Development of directions for optimizing the conditions for the functioning subjects of small and medium businesses in the Republic of Kazakhstan based on the experience of developed countries

Abstract. The article reveals the development of directions for optimizing the conditions for the functioning subjects of small and medium businesses in the Republic of Kazakhstan based on the experience of developed countries. The article introduces the study of small and medium businesses development based on the experience of the United States, France, Germany, and Singapore. The world experience is of particular interest in studying the facilitation of state support for small and medium enterprises. The particular attention is focused on the role and significance of the SMEs activities in various countries, namely, the micro and macroeconomic indicators, such as the level of competition and employment, the introduction of new technologies and production efficiency, structural changes in the economy, etc. depend on the efficiency and scale of the SMEs activity. The experience of developed countries indicates that the development and expansion of small and medium-sized enterprises create favorable conditions for economic recovery, a competitive environment is being developed, as well as the sectoral and regional monopoly is being overcome.

Keywords: small and medium enterprises, foreign experience, SMEs, US experience, Singapore’s experience.

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Introduction

The development of small and medium enterprises in the Republic of Kazakhstan from the first days of economic reforms is one of the priorities of the state economic policy. The business class is an integral part of a market economy, an independent economic entity. Most entrepreneurs belong to the so-called middle class, which ensures the stability of not only the state’s economy, which is based on the market economy, but also influences the political processes in society, avoiding the separation from liberal and market values. The economic policy of Kazakhstan was developed in a short time by a narrow circle of specialists and was based mainly on the experience of developed market economies.

In developed countries, small enterprises largely determine the pace of economic growth, the structure and quality of the gross national product, amounting to 40-50%, and in some industries up to 70-80%.

In developed countries, the principle of cooperation between large, small and medium-sized enterprises is raised, and large associations
do not suppress small and medium-sized enterprises, but complement each other, especially in the field of individual industries specialization and in innovative developments.

The scale, forms and mechanisms of state regulation of the economy are largely determined by national characteristics, traditions, the level of the country’s economic development, its place in the world system and many other factors. Nevertheless, foreign experience is often transferred without adjustment for the ‘youth’ of Kazakhstan market institutions, without considering the local mentality, history, culture. However, knowledge of foreign experience is necessary in order not to repeat the mistakes, use the experience accumulated over centuries, and accelerate the process of civilized market transformations [1; 18].

Methodology

The USA is characterized by extensive experience in creating “business incubators” to assist in the creation of new enterprises. Their effectiveness is very high. They are driven by subsidies from the federal government; funds received from state and municipal governments; assistance from industrial corporations, educational institutions, as well as from the rent of entrepreneurs and percentage profits that came from “incubators” and successfully operating enterprises.

Small and medium-sized enterprises have achieved such success in the USA due to systematic and continuous state support in various fields. The government body administering and coordinating all areas of small business support and development is the Small Business Administration (SBA), created in 1953 as an independent agency of the federal government [2; .32].

SBA has large budget funds at its disposal, the annual budget of which ranges from 400 to 600 billion dollars, allocated both for direct subsidies of certain types of entrepreneurial activity and for indirect stimulation of small business development.

Currently, SBA oversees the implementation of over 20 specialized programs (short-term - for acquiring circulating funds, export operations, providing urgent assistance, etc., long-term - for the acquisition of real estate, equipment, modernization and expansion of activities, R&D, etc.)

Significantly, providing small business assistance has a social focus. Thus, in the entire amount of finance for small businesses controlled by SBA, special articles have been allocated to help the ‘problem’ segments of small businesses that need it to a greater extent. These include:

- enterprises where women make up at least 51% of the management or the entire number of the enterprise’s employees (in the USA there are about 40% of those in SMEs);
- enterprises managed by veterans and / or people with disabilities;
- small business among the indigenous population;
- enterprises of ‘zones with the historically underdeveloped business’.

SBA has developed the standards and methodology for determining the optimal size of small enterprises. The standards relate to the average annual income for a certain time (depending on the industry for 12 calendar months, 3 financial years, etc.), in some sectors - average employment, an average number of customers, etc.

In general, the experience of the United States confirms that the state regulation policy of entrepreneurship is effective if it meets the interests of the whole society, and not of the individual (regardless of their power and influence) social groups.

However, it should be noted that there are some differences between the EU member states: in Greece, Finland, Sweden, Italy, Portugal, and Spain, enterprises are much smaller in size than in the EU (6 employees). In EU countries, the implementation of state policy on small and medium enterprises is distributed among several Ministries or special sectors within Ministries. This is usually the task of the Ministries of Industry, Economy, Trade, or Employment. Thus, in Germany and the Netherlands, the departments...
of small and medium-sized enterprises are within the structure of the Ministry of Economy, in France the corresponding department is established in the Ministry of Industry, and in the UK there is a special Ministry of Small Business. [4; 41]

Under certain specifics, in most EU countries there are similar private support institutions:
- chambers of commerce, operating mainly in the field of training and education, technological consulting, export support, certification, and cooperation between enterprises;
- financial institutions (banks, venture capital companies, construction companies) that provide small and medium-sized businesses with access to capital and financing;
- private consulting and law firms that provide management and administration consulting, technological, marketing consulting, etc.

A characteristic feature of the policy in the EU countries regarding small and medium-sized businesses is the increasing role of the regions. Two groups of countries stand out here:
- countries where policymaking is carried out at the government level, as, for example, in Denmark, Greece, Ireland, Luxembourg, the Netherlands, Portugal, and Great Britain. Only the government has legislative power in developing strategies, directions and measures to support small and medium-sized enterprises;
- countries where regions have the power to form policies regarding SMEs [4; 103].

However, despite the existing differences, the EU countries have developed common approaches to form a state policy for supporting small and medium-sized enterprises:
- administrative and regulatory business environment - simplification of the tax system, reduction of statistical and tax reporting, simplification of the procedure for obtaining licenses, etc., the vast majority of countries have created committees and agencies to analyze the situation in this area, as well as to develop measures for alleviating the administrative burden.;
- financial conditions - mainly such government support measures, as loan guarantees used to modernize the equipment, or expand production with an increase in the number of employees, are applied;
- the generation of special funds and reserves to support small and medium-sized enterprises, as well as the use of fiscal incentives, grants, and awards. The UK and the Netherlands, for example, focus on providing loan guarantees [5; 319].

Table 1 shows the comparative indicators of SMEs in Kazakhstan and the EU countries, where it can be seen that SMEs in Kazakhstan lag far behind in terms of their performance. Besides, the share of medium-sized enterprises in Kazakhstan is very small, amounting to only 4% of GDP and 5% of employment, while in the EU the share of medium-sized enterprises is about

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<th>SMEs % of GDP</th>
<th>Employment rate in SMEs, %</th>
<th>SMEs for 1000 people</th>
<th>SMEs, % for exports</th>
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Note - by source [3]
20% of GDP and employment. The employment rate in small businesses in Kazakhstan is 32% (in the EU countries - 50%), but the contribution of small businesses to GDP is only 20%, whereas in the EU it is about 40%. Thus, the main difference is the low labor productivity in small businesses and the underdevelopment of medium-sized enterprises in Kazakhstan.

In France, at the national level, under the supervision of the Prime Minister, there is a Commission for the development of draft laws that simplify the registration and creation of small and medium enterprises (SMEs). The experience of France is also interesting in stimulating the transfer of enterprises to the periphery, to the underdeveloped regions. In this case, small and medium-sized enterprises receive targeted loans for capital investments, restructuring of production.

In Germany, the state can intervene the economic process if the private sector is unable to adequately adapt to existing or changing working conditions and social requirements (for example, in the field of environmental protection) or to eliminate the disadvantages of economic development. The most important regulatory functions of the German state are related to law enforcement and economic order in the country. They provide for fundamental rights to freedom of entrepreneurial activity, for example, the freedom of contract, the right to join associations, create branches and departments, choose a profession and place of work, and independently set prices for manufactured products. This also applies to private property, its disposition, primarily by the means of production (land, buildings, machinery, and other fixed assets).

The second direction of public regulation of entrepreneurial activity is its diverse support. [6, 101]. In France and Germany, public regulation has become one of the means of structural reforms, maintaining the level of business

SMEs in Kazakhstan and the world for 2019

<table>
<thead>
<tr>
<th>Country</th>
<th>SMEs % of GDP</th>
<th>Share of employed in SMEs,%</th>
<th>SMEs per 1,000 inhabitants</th>
<th>SME, % in exports</th>
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<td>China</td>
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Note - by source [3]
savings, business development and preventing the decline in the profitability of enterprises in conditions of prolonged depression [7, 44].

As part of indirect regulatory methods, the following measures are being implemented to stimulate the development of small and medium-sized enterprises, and table 2 presents the SMEs of Kazakhstan and the world for 2019:

- subsidies covering up to 50% of the costs, loans - direct loans (USA, Japan, Germany, France, etc.);
- providing creditors (private banks, trading companies, insurance firms, pension funds) with government guarantees on loaned capital up to 90% (U.S.);
- cuts in taxes on social spending (Japan);
- expansion of tax benefits in the implementation of research and development work (Japan);
- abolition of taxes on investments in the development of small and medium-sized enterprises (France);
- application of simplified tax system (USA, Canada, etc.);
- providing and guaranteeing loans in addition to emergency loans (USA, Germany, France, Switzerland);
- contracts for the development of new products and technologies by the federal authorities (virtually all developed countries);
- establishment of technical improvement centers for small and medium-sized enterprises (UK, Japan, Sweden, Austria, Germany);
- compensation for training costs (Japan);
- imported appliances and equipment designed for research and development of high technology, which is not produced by local industry, are exempt from customs import duties (China).

The Government of Singapore is interested in promoting the development of SMEs to be competitive in the international market. Support for SMEs in Singapore is provided by a specially created agency «Spring» providing the development and implementation of various programs to promote SMEs, develop the entrepreneurial abilities of SMEs, provide consulting services, training to manage the business [8].

Let’s consider the main reasons for the prosperity of the economy and entrepreneurship in Singapore:

- the presence of a favorable economic situation and an attractive investment climate in the country. There is preferential tax legislation for small business, which is aimed at attracting foreign capital and investments;
- Singapore’s small business is based on the provision of a variety of services: trade, transport, communications, finance, tourism and others. These services provide jobs for the vast majority of the country’s population, up to 70 to 80%;
- acceptable conditions have been created for the opening of small businesses and for direct activities, which are described in the legislation and are subject to strict enforcement. Special benefits are designed for small and medium-sized enterprises starting their businesses.

Also, in Singapore there are a huge number of various programs for preferential lending, which include loans, credit risk insurance, subsidies, financing of training and advanced training of SMEs. So, SMEs in Singapore represents a favorable economic situation and an attractive investment image, as well as a developed state policy in the field of SME support.

**Discussion**

Analysis of the practice and experience of the management of successful domestic small and medium-sized enterprises, as well as foreign firms and companies, showed that for successful work it is necessary to adhere to the following principles:

- constantly adapting to environmental changes in politics, economics, society and technology;
- establishing a production strategy. In this case, the question is that when choosing products should be based not only on the available demand for them. It is necessary to identify the general operations for the production of various products produced in the enterprise, to establish the possibilities of common channels of delivery of products to consumers, etc. This approach reduces the cost of production and marketing of
products, making the most of the production and storage space;
- decision-making based on the company’s capabilities.

Following these principles, in our opinion, can allow the company to build a system of management that would meet its internal ability to produce high-quality products in accordance with the requirements of the market and implement it [1;124].

Based on the world experience, we will develop the conceptual basis of state support for small and medium-sized businesses. We propose to use the following forms of support for small and medium-sized enterprises, which are part of three groups (creating an innovative environment, financial support infrastructure and non-financial support infrastructure).

Business support is accompanied by government regulation. This is necessary in order to:
- first of all, to ensure the development of business in the sphere, material production, development of market infrastructure;
- to abolish centralized resource allocation structures, ensure unhindered overflow of material and financial resources between different sectors and sectors of the economy in accordance with business development priorities;
- to contribute to the unbundling, denationalization of structural units.

When creating government support tools, it is necessary to attract private businesses as much as possible and gradually move away from support tools as the private segment develops and performs the necessary functions (e.g., Business incubation) [10; 114].

**Results and Conclusions**

Currently, Kazakhstan uses a large number of financial and non-financial forms and instruments of state support for SMEs, specific forms to support business are almost not developed. We will make the main key points and problems on which the improvement of the mechanism of state support for small and medium-sized businesses, which are faced by the state authorities of industrialized countries in the implementation of government support programs. It should be based on an analysis of the business environment and ensured by the effectiveness of the state support mechanism, i.e. to have sociological and scientific and methodological support. SMEs may be in situations where financial support is urgently needed, but there is a temporary delay within the financial scheme, which makes business inefficient. Levers must be found for financial and other institutions to come to the aid of SMEs at any time and to obtain various preferences from the State in this situation. Due to the negative impact of the pandemic, the
planned amount of state support for business this year has increased sharply to almost 2 trillion from about 4 trillion in previous years. First of all, this is an increase of 4 trillion in funding for the «Economy of simple things» program covering industries from manufacturing to tourism and a program of preferential lending to SMEs in the affected sectors of the economy. The main areas of state support for business are subsidizing interest rates on loans, various forms of access to banking services, infrastructure costs, and entrepreneurship training figure 1, [11]. This year, the planned amount of government support for business is slightly increased to 72 billion under the Business Road Map 2025 program. Besides, the expansion of the digital economy will stimulate the development of businesses based on Internet technologies.

Thus, we come to conclusions about the need to improve the mechanisms for implementing the policy of improving the business environment for SMEs in the Republic of Kazakhstan.

We will propose a system to improve the government regulation of the development of the small and medium-sized business sector. Its main components are:

- setting programmatic goals and goals for the development of small and medium-sized businesses by state authorities;
- creating a relevant legislative and other regulatory framework;
- developing a mechanism for implementing programmatic objectives and goals in the development of small and medium-sized businesses;
- assessing the effectiveness of their implementation and monitoring the results of Government policy in small and medium-sized businesses;
- a mechanism for adjusting the state policy in the field of support and development of small and medium-sized businesses.

Based on the above, we propose ways to optimize the conditions for the development subjects of SMEs in Kazakhstan, such as:

- monitoring of factors that determine threats to domestic business in the EEU;
- improving the system of economic relations for small enterprises in the field of production, in order to ensure their competitiveness in the world market;
- optimal combination of state and market regulation of prices for products of small and medium-sized businesses in order to revive the effective demand of the population and increase the competitiveness of domestic businesses in the domestic and foreign markets;
- introduction of a system of minimum guaranteed prices for small businesses that provide them with a sufficient level of profitability;
- implementation of flexible taxation of small businesses whose activities are related to the production of goods, providing tax incentives to those producers who invest in the development of priority industries and in the production of products, or adhere to the principle of sustainable development of production in compliance with environmental standards;
- increasing the investment attractiveness of small businesses, introducing tax and other benefits that will help re-equip the material and technical base of small businesses;
- regulation of export and import volumes for the main strategic types of goods produced by small businesses;
- implementation of targeted programs for the restoration and development of priority sectors of the economy, in which small businesses can take the largest market share;
- direct financing of investment projects of small businesses through financial institutions of the state.

In order to improve the development of SMEs in the Republic of Kazakhstan, we propose a mechanism, management and monitoring of the implementation of the Program. The program's implementation mechanism needs to be consistently adopted by several policy and other documents agreed upon by the expected results:

- a plan of action to implement the Programs (the Plan of Activities) with a detailed indication of specific actions aimed at achieving the objectives of the Program, with the definition of
deadlines, executors, the form of completion, the necessary costs for its implementation;
- strategic plans of the central executive bodies of the Republic of Kazakhstan, approved by the rulings of the Government of Kazakhstan;
- the programs of the development of the territories and plans for their implementation, approved respectively by the decisions of the maslihats and mayors of the regions;
- strategies and plans for the development of national holdings and national companies, other state-controlled companies and partnerships participating in the implementation of the Program;
- strategies and plans for the development of national development institutions, other state-controlled companies and partnerships involved in the implementation of the policy. This procedure of developing and adopting the above documents will increase the effectiveness and transparency of the implementation of the Programs at the vertical and horizontal levels, ensure the consistency and synchronicity of the implementation of the activities. A key mechanism in the Program’s implementation monitoring system should be fact-based evaluation and funding for performers based on results. Implementation of this approach will require further improvement of the public planning system of Kazakhstan, which should primarily be reflected in new types of analysis and evaluation - such as preliminary evaluation of project programs, evaluation impact on government resources.

References

References


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Разработка направлений оптимизации условий функционирования субъектов малого и среднего бизнеса в Республике Казахстан с учетом опыта развитых стран

Аннотация. В статье раскрывается разработка направлений оптимизации условий функционирования субъектов малого и среднего бизнеса в Республике Казахстан с учетом опыта развитых стран. Приведено исследование развития малого и среднего бизнеса на опыте таких стран, как США, Франция, Германия, Сингапур. Особый интерес для исследования вопросов организации государственной поддержки малого и среднего бизнеса представляет мировой опыт её организации. Акцентируется внимание на роли и значимости функционирования МСБ в различных странах: от эффективности и масштабности.
деятельности субъектов МСБ зависят многие микро- и макроэкономические показатели, такие как уро-
вень конкуренции и занятости, внедрение новых технологий и эффективность производства, структур-
ные изменения в экономике и т.д. Опыт развитых стран свидетельствует о том, что формирование и
развитие малого и среднего бизнеса создает благоприятные условия для оздоровления экономики, фор-
мируется и развивается конкурентная среда, преодолеваются отраслевой и региональный монополизм.

Ключевые слова: малый и средний бизнес, зарубежный опыт, субъекты МСБ, опыт США, опыт Сингапура.

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Дамыған елдердің тәжірибесін ескере отырып, Қазақстан Республикасында шағын және орта
касипкерлік субъектілерінің жұмыс істеме жағдайларының өнімділігі, негізгі білім, тақырып және
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Германия, Сингапур сияқты елдердің тәжірибесін ескеріп, шағын және орта бизнестің дамуына
ең қолайлы жағдайлар жасайды.

Түйін сөз: шағын және орта бизнес, зарубежный опыт, субъекты МСБ, опыт США, опыт Сингапура.

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