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Al-Farabi Kazakh National University

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Shedenov O. K., Shedenova N.U.

Al-Farabi Kazakh National University, Almaty, Kazakhstan

E-mail: Nazym.Shedenova@kaznu.kz

### Regional Specificity in Small Business in Kazakhstan

**Abstract.** The current state of business is characterized by regional differences. Each region has a corresponding potential (industrial, financial, resource, labor, etc.) that causes the vast development of certain sectors of the small business. If you look by region, it is possible to say about the rather uniform development of small business. As expected, far from Almaty and Astana took the lead in the number of registered entrepreneurs. Good results show East Kazakhstan, Karaganda and South Kazakhstan region, while in the rest of the level of development of small enterprises is low. Conducted analytical review emphasizes the need for further study of regional peculiarities of small business in Kazakhstan in order to adjust and improve the environment for small businesses how to use financial and non-financial instruments.

**Key words:** small business, entrepreneurs, region, capital, plant and equipment, analysis, finance, enterprise, company, money, income, expenses, losses, financing strategy.

#### Introduction

**JEL Classifications:** M00, F23, R58

#### Nomenclature

The present state of business is characterized by regional differences. Each region has an adequate capacity (production, financial, resource, labor, etc.) that causes the prevailing development of certain sectors of the small business and business. If you look by region, it is possible to tell about a rather uniform development of small business and entrepreneurship. As expected, far from Almaty and Astana took the lead in the number of registered entrepreneurs. Good results show East Kazakhstan, Karaganda and South Kazakhstan region, while in other regions the level of development of small enterprises is low.

Regional differences in entrepreneurial activity are determined by the access of entrepreneurs to external markets. This in turn is determined by the level of competitiveness of the products, as well as developing a network of market infrastructure, ensuring the promotion of goods and services to foreign markets. In Kazakhstan, there is the practice of creating non-governmental public associations of entrepreneurs under the specific program for foreign

technical assistance. Among the most well-functioning should include business associations created in the city of Shymkent, Pavlodar, Kostanay. More effective action association are created at the expense of entrepreneurs and funded by contributions from the members of these associations. Examples of such associations are the Almaty Association of Entrepreneurs, Central Asian Business Association, Association of Furniture and Woodworking Industry, etc. These non-governmental organizations provide a variety of consulting in the field of taxation, credit, marketing, business planning, etc., is carried out «round tables» and seminars, are rather effectively to protect the interests of its members at various levels [1, p.108].

#### Methods

The main problem faced by NGOs representing the interests of entrepreneurs, is that the local executive authorities in most regions do not consider them as real partners in addressing the problems of small and medium entrepreneurship and business. The reason is, first of all, the weakness of many NGOs, which is due to lack of political activity of the majority of domestic entrepreneurs.



On the other hand, with respect to the activities of NGOs executive is pronounced authoritarian character, resulting associations are considered as pocket non-standard units, designed to comply with the orders of the executive bodies [1, p.109].

The realization of the functional role of small and medium enterprises in different countries is of great importance for its basic economic potential. For example, in Kazakhstan the most intensive process of creation of small and medium-sized businesses took place from 1996 onwards. A significant number of small and medium-sized businesses has been created by entrepreneurs on their purchases for the privatization of state property auctions: in Almaty region-29.2%, or directly from state-owned enterprises-25%, as well as that of other proprietors-20.8%. Fewer companies are acquired by private individuals or by tender; in Kostanay region 98% of the surveyed companies is owned by the owners of the top managers. Fixed assets (production facilities and offices) purchased them: the State on privatization auctions – 34%, in state-owned enterprises-25%, other sellers-14%, private individuals- 7%, the mediators-5%; 13% of them became the property as a result of winning the tender [2]. In Almaty region the vast majority of firms-49.4% were created by the entrepreneurs on their own savings. The fourth part of the leaders

of the capital helped relatives. Every fourth- with the help of partners, with 73% of them support a partnership with creditors so far. In most cases, the main partners in business are relatives and other individuals are 75% of the total number of enterprises based with the help of partners [2, p.87-88]. In our opinion, Kazakhstan's small business and the business has very important regional typology, which defined not only the dispersal of it on a territorial basis, but also the nature of the use of basic socio-economic potential-human, material and natural resources accumulated in regions.

### Main body

With an average ratio of 20.6% in the country- the lowest ratio was formed in 20.6%-the lowest ratio formed in the Mangistau region-12.0%. Atyrau region is also the leader for the highest share of entrepreneurs in the total number of economically active population in the region - 13.4%, and farms below the ratio-1.6%, due to the industrial orientation of its economic sector. According to farmers, the maximum value of the considered relations developed in the South Kazakhstan region-13.8%.

In the regional aspect, it is important to track trends in the structure of employment during the period from 2009 to 2014 years. - Table 1.

**Table 1** – Regional structure of employment in small business for 2009-2014.(%)

Regions	2009	2010	2011	2012	2013	2014
In Kazakhstan region	100	100	100	100	100	100
Akmola	7,7	6,0	5,9	5,4	4,8	4,8
Aktobe	5,0	4,1	4,1	4,2	4,3	4,6
Almaty	4,0	6,7	6,7	5,9	5,7	5,4
Atyrau	3,6	2,7	2,7	2,9	3,4	3,4
East Kazakhstan	8,5	8,5	8,5	7,7	8,1	8,1
Zhambyl	4,5	3,8	3,7	3,1	2,8	3,3
West Kazakhstan	7,0	3,5	3,5	3,0	2,8	2,8
Karaganda	7,0	7,0	6,9	7,1	6,9	6,9
Kostanay	5,9	5,9	6,1	5,0	5,1	5,2
Kyzylorda	4,5	2,8	2,7	2,7	2,4	2,9
Mangistau	3,2	2,4	2,4	2,6	2,8	3,6
Pavlodar	6,4	4,8	4,8	4,7	4,3	4,4
North Kazakhstan	5,4	3,7	3,7	3,4	3,9	3,5

Regions	2009	2010	2011	2012	2013	2014
South Kazakhstan	5,6	8,8	8,7	9,2	9,6	9,4
Astana	4,9	8,0	8,1	8,5	9,3	8,9
Almaty	16,7	21,3	21,6	24,6	23,8	22,8
Note – compiled from the source [4]						

As can be seen from Table 2, for the period 2009-2014 there is established trend of growth in the following regions – Almaty- there was increase of 1.4 times, Astana – by 1.8 times, Almaty oblast- by 1.3 times, South Kazakhstan region-1.7 times. A slight increase occurred in Mangistau oblast –0,4%, while in other areas there is a tendency reducing the number of employees. This is largely explained by the complexity of business organizations in

the region and the lack of necessary infrastructure services. Much influenced by the migration of the population, and especially young people in the large industrial or agricultural development, regional complexes (Almaty and South Kazakhstan region) are a clear example of this motivation.

At the same time, the republic's regions make a significant contribution to the total output of small business and the business – Table 2.

**Table 2** – Output of small entrepreneurship and business enterprises (mln).

Regions	2010	2011	2012	2013	2014
In Kazakhstan region	324032,9	457949,1	809625,8	1002404,4	1033437,7
Akmola	15846,2	21009,3	34318,6	34023,6	33239,6
Aktobe	12547,9	13413,7	31609,4	37009,8	34814,4
Almaty	16244,4	31807,5	54090,8	54223,2	57732,9
Atyrau	12899	26610,6	42334,2	71680,5	76408,3
East Kazakhstan	15745,5	17054,1	34156,9	44085,2	42498,9
Zhambyl	6396,7	8592,6	10652	13267	17379,0
West Kazakhstan	16148,1	15091,7	27654,8	23519,9	33066,0
Karaganda	13603,2	17012,7	30776,6	40204,2	47935,3
Kostanay	18364,4	22021,2	34632,2	41620,5	42302,6
Kyzylorda	8492,5	15021,7	37071,8	39814,9	43192,5
Mangistau	14465,9	17107	28316,1	29813,5	31185,7
Pavlodar	16935	21101,1	32880,1	38706,7	45338,9
North Kazakhstan	8740,9	11587,1	18682,2	22248,9	27794,8
South Kazakhstan	12755,6	15839,3	28754	40183,3	42771,4
Astana	35504,1	57257,8	102106,7	158434,9	154824,0
Almaty	99343,5	147421,7	261589,4	313667,7	302953,2
Note – compiled from the source [4]					



As can be seen in Table 3, the production volumes of the enterprises of small business products and regions of the country as a whole business in the reporting period increased by 3.2 times. At the same time, the average level was exceeded in areas such as Almaty – by 3.5 times, Kyzylorda – 5.1 times, Karaganda – 3.5 times, South Kazakhstan – 3.3 times. Significant growth in production volumes took place in two capitals of the republic – Astana and Almaty, in view of the significant expansion in them during the period of sphere of small business, especially in capital-intensive areas of it – the construction, transportation, etc.

Analysis of the output confirms the positive role of SMEs operating in the industry, where only 3% of operating SMEs provide 10% share of output of all SMEs sectors. Similarly, only 4% of SMEs operate in the construction industry, providing a 15% share of the output of all SME sectors. SMB transport and communication solve economic problem to ensure GDP growth by increasing the output roughly proportional to their number: taking 8% of the number of SMBs across industries, this industry provides a 7% share of output of all SME sectors.

When lending is clearly seen unattractive lending to the agricultural sector. Occupying a 23% share of the total number of existing SMEs, they have received only 6% of total loans of SMB. This is due to the high industry risks and the seasonal nature of the effectiveness of the SME sector. Moreover, in this sector, mainly SMEs operate in the form of farms, which are located in remote rural areas and do not have liquid collateral.

Construction was the most attractive sector for lending of STB. Taking on the number of active SMEs only 4% of the share, they received 18 of all loans STB. This is due to the increase in property prices in recent years, and on the background of the real estate market crisis, the situation will change [5].

SME trade on this indicator also have the largest share. Taking on the number of active SMEs 37% stake, they received 41% of all loans STB.

Draw ranking regions by the share of active SMEs in the total number of registered SMEs. The higher the level of this index, the better the conditions for doing business and businesses exist in the region.

## Conclusion

Therefore, at the beginning of 2014 in Kazakhstan, the figure is 62%. Higher than the average republican level, it was formed in Kostanay (75%), Almaty (75%), Atyrau (72%), Zhambyl Kazakhstan and Aktobe region (66%).

This is due to the fact that around the national average are the North-Kazakhstan (63%) and Karaganda (59%) of the region. In other regions the figure below the national and varies from 58% (Kyzylorda region) to 42% (Almaty).

The increase in the number of active subjects of MB was observed in all regions of the country. Thus, in the West Kazakhstan region the number of active entities increased by 6.9%, in Kyzylorda oblast – by 8.8%, Almaty oblast – by 5.4%, Zhambyl oblast – by 5.7%, Aktobe region – 5.1%, Akmola oblast – by 5.7%, Kostanay oblast – by 5.2%, in Astana – by 7.6%, and Almaty – 15.3%. The largest number of active SMEs accounted for Almaty (16 ths.), Astana (6 ths.) and East Kazakhstan (5 ths.) Area. The smallest number of active SBE (less than 2 thousand. Per region) is in North Kazakhstan, West Kazakhstan, Zhambyl and Kyzylorda region.

Summing up, we can draw the following conclusions:

- In general, there is a small increase in absolute values of entrepreneurship and business (nominal number of registered, active SMP, volumes of production);

- The contribution of SMEs to the budget increases faster than the number of registered and operating enterprises and faster than their share in the GDP;

- However, there are negative trends in relative performance (growth rate of the number of existing SMEs, the share of SMEs in GDP, the structure of the industry development, the growth rate loans to the volume of STB SMEs and their sectoral structure).

Accordingly conducted analytical review stresses the need for further study of regional features of small business in Kazakhstan in order to adjust and improve the development environment of small business entrepreneurship as a means of financial and non-financial instruments.

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# INFORMATION ABOUT THE AUTHORS

**Baydildina Adilya M.** – Doctor of Economic Sciences., professor, Head of Account and Audit Department, al-Farabi Kazakh National University

**Shedenov Otegali Kadyrgaliuly** – Doctor of Economic Sciences, professor of the Department of Management and Marketing, Al-Farabi Kazakh National University, Almaty, Kazakhstan, Mob: 87273871718

**Shedenova N.U.** – Doctor of Social Sciences, Associate professor, Al-Farabi Kazakh National University, Almaty, Kazakhstan

**Boban Stojanović** – professor, University of Niš (Serbia), dr.boban.stojanovic@gmail.com

**Ermekbayeva B. Zh.** – professor of High School of Economics and Business, Al-Farabi Kazakh National University, Kazakhstan, Bayan.ermekbaeva@kaznu.kz

**Arzayeva M. Zh.** – associated professor of High School of Economics and Business, Al-Farabi Kazakh National University, Kazakhstan, Arzaeva.Maiya@kaznu.kz

**Turumbetova Lyaila Abdrakhmanovna** – candidate of Philological Sciences, associated professor of the chair of general humanitarian disciplines of the Egyptian University of Islamic Culture Nur-Mubarak, vice- member of International teacher's training Academy of Science

**Issabayeva Sulu Nagashibaevna** – candidate of Pedagogical Sciences, associated professor of the chair of general humanitarian disciplines of the Egyptian University of Islamic Culture Nur-Mubarak, vice- member of International teacher's training Academy of Science

**Mukhtarova Karlygash** – Doctor of Economic Sciences, Professor & Head: Department of Management and Marketing, Al-Farabi Kazakh National University Almaty, Kazakhstan kmukhtarova@inbox.ru, Mob: +77017897887

**Rajasekhara Mouly Potluri** – Professor, Doctor, Head of the Department of Management Studies (MBA), Nimra Institute of Science & Technology, Jupudi, Ibrahimpatnam, Andhra Pradesh, INDIA. prmourly@yahoo.co.in, prmourly24@gmail.com, 91 9618398888

**Mylytkbayeva Aigul** – PhD, senior teacher & Deputy head: Department of Management and Marketing, Al-Farabi Kazakh National University Almaty, Kazakhstan aygul.mylytkbaeva@gmail.com, Mob: +77077799536

**Mukhtar Ernur** – PhD student, Department of Management and Marketing, Al-Farabi Kazakh National University, Almaty, Kazakhstan ernur.mukhtar@mail.ru,

**Barlybaeva S.H.** – Doctor, Professor, Faculty of Journalism, Al-Farabi Kazakh National University, Almaty, Kazakhstan, tv.headmaster@gmail.com

**Zhanabekova M.A.** – Candidate of Phil. S., Deputy Head of the Department, Faculty of Philology and World Languages, Al-Farabi Kazakh National University, Almaty, Kazakhstan, e-mail: magulsim@mail.ru

**Zhanabekova A.A.** – Ahmed Baitursynov Institute of Linguistics, Almaty, Kazakhstan, aiman\_miras@mail.ru

**Eyup Bacanlı** – Professor, Ph.D, Ankara University, Turkey, eyupbacanlı@hotmail.com

**Mendikulova Gulnara M.** – Professor. Doctor of historical sciences, the Department of World history, Faculty of History, Archaeology and Ethnology, Al-Farabi Kazakh National University, Almaty, Republic of Kazakhstan, gmendikul@hotmail.com

**Kondybayeva S.K.** – PhD, al-Farabi Kazakh National University, the Highest School of Economics and Business

**Celetti D.** – Dr., Professor, University of Padua, Department of Historical, Geographical and Antiquity Sciences, Venice, Italy

**Yerkin N.** – Master student, al-Farabi Kazakh National University, the Highest School of Economics and Business

**Askarova Zh.A.** – associate professor of al-Farabi Kazakh National University, Almaty, Kazakhstan, the Highest School of Economics and Business, Department of Accounting and Audit. Askarova75@mail.ru

**Makangali Bauyrzhan** – PhD student of the Department of the Middle East and South Asia, Faculty of Oriental Studies, Al-Farabi Kazakh National University, Almaty, Kazakhstan

**Ibrayeva Alua Salamatkyzy** – Professor of Department of Theory and History of the State and Law, Constitutional and Administrative Law, Faculty of Law, Al-Farabi Kazakh National University, Almaty, Kazakhstan

**Otynsheva Aidana** – 2<sup>nd</sup> year PhD student of Faculty of Law, Al-Farabi Kazakh National University, Almaty, Kazakhstan. E-mail: aidana-best91@mail.ru

**Castellino Joshua** – Professor, Dean of the Law School, Middlesex University, London, UK

**Ospanova D.A.** – assoc.professor of Department of Theory and History of the State and Law, Constitutional and Administrative Law, Faculty of Law, Al-Farabi Kazakh National University, Almaty, Kazakhstan