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BANK LENDING AS A FACTOR IN THE DEVELOPMENT OF SMALL AND MEDIUM-SIZED BUSINESSES IN KAZAKHSTAN

ANNOTATION

In modern conditions, one of the urgent tasks of the Republic of Kazakhstan is to maximise the development of small and medium-sized businesses. Small and medium business has a direct impact on the economic well-being of the state. And it largely depends on solving the problems of employment, filling the domestic market with domestic goods, replenishing the state budget and creating a competitive environment. The development of small and medium-sized businesses is a key tool for economic growth and socio-political modernisation.

This article examines the dynamics of small and medium-sized business development in Kazakhstan, including indicators such as the contribution of small and medium-sized businesses to the country's gross domestic product, the number of small and medium-sized businesses registered and operating, and the number of people employed in this area, and analyses small and medium-sized businesses lending by second-tier banks for 2018-2020, which covers the period before the pandemic and during the pandemic. During the period of restrictive measures, the state provided support to small and medium-sized businesses in the form of tax exemptions, interest relief on loans previously obtained by businesses, and relief on rent payments. However, despite this, problems have been identified in this aspect. In order to eliminate the identified problems of small and medium-sized business lending, prospective directions for further development of small and medium-sized enterprises in the Republic of Kazakhstan have been developed.

Key words: *small and medium entrepreneurship, commercial banks, credit resources, state support, individual entrepreneur.*

Introduction. Small and medium-sized business is an entrepreneurial activity carried out by market economy entities with their own and borrowed funds, the main purpose of which is to make a profit and further develop their enterprise by producing or providing goods and services [1].

The relevance of the research topic is explained by the general development of the state economy. Despite government support for decades, small and medium-sized enterprises are developing, but not at the pace expected by the government.

One of the most important issues in the field of small business development is to increase the efficiency of its interaction with the sources of financial resources from which its development can be carried out. In today's economic environment the main source of financial resources for small businesses, in terms of their accessibility and availability, is credit [2].

The President of the Republic of Kazakhstan K.-J.K. Tokayev in his Address to the people of Kazakhstan emphasised that "small business, especially micro-business, plays an important role in the socio-economic and political life of the country. First of all, it provides permanent employment for rural residents, and reduces unemployment. Forming the tax base, it also replenishes the local budget" [3].

Therefore, the management of small and medium business development is a strategic issue of the country's policy. The Government of the Republic of Kazakhstan is actively working to support small and medium-sized businesses. This is reflected in the country's improved position in the World Bank's Doing Business ranking, which ranks Kazakhstan 25th in 2020. Despite this, the country has

seen a decline in bank lending to small and medium-sized businesses. According to some Kazakhstani experts, the reasons for this decline are the lengthy lending procedure, high collateral requirements, lack of data on the financial situation, and the lack of developed scoring models for small and medium-sized businesses [4]. Of course, the global pandemic and related restrictive measures have also had an impact. The anticompetitive restrictions have had a greater negative impact on small and medium-sized businesses in Kazakhstan. Despite extensive financial assistance provided by the Government of Kazakhstan (loan restructuring, concessional lending and simplification of procedures), it is the individual entrepreneurship entities that have suffered. In addition, tax incentives have been provided by the government to support small and medium-sized businesses, credit has been expanded and measures have been taken to further ease the business environment. However, all these clearly important areas were financed largely by an additional issue of money, with the result that the financial support had only a short-term effect and was subsequently replaced by a sharp increase in the price of basic necessities [5, 6, 7].

The functioning of small and medium-sized businesses is associated with significant financial investments, which can be made mainly through borrowed funds. Small and medium-sized enterprises most often take out loans to acquire fixed assets, increase their production base, cover current expenses and cash gaps, and expand their business. Therefore, the availability and accessibility of credit resources plays an important role in the development of small and medium-sized businesses today.

Analysis of the current state of SMEs, their quantitative credit dynamics and their impact on the development of entrepreneurship forms a new field for future research [8, 9].

Materials and research methods. The research methodology in writing the article is based on the use of methods of monographic and periodic research and comparison. The use of the comparative method in analyzing the dynamics of economic indicators allowed us to identify cause-effect relationships and identify systemic problems of state regulation and development of small and medium enterprises in the Republic of Kazakhstan.

Research results. In the Republic of Kazakhstan today, the growth in the number of small and medium-sized businesses is taking place in light of the government's consistent policy to develop the private business sector by optimising the tax system, reducing administrative barriers, and providing direct financial and non-financial assistance.

Despite the COVID-19 pandemic in 2020, Kazakhstan's economy has maintained growth in many indicators of economic activity. The institutional structure of small and medium-sized businesses also continues to change, with a growing share of legal entities [10].

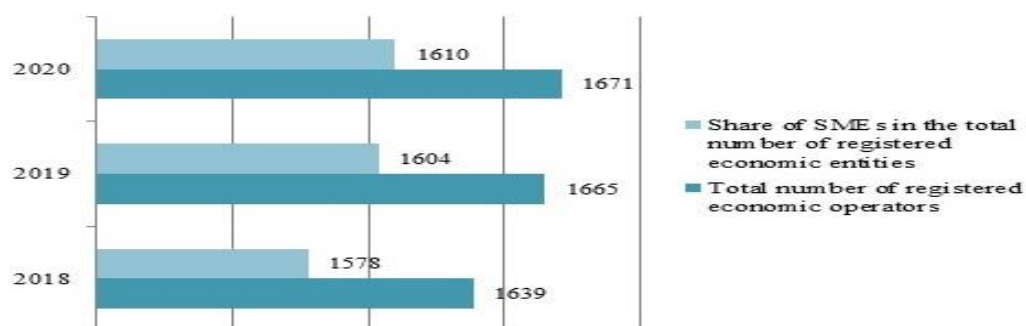


Figure 1 - Dynamics of the number of registered small and medium-sized businesses in 2018-2020 [11, 12, 13]

Analyzing the dynamics of the number of registered small and medium-sized businesses and private entrepreneurship entities for 2018-2020, we can conclude that in general there is an upward trend. The increase in registered small and medium-sized businesses in 2019 compared to 2018 is 1.65%, in 2020 compared to 2018 is 2.03%. The share of registered small and medium-sized businesses in the total number of registered was at 96.3% for 2018, with a slight increase of 0.1 percentage points in subsequent years.

Information on small and medium-sized businesses is presented in Figure 2.

Analyzing the above data on active small and medium-sized businesses, we should note their positive dynamics. As of January 1, 2021, the number of operating small and medium-sized businesses

increased by 118,000 units or 9.16%, compared to 2018, but compared to 2019, the growth in absolute terms was only 28,000 units or 2.03%.

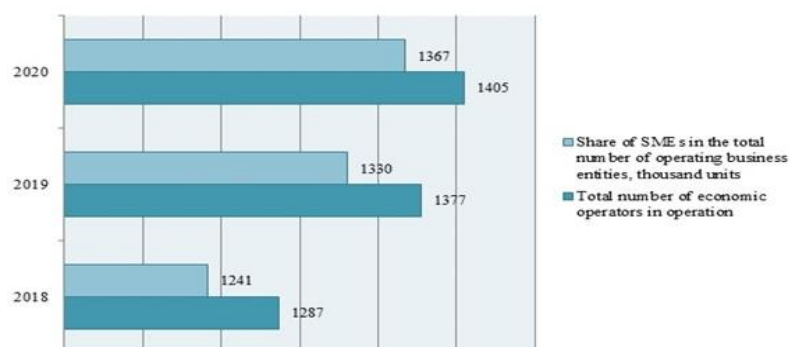


Figure 2- Evolution of the number of active small and medium-sized businesses in 2018-2020 [11, 12, 13].

The share of active small and medium-sized businesses in the total number of registered businesses was 84.3 percent, an increase of 1.3 percent over the level of this indicator in 2019.

Table 1 - Composition and structure of small and medium-sized enterprises by legal form [11, 12, 13]

Organizational and legal forms	2018		2019		2020	
	thsd. units.	share, %	thsd. units.	share, %	thsd. units.	share, %
Small business legal persons	231	18,6	258	19,4	280	20,6
Legal entities of medium-sized enterprises	2,6	0,2	2,5	0,2	2,5	0,2
independent entrepreneurs	809	65,2	856	64,4	858	63,2
Peasant (farm) holdings	198	16	213	16	217	16

Analysing the structure of small and medium-sized enterprises by legal form, we can see that the number of enterprises in the form of a legal entity increased by 22,000 units in 2020 compared to 2019. The share of legal entities in the total number of small and medium-sized businesses has increased to 20.8%. This means that there has been a qualitative institutional development of small businesses through the creation of new legal entities and the re-registration of individual entrepreneurs as limited liability partnerships.

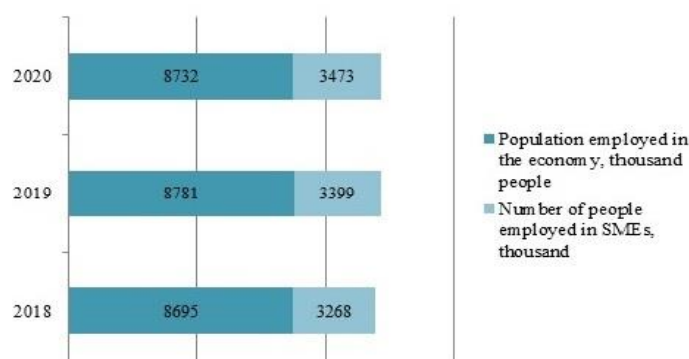


Figure 3 - Number of people employed in small and medium-sized businesses in 2018-2020 [11, 12, 13]

The number of people employed in small and medium-sized businesses increased by 2.2% in 2020, reaching 3,473,000 people as of 01.01.2021. The distribution of the population employed in small and medium-sized businesses across the regions is uneven. This aspect is dominated by the city

of Almaty. Almaty city, Nur-Sultan city, Almaty region, Karaganda region and East-Kazakhstan region. A share of population employed in small and medium sized enterprises out of total number of employed people in the country as of 01.01.2021 grew up to 39,8 %.

In 2020, small and medium-sized businesses output increased by 1,240 billion tenge compared to 2019 and amounted to 3,627 billion tenge. If we compare it with 2018, a significant growth of 7137 billion tenge is noticeable. The lion's share of output is produced by small and medium-sized businesses in the form of legal entities. The share of output of small and medium-sized enterprises in Gross Domestic Product of Kazakhstan increased from 42.85% in 2018 to 47.6% in 2020.

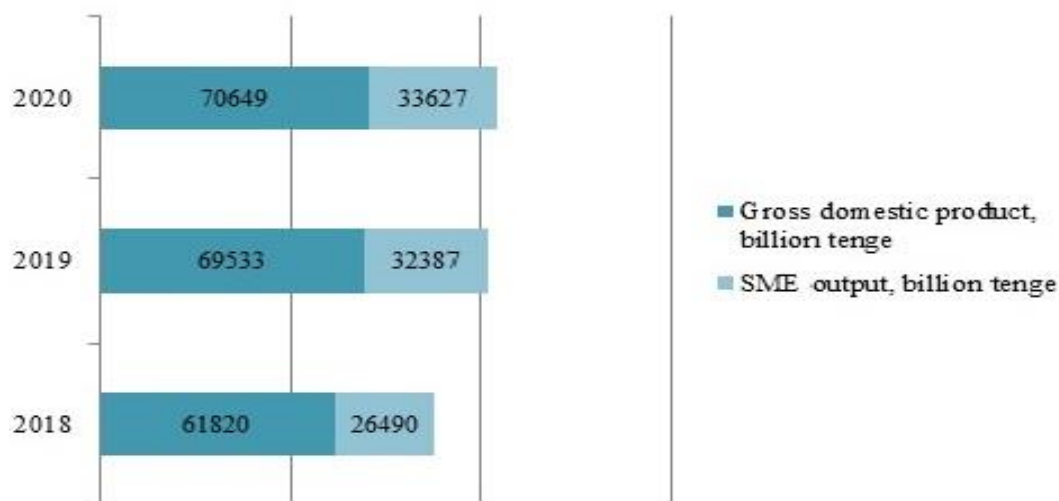


Figure 4 - Contribution of small and medium-sized businesses to gross domestic product 2018-2020 [11, 12, 13]

The largest contribution to output was made by small and medium-sized businesses in Almaty. Almaty - 9033 billion tenge and Nur-Sultan - 6635 billion tenge. In total, their output accounts for 47% of the total output of small and medium-sized businesses in the country.

During the period of quarantine measures due to COVID-2019, a tax amnesty was introduced, under which small and microbusinesses are exempt from corporate income tax, individual income tax, social tax and unified land tax from 1 January 2020 until 1 January 2023 (2020) [14].

As foreign practice shows, small and medium-sized businesses need comprehensive support from the state, especially in the provision of credit resources. Lending to small and medium-sized businesses is associated with a rather high level of credit for second-tier banks. small and medium-sized businesses do not have the necessary amount of liquid property that can act as collateral.

Table 2 - Loans issued by second-tier banks to small and medium-sized businesses [11, 12, 13]

Indicators	2018	2019	2020
Loans to small and medium-sized busines, billion tenge	4567	3963	4246
Loans to the economy, billion tenge	13763	14743	15792
Share of small and medium-sized busines loans, %	33	27	27

Loans granted to small and medium-sized businesses in 2020 increased by 283 billion tenge or 7.1% compared to 2019. The share of credit resources granted to small and medium-sized enterprises in 2018 was 33%, in 2019-2020 it was 27% of the total volume of loans granted to the country's economy as a whole. The reason for the decline in the share of credit to small and medium-sized businesses was the quarantine measures related to the pandemic.

The growth in the small and medium-sized business loan portfolio came from lending under the government programmes "Economy of Simple Things", "small and medium-sized business concessional lending programme" and others.

The pandemic has had a major impact on small and medium-sized businesses worldwide, including in the Republic of Kazakhstan. The pandemic has affected almost all areas of business and adversely affected its full and effective functioning.

Due to the restrictive measures, the output of small and medium-sized businesses, especially in large cities, decreased markedly, as measures were taken to prevent congestion. Many enterprises were forced to cease their activities due to the reduced demand for their products. It cannot be overlooked that part of the population switched to a remote format during the quarantine, which had some positive effect. They began to actively use digital technology, and even after the pandemic, they continue to order and deliver goods online. Another part was put on leave without pay and some were left unemployed altogether. This situation increased social tensions in the country as this part of the population was left without sources of income.

As in other countries, our country has provided state support to small and medium-sized businesses. Small and medium-sized businesses have been given tax holidays, interest rate relief on previously obtained loans, and relief on rent payments. However, in spite of the state support, it has to be mentioned that these measures of the state support have not been available for all the small and medium-sized businesses. The problems small and medium-sized businesses faced were lack of accessible information, bureaucracy, and lack of proper communication with state support operators. Having provided a reduced interest rate on previously obtained loans, the state has not abolished the monthly payment on this loan for small and medium-sized businesses[15,16,17].

Regarding the tax exemptions granted, small and medium-sized businesses did not see any support from the state. Tax payments were not abolished but only postponed, which imposes a double burden on small and medium-sized businesses after the pandemic.

It is also impossible not to mention the large number of raids and fines imposed on small and medium-sized enterprises. The purpose of these inspections was prevention, but, in fact, the results of these inspections have had an adverse effect on the state of businesses in this area.

A positive development during the quarantine period is the availability of credit facilities in the country's second-tier banks. Despite rather high interest rates for small and medium-sized businesses compared to foreign countries, the demand for borrowed funds tends to grow.

Various measures are being taken around the world to stimulate the economy. Some states are lifting all restrictive measures, others, on the contrary, are keeping a strict quarantine. In this regard, we believe that with positive trends out of the pandemic, the pressure on business should decrease and small and medium-sized businesses should be allowed to develop as in the pre-pandemic period. And this will undoubtedly be a good stimulus for further development of small and medium-sized enterprises.

Conclusions. During the pandemic at the global level, small and medium-sized businesses faced difficult situations, and the support provided by the state saved many of them from outright closure and even bankruptcy. Discussing the issue in the Senate, Senator Dauren Adilbekov said: "There are problems in the system of small and medium-sized business lending. Demand for loans from entrepreneurs is decreasing because of high interest rates, debt load, and increased risk of delaying a loan. In addition, there are problems of expensive financing and excessive collateral requirements. According to business representatives, if you take loans from second-tier banks, it's currently at 14-15%"(2022) [19].

The main challenges for the further development of small and medium-sized businesses should be highlighted:

- the general state of the country's economy;
- market competition;
- bank lending conditions;
- demand;
- the level of tax burden;
- low level of financial literacy
- lack of human resources [20].

In order to solve the identified problems of financial provision of credit resources to small and medium-sized businesses, we propose:

1. government agencies should find an opportunity to provide small and medium-sized businesses with cheap or interest-free loans. Start-up entrepreneurs with a great idea are not always able to get it off the ground due to financial difficulties.

2. commercial banks should reconsider the collateral requirements towards softening;

3. to organise free financial literacy trainings by bankers for small and medium-sized businesses on a regular basis. small and medium-sized businesses will receive information about business banking services, changes in legislation, and benefits available to small businesses as a result of these courses.

4. small and medium-sized businesses should switch more actively to the use of on-line sales. This will reduce sales costs, attract new customers and close market gaps.

5. the management of commercial banks should pay constant attention to improving the qualifications of banking professionals, as only experienced professional staff can provide quality services to clients, including small and medium-sized businesses.

6. small and medium-sized enterprises should set up their own production facilities.

7. give preference to domestic enterprises when purchasing raw materials and supplies.

We believe that the above recommendations will provide a positive impetus for the further development of small and medium-sized businesses.

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ТҮЙІН

Қазіргі жағдайда Қазақстан Республикасындағы кезек күттірмейтін міндеттердің бірі шағын және орта бизнесті жедел дамыту болып табылады. Шағын және орта бизнес мемлекеттің экономикалық әл-ауқатына тікелей әсер етеді. Ал халықты жұмыспен қамту, ішкі нарықты отандық тауарлармен толтыру, мемлекеттік бюджетті толықтыру және бәсекелестік орта қалыптастыру мәселелерін шешу көп жағдайда осыған байланысты. Шағын және орта бизнестің табысты дамуы мемлекеттің экономикалық өсімі мен әлеуметтік-саяси жаңғыруының негізгі құралдарының бірі болып табылады.

Бұл мақалада Қазақстандағы шағын және орта бизнестің елдің жалпы ішкі өніміне қосқан үлесі, тіркелген және жұмыс істеп тұрған шағын және орта кәсіпкерлік субъектілерінің саны және осы салада жұмыспен қамтылғандар саны сияқты көрсеткіштерді қоса алғандағы шағын және орта бизнестің даму динамикасы қарастырылды. 2018-2020 жылдар негізінде екінші деңгейлі банктер бойынша пандемияға дейінгі және пандемия кезіндегі шағын және орта бизнесті несиелендіруге талдау жасалды. Шектеу шаралары кезеңінде мемлекет шағын және орта бизнеске салықтық жеңілдіктер, кәсіпкерлік субъектілерінің бұрын алған несиелері бойынша сыйақыны жеңілдету, жалдық төлемдерді азайту түрінде қолдау көрсетті. Дегенмен, осындай жеңілдіктерге қарамастан, бұл процесте проблемалар анықталды. Шағын және орта бизнесті несиелендірудің анықталған проблемаларын жою мақсатында Қазақстан Республикасында шағын және орта бизнесті одан әрі дамытудың перспективалық бағыттары әзірленді.

РЕЗЮМЕ

В современных условиях одной из актуальных задач в Республике Казахстан является ускоренное развитие малого и среднего бизнеса. Малый и средний бизнес напрямую влияет на

экономическое благополучие государства. А от этого во многом зависит решение проблем занятости населения, наполнение внутреннего рынка отечественными товарами, пополнение государственного бюджета и создание конкурентной среды. Успешное развитие малого и среднего бизнеса является одним из ключевых инструментов экономического роста и социально-политической модернизации государства.

В данной статье рассматривается динамика развития малого и среднего бизнеса в Казахстане, включая такие показатели, как вклад малого и среднего бизнеса в валовой внутренний продукт страны, количество зарегистрированных и действующих малых и средних предприятий, численность занятых в этой сфере. Проведен анализ кредитования малого и среднего бизнеса банками второго уровня за 2018-2020 годы, которое охватывает период до пандемии и во время пандемии. В период действия ограничительных мер государство оказывало поддержку малому и среднему бизнесу в виде налоговых льгот, процентных послаблений по ранее полученным бизнесом кредитам, снижению сумм по арендным платежам. Однако, несмотря на это, были выявлены проблемы в данном вопросе. В целях устранения выявленных проблем кредитования малого и среднего бизнеса были разработаны перспективные направления дальнейшего развития малого и среднего предпринимательства в Республике Казахстан.

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STATE OF AGRICULTURE OF THE WEST KAZAKHSTAN REGION

ANNOTATION

Support for the agricultural sector is one of the most important tasks of the state. In all developing countries, the agricultural sector is supported by the state. This industry is known for its low adaptability to the market and competition.

Agriculture does not use its potential at a sufficient level, so it is very important to identify the main problems at the regional level and find solutions to them. In all developing countries, the agricultural sector is supported by the state. This industry is low adapted to the market and competition.

In animal husbandry, small commodity industries of the population's farms predominate. Black-type technology of keeping and feeding animals is used, poor feed base, lack of full-fledged mixed feed leads to low productivity of livestock and poultry.

Active influence on the development of the agricultural sector by economic methods can be carried out by the state through credit and tax regulation, budget financing, regulation of conditions and levels of remuneration, state programs, state orders, effective customs policy.

This article reflects the importance of the state regulation of this industry through its needs, tasks, directions. The article used data characterizing the state and development of Agriculture in the West Kazakhstan region.

Key words: agriculture, state support, crop production, animal husbandry, credit, financing.