenue, the share of this sector is mainly provided by service center, wholesale trade, agriculture.

Small and medium-sized businesses before requiring significant loss from the state, to create competitive environment, to establish market equilibrium, new jobs, to increase a number of people with good living conditions, to meet customers' needs in purchasing a wide range of products, as a result, these measures will ensure sustainable economic growth. Stimulating economic growth is one of the most important tasks of the economic policy of each State, since the growth of income in agricultural sector improves overall living standards of the community. Moreover, global experience shows that the development of small and medium-sized businesses leads to the decrease in the incidence of poverty.

These days there are lots of conditions for running any sort of business in Kazakhstan. The main tool is industrial and innovative development program that has been adopted by the government can guarantee larger turnover of money, new jobs and the application of innovative approaches in industry, effective approaches in business management.

If to make a short review to the development of small and medium enterprises around the country, in the early years after independence the misconception that was fed among the wider population, that people regarded it as a trade of buying and selling goods or large scale plundering. In addition, another reason is weak legislative norms served as obstacles in private sector development. All the problems mentioned above were common for former Soviet states, including Kazakhstan [1, p. 2].

In the 90's of twentieth century the intensive process of privatization gave a rise to the development of small and medium business all over the territory. At that time small and medium enterprises had not been clearly defined, so different management entities used various interpretations. Some companies recognized small enterprises as business units that consist of ten people or up to ten people, others as a business that employs more than ten workers.

Inaccurate trade statistics on manufactured goods, a total number of workers, vague criteria and different interpretations of this business unit dramatically led to underestimation of this branch in the national economy at that period.

In the first few years of independence (1991-1995), national economic development programs for businesses served a basis to establish small and medium sized enterprises. Small businesses of that historical period had a great social value, since it was a new source of income or in some cases; the only way of earning money in critical economic situation, from other side it was rather favorable

for foreign and domestic trade as well. Small business well accustomed to the current social and economic situation so that they could meet massive demands and reached high income rate in service trade. Rapid trade turnover, in its turn, turned them into the average capital.

Many small and medium enterprise- owners continue to struggle with growth challenges, such as a lack of capital, insufficient technical skills, inadequate risk sharing and mitigation, lack of access to export markets, and underdeveloped networks. Entrepreneurs, including those outgrowing microfinance, are often unable to compete with larger enterprises for resources that would help them to grow. Thus, smaller enterprises are left behind while large companies advance.

Small business development is a key indicator of successful economic reform. A number of small and medium enterprises perform social functions, which include labor provisions, to reduce social and economic gaps, democratize market relations. A small enterprise is defined as a small unit of business. A small enterprise is defined as a small unit of business. A small enterprise stipulates for structural and regulative factor in market economic development. Small enterprises can get a sufficient competitive boost with the state assistance [2, p. 88].

Due to this fact, one of the prime targets of social and economic policy of Kazakhstan is to ensure the state support for small and medium enterprises; moreover, it is in the lead in if to compare with other CIS countries. According to the World Bank's Ease of Doing Business in 2014 Kazakhstan ranks the 50th among the 189 countries improving its ranking by 3 places compared to the previous year. It measures favorable conditions to foreign investment, doing business, and human development and etc.

According to the statistical data, in recent 9 years the number of small and medium enterprises has been doubled. In 2013 they comprised 1 542 business units. A constant development of this sector is closely related to the communal well-being. Annual analysis show, today there 627779 prospective companies and private business owners, 99 percent of them constitutes the share of small and medium business entities. Including 61.1% of private business owners, 27,1 % of farmer owners, 10,4% of small business owners, 1,4% medium sized business owner.

According to the data, 2156901 people employed in small enterprises; 422464 - in medium sized enterprises; 728682 self-fund business owners, 453310 commercial enterprise owners. A rapid increase of small business entities in industrial sector (174,8%), fishing and fishery products (181, 9%), hotel and restaurant business (168,9%), education sector (182,2%), health care and service centers (180,2%) has been revealed [3, p. 26].

In the period of 2000-2015 the volume of products manufactured by small enterprises has raised almost five times. The big cities (Almaty and Astana) are the main consumption and trade centers where the main products are transported to outside regions. Therefore, comprises nearly half of the total share (47,1%). The share of new capital has been increased in recent five years from 9 % up to 15.8%. The majority of small and medium enterprises located in these regions. Southern part of Kazakhstan takes the first place (18,99 percent) with 119246 small business entities. The second place goes to Almaty region (16,44%), with 103241 entities. Similar increase can be seen in Atyrau (from 4,3% up to 7,2%) and Kyzylorda (from 3,1% up to 5,0%) regions. The entrepreneurship growth has its simultaneous

impact on regional and local economic development and to give analysis to them is vital.

Nowadays small business development is one of the key elements of national economy growth promoting formation of the "healthy" competitive environment. The need to work out a new conception of regulating and supporting of small business in context of forming of economic policy on macro and regional levels is conditioned by absence of common approach to the realization of its complex support which takes into account the specific regional features. Development of small business is proved to be one of the main strategic directions of the state policy.

Economic development programs for businesses, internal program for small business development, legal framework, financial, technical and staffing is to serve as an advocate for small business enterprises. Such internal programs ensure and stimulate economic activity in different areas.

National program and internal economic development program for small business could be structured along the following parts:

- legal framework;
- financial support;
- facilities;
- staffing;
- outreach campaign.

It should be noted, that small business enterprise is mainly funded up to 60 percent by the state, 15 percent by non-state organizations and 25 percent by other sources. Thus, sustainable funding of small and medium sized businesses is being provided local, national or regional budget.

Therefore, internal funding of small and medium businesses is mainly provided by Asian Development Bank (ADB), European Reconstruction and Development Bank (ERDB). If to go into further details, the government has adopted seven state programs for small and medium business development and support. One of the best and most cost-effective avenues for furthering economic development is investing in locally owned businesses. Small and medium enterprises have shown great potential in spurring economies. Promoting local programs and global initiatives that encourage investments in small and medium enterprises entrepreneurs in lower-income will strengthen growth engines, diversify economies, improve communal well-being, stabilize society, and accelerate progress toward national development goals. All of these results are in the interest of Kazakhstan, and could be achieved more quickly with the investment in and direct technical assistance to entrepreneurs [4, p. 7].

Current national policy of scientific-technical and innovative projects are rapidly increasing in number, due to advanced technologies in the manufacturing sectors that are highly competitive. All these factors break the boundaries between science and industry. The government is much aware that strengthening scientific and technical cooperation in industrial areas gives a new push for economic growth. State assistance is still required to ensure small business engagements and to implement research centers to the full extend.

As a matter of fact, small and medium scale business enterprise increases a number of goods and services in the market. They can easily escape sectoral and regional monopoly. This raises the overall quality and competitiveness of Kazakhstan

industry. A successful venture capital can be a good solution but not so easy to create.

The following factors found to be effective for implementing venture capital investment:

– to commercialize the results of scientific, technical and innovative activities;

– to upgrade small and medium scale business into real economy with the introduction of hitechs;

– to improve mechanism oriented to industrial and innovative projects development to ensure the national competitiveness in due to the availability of resources in global market.

It should be emphasized that diversification of economic branches can be realized through developing industrial enterprises, such as manufacturing industry. National goal to improve small and medium business engagement experience can give a rise to the development of large enterprises all over the country.

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