

IRSTI 06.73.02  
UDC 336; 336.11

**I.A. IMANBAY,<sup>1</sup>**

PhD student.

**S.A. KALENOVA,<sup>1</sup>**

doctor of economics, professor.

**I.P. KHOMINICH,<sup>2</sup>**

doctor of economics, professor.

“Turan” University.<sup>1</sup>

Russian Economic University

named after G.V. Plekhanov<sup>2</sup>

## **DIRECTIONS AND STRUCTURE OF FINANCIAL SUPPORT OF SMALL AND MEDIUM BUSINESS**

### **Abstract**

The article discusses the direction and structure of financial support for small and medium-sized businesses in the Republic of Kazakhstan. In general, it can be noted that the financial support of small and medium-sized businesses from the state remains as important and necessary tools that directly affect the growth of the economy and the welfare of Kazakhstanis. Moreover, when developing, coordinating or adjusting state programs, it is proposed to involve more employees of local executive bodies and the general public. After all, they are the ones who better understand the needs of the regions, and they are more interested in solving local issues. In our opinion, along with others, all of the above factors together have led to the ineffectiveness of state support for SMEs in the Republic of Kazakhstan using the example of the Business Road Map 2020 program. Nevertheless, in Kazakhstan an infrastructure of financial support for SMEs has been created, represented by government agencies, a quasi-state sector, development institutions, international banks, investment funds, STB, microfinance organizations. Good results were achieved, for example, from the point of view of development institutions, subjects and instruments of state support for SMEs, created jobs, growth in the share of SMEs in GDP, output, growth in the number of SMEs in the country, tax revenues. It should be noted that, despite the numerous government programs for the development of small and medium-sized businesses that are being developed and adopted by the Government of the Republic of Kazakhstan, the main source of capital, according to small and medium-sized businesses, is still their own resources.

Key words: small and medium business, financial support, business project, inflation, lending, investment funds, economics, resources.

Financial support of small and medium-sized businesses by the state remains an important and necessary tool that directly affects the growth of the economy and the welfare of Kazakhstan.

Growing mature SMEs also need working capital and long-term investment [1]. Due to the high risk probability of business projects, second-tier banks do not show much interest in financing their activities. In order to improve the business climate, systematic work will continue to form the institutional framework for supporting small and medium-sized businesses. Therefore, state financial support is recognized as a way out of this situation.

According to the “Damu” Fund, during the survey among 10 000 current and potential representatives of SMEs living in all 14 regions of Kazakhstan, it was found that 81% of respondents consider financial support important for the development of SMB’s [2]. The analysis of program documents, regulatory legal acts and other sources allowed to establish that the following types of financial support operate in Kazakhstan: loans, guarantees, financing of leasing operations, subsidizing the interest rate on the loan, grant financing, mezzanine financing.

These types of support are implemented by 23 entities, of which the Eurasian Bank for Reconstruction and Development (EBRD), as well as the Asian Development Bank (ADB) currently use an indirect form of financing through Kazakhstan’s second-tier banks and development institutions (Damu Fund, KazAgro JSC).

“Development Bank of Kazakhstan” JSC in its activities contributes to the sustainable development of the national economy by investing in the non-resource sector of the country. In its activities, it invests in large, rarely medium-sized enterprises of infrastructure and industrial orientation. Has a large set of financial support tools, unfortunately, does not work with small businesses.

Damu Fund is the main operator of financial support for small and medium-sized businesses in Kazakhstan. Interacts with various financial institutions to attract investment in small and medium-sized businesses. Provides indirect and direct financial support to small and medium-sized businesses. Indirect lending is performed via banks of the second level, direct support comes with the help of grant funding, interest rate subsidies on loans, guaranteeing of projects.

JSC “NATD” carries out grant financing of innovative SMB’s. JSC “KazAgro” has many subsidiaries and a set of tools and provides financial support to SMB’s in the agricultural sector.

JSC “Investment Fund of Kazakhstan” directly participates in the projects of innovative SMB’s.

JSC “Kazakhstan Institute of industry development” contributes to the development of SMB’s in priority sectors of the economy by reimbursing:

- ◆ development and/or examination of a comprehensive plan of an industrial-innovative project to obtain leasing financing and feasibility study for industrialization Map projects;
- ◆ improving the competence of the enterprise (training and/or retraining, implementation of best production practices through the involvement of experts);
- ◆ improvement of technological processes and efficiency of production organization.

NC “Kazakh invest” JSC provides direct financial support to domestic SMEs by reimbursing part of the costs in the promotion of products to foreign markets (advertising events, participation in road shows etc.). “Kazyna Capital Management” JSC, the so-called Fund of funds, invests in investment funds that support SMB’s.

Small business in the country develops from year to year. Thus, by August 2018, 263,3 thousand small companies were operating in the market of Kazakhstan which is 9,7% more than a year earlier. With the total 56% to be active.

Another 18,1% of the current small business launched start-ups, the new made companies yet to get active. There are already 47,7 thousand of them in the country – 21,6% more than a year ago.

The average business, on the contrary, is in no hurry to grow – the number of companies for the year has not changed, remaining at the level of 6 thousand. However, almost all of these companies (97,3%) are active in the market of Kazakhstan. Another 1% is the new companies in the medium-sized business sector.

Thus, today in the segment of small and medium-sized businesses the credit support is provided to almost 6 thousand medium-sized businesses and almost 200 thousand small businesses.

Among the top ten second-tier banks in terms of loan portfolio, 7 banks are ready to provide credit support to small and medium-sized businesses.

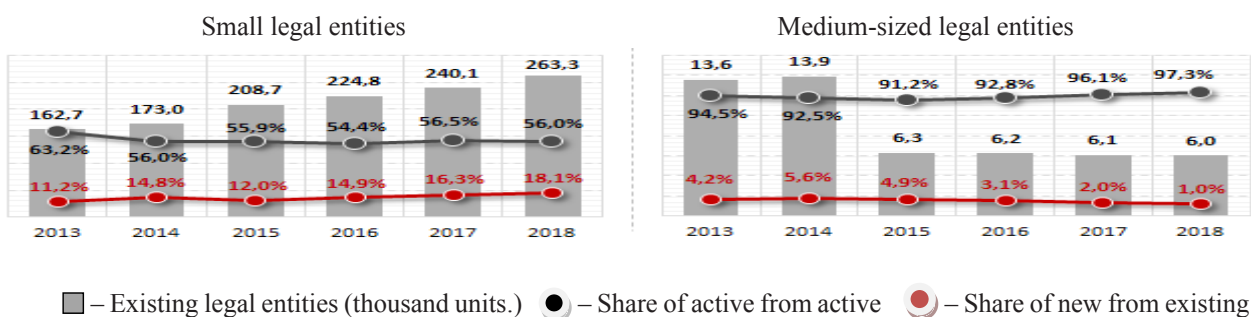


Figure 1 – Small and medium-sized enterprises

Note – Source: Calculations Ranking.kz based on the data of the CS of the MNE RK [6].

Initially, SMB is offered the largest loan by ATF Bank – up to 5 billion tenge. It is noteworthy that despite the general decline in the lending sector of legal entities as a whole (minus 5,8% year-on-year) and small businesses in particular (minus considerable 14,9% year-on-year), SMB loans from ATF Bank increased by 12,2% in the first half of the year.

Next in the line of the proposed credit volume are Halyk Bank and Tsesnabank with up to 3 billion tenge. The ForteBank can offer 2 billion tenge.

The most attractive AELR on SMB lending products are offered by ATF Bank and Halyk Bank. The lowest annual effective lending rate for SMEs is granted by ATF Bank, from 13,2%, and there are

also products with rates of 14,6% and 15,7%. Next is the Halyk Bank with starting 13,5%, there are options of 14,2% and 14,8%. Finally, the Forte Bank best offer is 16,3%. The average effective rate in the segment starts from 16,9% [6].

The loan term varies from 12 months (BankCenterCredit) to 120 (Tsesnabank and BCC) months. The most popular loan term – up to 84 months – is offered by ATF, Eurasian, BCC, Sberbank, Halyk and Forte Bank.

The national Bank has published on its website statistics on the growth of the consumer price index in Kazakhstan for June 2018, which is significantly below the trend of last year for the third month in a row. Thus, the growth of the consumer price index in June was 0,2%, in June 2017 – 0,4%. Meanwhile, in annual terms, inflation in Kazakhstan was measured at the level of 5,9%, down from the may value of 6,2%.

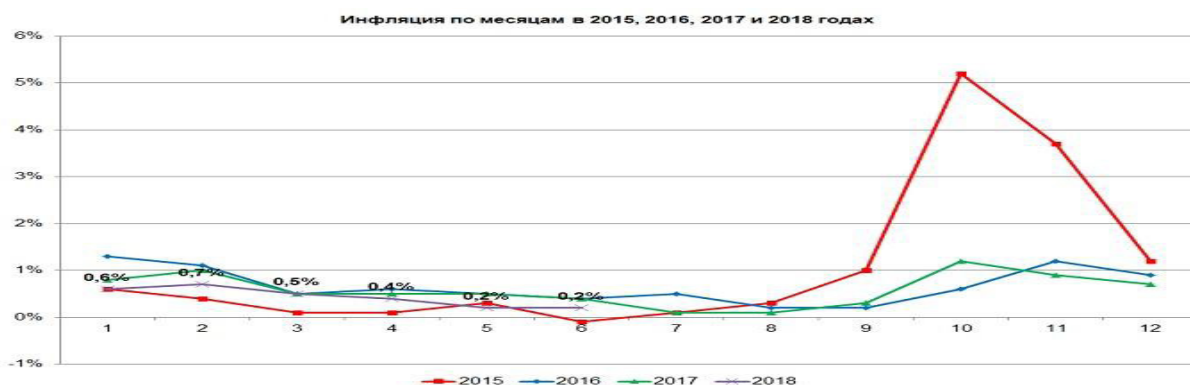


Figure 2 – Monthly inflation in 2015, 2016, 2017 and 2018 years [6]

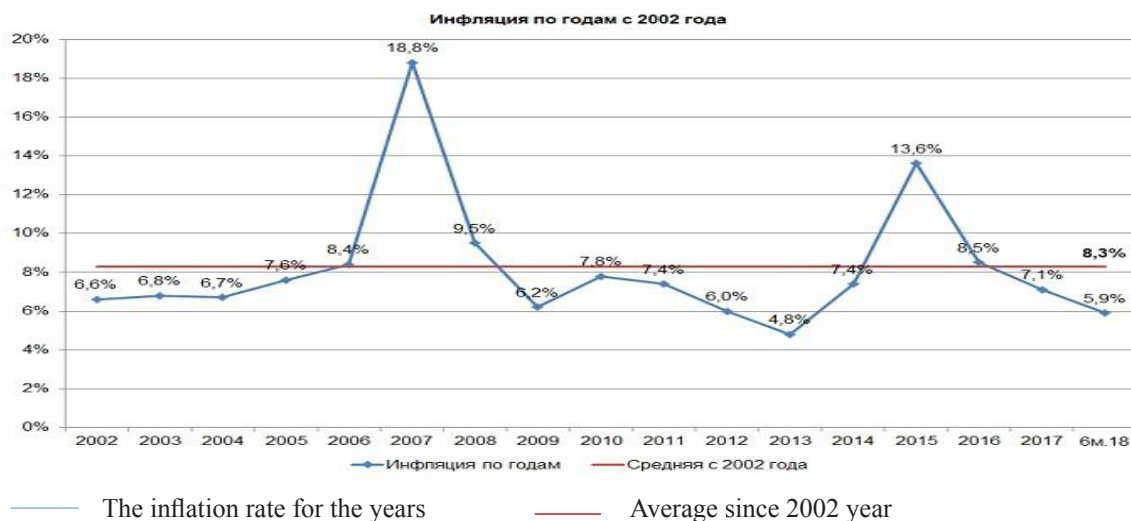


Figure 3 – Inflation by year since 2002 [6]

What is happening, an increasingly pronounced deviation from the trend of last year is obviously positive, first of all, from the position that the published data are beginning to be more consistent with the reality of the Kazakh economy. Nevertheless, the very fact of inflation with the non-working Bank multiplier in the country is still negative, and taking the fact that the entire monetary and fiscal policy of the country is still aimed at accelerating short-term economic growth at the expense of inflation and equity of the national currency tenge. 2017 Kazakhstan finished the year with inflation at a creeping level of 7,1%.

For 2018, the inflation target is also in the creeping corridor – 5–7%, and the published data, as you can see, fit into it. The aggravating factor of the published statistics, among other things, is the

distinct tendency of the tenge to strengthen, despite the weakening of the national currency since April (in General, restrained).

It should be noted that the National Bank of the Republic of Kazakhstan gives its decision on the base rate, and there is a high probability that the published data on the growth of the consumer price index will be used by the regulator to further reduce the base rate, maybe even more than 25 basis points. In this vein, it remains to add that the NBK has lowered the base rate by a total of 125 bases – from 10,25 to 9,00%.

The analysis of the above dependencies in General indicates the efficiency of the use of budgetary funds allocated within the framework of the BRM for the period under review.

Turning to the analysis of the causes of inefficiency of the first stage of the state program “Business road map–2020”, it should be noted that according to the developed methodology of evaluation, a survey was conducted to clarify the expert opinion, as well as the survey of SMB’s.

When conducting an expert survey on the effectiveness of financial support for SMB’s, which was provided within the framework of the state program “Business Road map–2020”, the following opinion was formed (Figure 4). Grades were given on a 5-point scale.

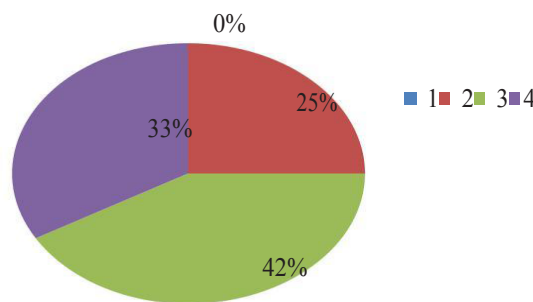


Figure 4 – Results of expert opinion on the effectiveness of financial support for SMB’s in Kazakhstan

Note – Source: 1–4 – points awarded by experts; compiled by the authors.

The results of the survey of SMEs, where 116 representatives of SMB’s of Kazakhstan were involved, showed that the largest number of respondents rated financial support as satisfactory (49% of respondents rated it as 4 and 5 on a 10-point scale).

The highest estimate of the effectiveness of financial support for SMB’s put 10% of respondents, the worst estimate – 12%.

In addition, SME representatives were asked if they would take a loan set up and a business in the absence of the government financial support programs for SMEs. The following responses were obtained (Figure 5).

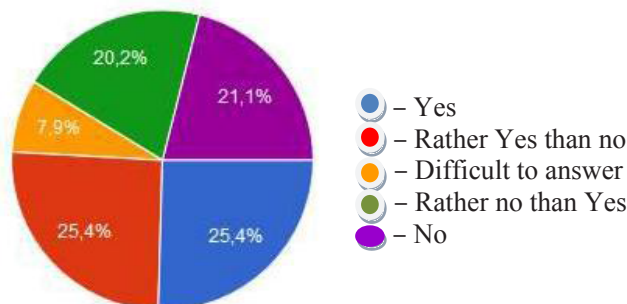


Figure 5 – Demand for state programs of financial support for SMB’s

Note – Compiled by the authors.

More than half of the respondents would take a loan for business development despite the absence of these special programs, which shows the ineffectiveness of these programs in action and lack of possibilities in further improvement. 52,6% of the surveyed small and medium-sized businesses believe that the procedure for obtaining funds is complicated and 36% consider the interest rates on loans for small and medium-sized businesses to be high.

Almost a third of respondents noted that such negative phenomena as limited funding, short-term borrowing and corruption in financial institutions reduce the effectiveness of financial support for small and medium-sized businesses. In addition to the above-mentioned ways of improving financial support for small and medium-sized businesses, more than 50% of respondents named the reduction of the loan rate as feasible and effective measures.

This highlights the need to activate all government employees, especially those who are responsible for the implementation of the state program “Business road map– 2020” in the regions. In addition, it serves as a signal of insufficient motivation of government employees of local Executive bodies in the implementation of state programs.

Moreover, it is proposed to involve more local Executive officials and the society in the development coordination or adjustment of state programs. After all, they have a better understanding of the regions’ needs, and they are more interested in addressing issues of local importance.

From our point of view, along with others, all of the above-mentioned factors combined, caused inefficiency of the state support to SMBs or SMEs in the Republic of Kazakhstan and, “Business road map–2020” program served as an example of that.

Nevertheless, Kazakhstan has established a financial support infrastructure for SMBs represented by government agencies, the quasi-public sector, development institutions, international banks, investment funds, SLB and microfinance institutions.

State bodies represented by the government and regional akimats participate in the development of state programs comprising the tools and mechanisms of financial support. The country is currently implementing the second stage of BRM, which aims to ensure sustainable and balanced growth of regional SMBs or SMEs, as well as to maintain existing and create new permanent jobs [3]. Significant funds have been allocated for the implementation of the program from the national budget and the National Fund.

It is the funds from the Republican budget:

2015 year – 60 531 976 thousand tenge;

2016 year – 60 250 273 thousand tenge;

2017 year – 41 342 611 thousand tenge;

2018 year – 41 342 611 thousand tenge;

2019 year – 41 342 611 thousand tenge;

It should be emphasized that the Unified Business Support and Development Program “Business road map–2020” focuses on the development of small and medium-sized businesses in single-industry towns, small towns and rural settlements until 2020. Within the framework of branch support for SMBs of priority sectors of the economy and manufacturing industries, the following types of support are provided: subsidizing the interest rate on loans/financial lease leasing contracts of banks/development Banks/leasing companies, partial guarantee on loans from banks/development Bank, development of manufacturing (industrial) infrastructure, creation of industrial zones, long-term leasing financing [3].

In addition, the government of the Republic of Kazakhstan approved the Program for the development of productive employment and mass entrepreneurship for 2017–2021 by Resolution № 919 of December 29, 2016 [4]. The aim of the program is to promote productive employment and involvement of citizens in SMB’s. One of the objectives is to expand microcredit in rural and urban areas. Measures to stimulate the development of mass entrepreneurship will include an increase in the volume, tools and infrastructure of microcredit, through microcredit, financing of startups, guarantees.

Within the framework of the state program of industrial- innovative development for 2015–2019, innovative SMB’s are supported by innovative subsidies [5].

Thus, the study showed that the government pays special attention to the financial support of small and medium-sized businesses, realizing its importance. With clear regulation of instruments and mechanisms of state financial support. Operators of financial support are local Executive bodies (akimats of Astana, Almaty, cities and districts), as well as representatives of the quasi-public sector (Fund “Damu”, subsidiaries of JSC “KazAgro”, JSC “NATD”, etc.).



The analysis shows that Kazakhstan has developed the infrastructure of financial support for small and medium-sized businesses. In particular, good results, for example, in terms of development institutions, subjects and instruments of state support for SMB's, jobs created, the growth of SMB's shares in GDP, the volume of output, the growth of the number of SMB's in the country, tax revenues. It should be noted that, despite the numerous state programs for the development and support of small and medium-sized businesses developed and adopted by the government of Kazakhstan, the main source of capital, according to representatives of small and medium-sized businesses, still remain their own resources.

The main problems of small and medium-sized businesses in obtaining financial support from formal sources are the following:

- ◆ - unavailability of financial and credit resources, on terms acceptable to them. The credit policy of SLB in relation to small and medium-sized businesses is focused mainly on the financing of trade and procurement activities. SLB loans are provided at a high rate. In addition, banks require collateral, which most novice representatives of small and medium-sized businesses do not have, as a rule, the cost of collateral is twice as expensive as the loan.

- ◆ - insufficient development of an additional segment of the financial market – microfinance, which is the most important branch of the world economic system.

In General, the assessment of efficiency and analysis of problems and prospects of development showed that certain results in terms of financial support have been achieved, but there are reserves for growth and development.

Thus, special attention should be paid to improving the efficiency of institutions to support small and medium-sized businesses in the sectors of agriculture and manufacturing, since the analysis has shown that, despite the existence of many subjects and tools to support small and medium-sized businesses in these sectors, their dynamic development indicators deteriorate from year to year, which undoubtedly indicates serious institutional problems.

#### LIST OF LITERATURE

1 The enterprise: the textbook: under the editorship of V.Ya Garfinkel, G.B. Polyak, V.A. Sundara. – M.: Unity-Dana, 2011. – 581 p.

2 Report on the results of marketing research “The state of development of small and medium-sized businesses and the results of the program “Business Advisor”. – Almaty, 2010://<https://damu.kz/upload/Files/poleznayainformatsiya/Otchyot.sostoyaniesektoramsb.pdf> 04.03.2017.

3 Resolution of the Government of the Republic of Kazakhstan. About the approval of the Uniform program of support and development of business “Business road map 2020”, modification of the order of the Government of the Republic of Kazakhstan of June 10, 2010 No. 556 “About some measures for implementation of the Program “Business road map 2020” and recognition become invalid for some decisions of the Government of the Republic of Kazakhstan: UTV. 31 March 2015, № 168: // <http://adilet.zan.kz/rus/docs/P1500000168> 05.05.2018.

4 Resolution of the Government of the Republic of Kazakhstan. About the approval of the Program of development of productive employment and mass business for 2017–2021, modification and additions to the order of the Government of the Republic of Kazakhstan of December 30, 2015 № 1136 “About the approval of the list of government programs and recognition become invalid for some decisions of the Government of the Republic of Kazakhstan”: UTV. 29 December 2016, № 919: // <http://adilet.zan.kz/rus/docs/P1600000919> 05.05.2018.

5 Decree of the President of the Republic of Kazakhstan. About the approval of the State program of industrial and innovative development of the Republic of Kazakhstan for 2015–2019 and about modification of the Decree of the President of the Republic of Kazakhstan of March 19, 2010 № 957 “About the approval of the List of the state programs: UTV. 1 August 2014, № 87: // <http://adilet.zan.kz/rus/docs/U1400000874> 05.05.2018.

6 Website of the statistics Committee of the Ministry of national economy of the Republic of Kazakhstan: // <http://www.stat.gov.kz> 25.05.2017.

### Андатпа

Мақалада Қазақстан Республикасында шағын және орта бизнесті қаржылай қолдаудың бағыттары мен құрылымы талқыланады. Жалпы алғанда, шағын және орта бизнестің мемлекет тарапынан қаржылық қолдауы экономиканың өсуіне және қазақстандықтардың әл-ауқатына тікелей әсер ететін маңызды және қажетті құралдар болып қала береді. Сонымен қатар, мақалада мемлекеттік бағдарламаларды әзірлеу, үйлестіру немесе түзету кезінде жергілікті атқарушы органдардың және жұртшылықтың көп қызметкерлерін тарту ұсынылады. Өйткені олар өңірлердің қажеттіліктерін жақсы түсінеді және олар жергілікті мәселелерді шешуге мүдделі. Біздің пікірімізше, жоғарыда аталған факторлардың бәрі бірге, «Бизнестің жол картасы–2020» бағдарламасының мысалын пайдалана отырып, Қазақстан Республикасындағы ШОБ субъектілеріне мемлекеттік қолдаудың тиімсіздігіне алып келді. Дегенмен Қазақстанда мемлекеттік органдар, квазимемлекеттік сектор, даму институттары, халықаралық банктер, инвестициялық қорлар, ЕДБ, микроқаржы ұйымдары ұсынған ШОБ субъектілеріне қаржылық қолдау инфрақұрылымы құрылды. Жақсы нәтижелерге қол жеткізілді, атап айтқанда: даму институттары, шағын және орта бизнес субъектілерін мемлекеттік қолдау құралдары, жұмыс орындарын құру, ЖІӨ-де ШОБ үлесінің өсуі, өндірістің өсуі, елдегі ШОБ санының өсуі, бюджетке түсетін салық түсімдерінің жақсы көрсеткіштері. Қазақстан Республикасының Үкіметі әзірлеп, қабылдаған шағын және орта бизнесті дамытуға арналған көптеген мемлекеттік бағдарламаларға қарамастан, шағын және орта бизнестің көзқарасы бойынша, капиталдың негізгі көзі бұрынғыдай өзінің меншікті ресурсы болып табылады.

Тірек сөздер: шағын және орта бизнес, қаржылық қолдау, бизнес-жоба, инфляция, кредиттеу, инвестициялық қорлар, экономика, ресурстар.

### Аннотация

В статье рассмотрены направления и структура финансовой поддержки малого и среднего бизнеса в Республике Казахстан. В целом можно отметить, что финансовая поддержка малого и среднего бизнеса со стороны государства остается важным и необходимым инструментом, который напрямую влияет на рост экономики и благосостояние казахстанцев. Более того, при разработке, согласовании или корректировке государственных программ предлагается больше привлекать работников местных исполнительных органов, население. Ведь именно они лучше понимают потребности регионов и именно они более всего заинтересованы в решении вопросов местного значения. По нашему мнению, наряду с другими все вышеперечисленные факторы в совокупности послужили причинами неэффективности государственной поддержки МСБ в Республике Казахстан на примере программы «Дорожная карта бизнеса–2020». Тем не менее в Казахстане создана инфраструктура финансовой поддержки МСБ, представленная государственными органами, квазигосударственным сектором, институтами развития, международными банками, инвестиционными фондами, банками второго уровня, микрофинансовыми организациями. Хорошие результаты достигнуты, например, с точки зрения институтов развития, субъектов и инструментов государственной поддержки МСБ, созданных рабочих мест, роста доли МСБ в ВВП, объема выпущенной продукции, роста числа субъектов МСБ в стране, налоговых поступлений в бюджет. Следует отметить, что, несмотря на разрабатываемые и принимаемые правительством РК многочисленные государственные программы развития и поддержки малого и среднего бизнеса, основным источником капитала, по словам представителей малого и среднего бизнеса, все же остаются собственные ресурсы.

Ключевые слова: малый и средний бизнес, финансовая поддержка, бизнес-проект, инфляция, кредитование, инвестиционные фонды, экономика, ресурсы.