

**MINISTRY OF EDUCATION AND SCIENCE OF THE REPUBLIC OF KAZAKHSTAN
KAZAKH UNIVERSITY OF ECONOMICS, FINANCE AND INTERNATIONAL TRADE**

Presentation

**Modern mechanisms of state support for small and medium-sized
businesses (by the example of an enterprise)**

Astana 2018

INTRODUCTION

Relevance of the research topic. The research is devoted to the issues of modern mechanisms of state support of small and medium-sized business in the Republic of Kazakhstan. It examines the current state and scope of SMEs in Kazakhstan, as well as the opportunities for its development in the future.

Degree of knowledge of the problem. The problems of state support for SMEs were dealt with by such scholars as: Zamanbekov Sh., Satybaldina A., Koshanov A., Kozhabaeva A., Bolotin M., Tokaeva B., Tokaeva A., Kalabin V., Mamazhanov A., Brown E., Teterin V., Sarayev A. and others.

Goal and main tasks of the study.

The goal is to study modern mechanisms of state support for small and medium-sized businesses.

The main objectives of the study:

consider modern mechanisms of state support for SMEs using the example of «Zhan-DauLet Group» LLP

analyze the financial situation of the research object

to study factoring as a flexible financial instrument for «Zhan-DauLet Group»LLP

to submit proposals on improving measures of state support for the development of SMEs in the Republic of Kazakhstan.

The object of the study is «Zhan-DauLet Group» LLP.

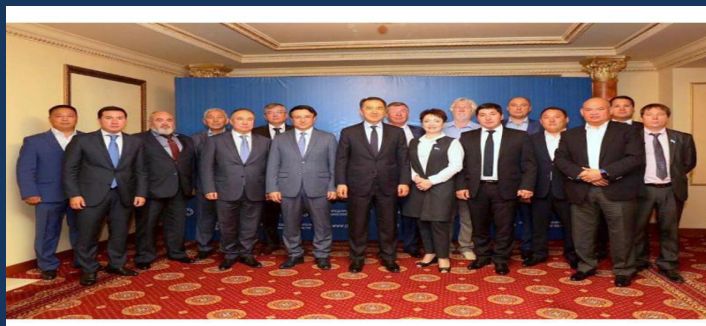
The subjects of the study are decisions to improve measures of state support for the development of SMEs in the Republic of Kazakhstan.

Basic indicators of the subjects of Small and Medium Enterprises in January 2016 (a percentage of the previous year)

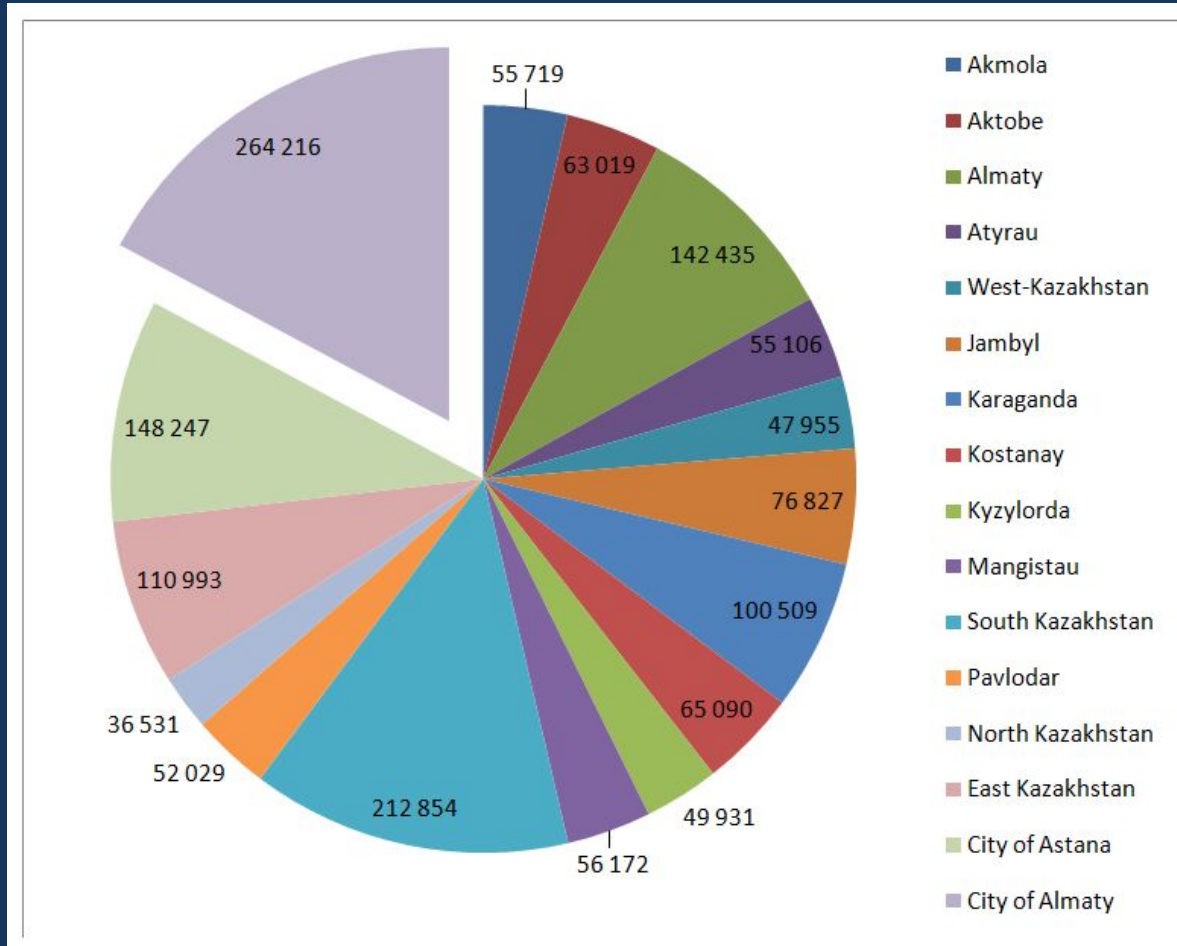
	legal entities of small business	SP	peasant or individual farms
Republic of Kazakhstan	349 025	993 621	194 987
Akmola	9 698	41 611	4 410
Aktobe	13 903	43 841	5 275
Almaty	15 541	78 496	48 398
Atyrau	9 654	43 116	2 336
West-Kazakhstan	7 852	34 483	5 620
Jambyl	8 518	51 819	16 490
Karaganda	23 926	68 634	7 949
Kostanay	10 551	49 164	5 375
Kyzylorda	7 278	37 288	5 365
Mangistau	11 850	42 607	1 715
SouthKazakhstan	28 800	115 103	68 951
Pavlodar	11 783	36 856	3 390
NorthKazakhstan	7 317	25 723	3 491
EastKazakhstan	16 638	78 894	15 461
CityofAstana	57 026	91 097	124
CityofAlmaty	108 690	154 889	637
Note: compiled by the author on the basis of the Statistical Business Register			

Small business, gaining a solid position in the market, needs development and state regulation. In foreign countries, small and medium-sized businesses represent an important sphere of employment for the population, contributes to the development of the innovative potential of the economy, the search for and the introduction of innovations that are a factor in obtaining competitive advantages for enterprises, industries, regions.

To realize its potential, state support should be implemented simultaneously in several directions, which will allow it to cover all small business sectors: real production sphere - through the subcontracting mechanism, the sphere of circulation - through the franchising mechanism, the sphere of applied science - through the mechanism of venture contracts.



Number of registered small business entities as of January 1, 2018



As can be seen in Figure 1, the largest percentages of small businesses are in Almaty and the South-Kazakhstan region, then Astana.

On the last place is the North-Kazakhstan region.

Considering the form of organization of small business, the largest part is

- SP - 993 621,
- legal entities of small business - 349 025,
- Peasant and individual farms - 194 987.

Moreover, it should be noted that the SP prevail in Almaty, the South-Kazakhstan region, and in Astana.

2 Modern mechanisms of state support for small and medium-sized businesses (by the example of «Zhan-DauLet Group» LLP)

2.1 Current state of small and medium-sized business in the Republic of Kazakhstan

Before considering the activity of an SME entity, let us briefly review the current state of development of SMEs in Kazakhstan.

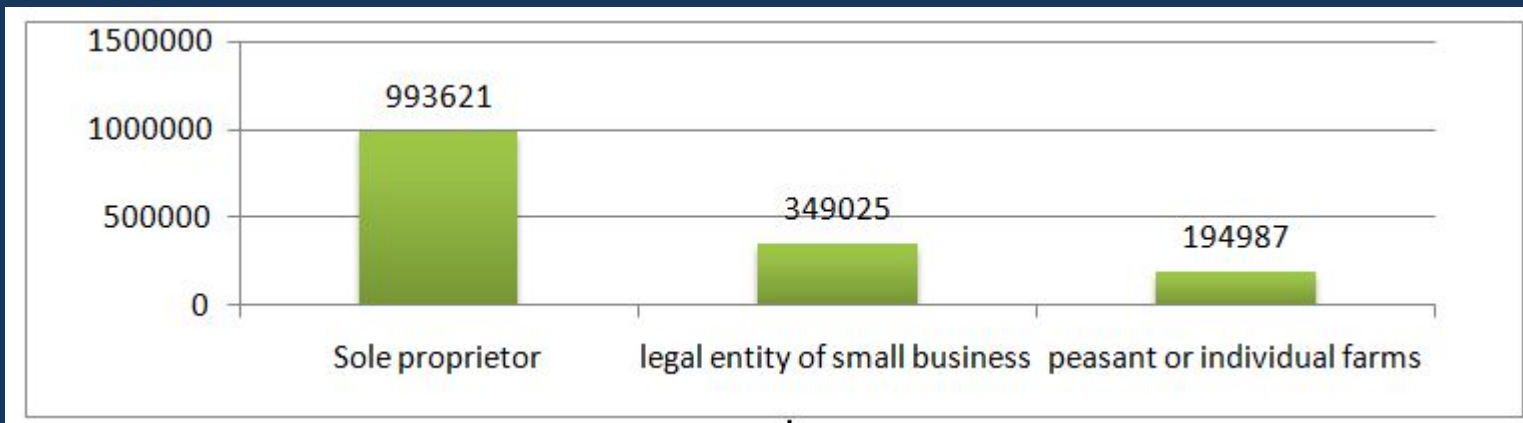
The number of registered small business entities in the whole of the Republic of Kazakhstan as of January 1, 2018 was 1,537,633, incl.

- legal entities of small business - 349,025

- SP - 993 621

-peasant or individual farms - 194 987

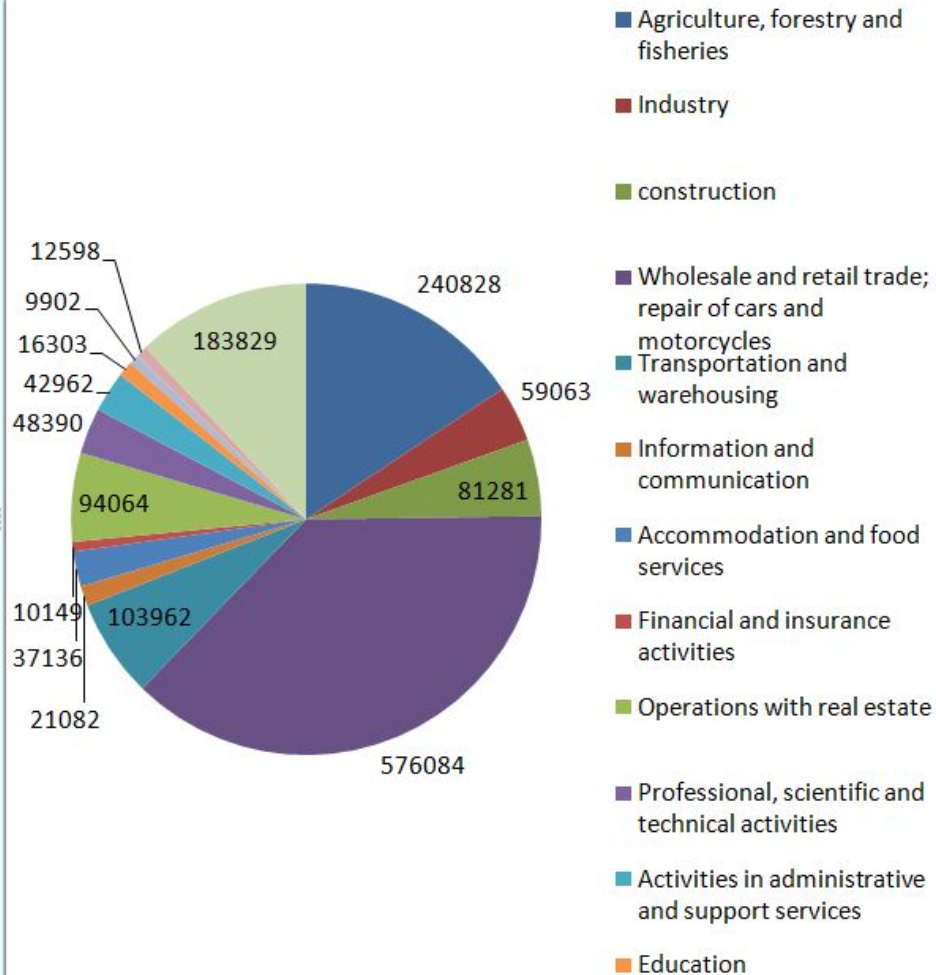
The number of registered small businesses, depending on the form of business organization



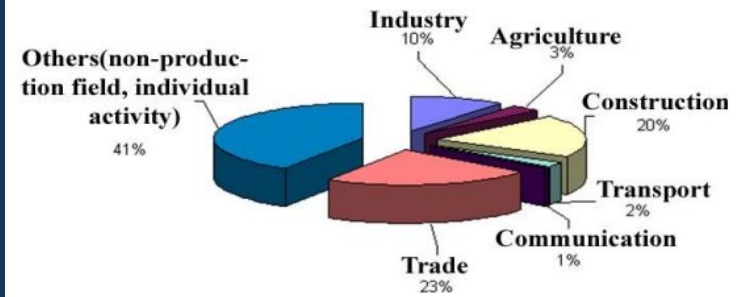
The number of registered small business entities as of January 1, 2018 by types of economic activity is presented in Table 2.

	legal entities of small business	SP	peasant or individual farms
RK	349 025	993 621	194 987
Agriculture, forestry and fisheries	15 341	30 500	194 987
Industry	28 373	30 690	
<i>Mining and quarrying</i>	3 354	118	
<i>Manufacturing industry</i>	21 915	29 303	
<i>Power supply, gas, steam and air conditioning</i>	1 146	277	
<i>Water supply; sewage system, control over the collection and distribution of waste</i>	1 958	992	
Construction	55 559	25 722	
Wholesale and retail trade; repair of cars and motorcycles	121 992	454 092	
Transportation and warehousing	14 816	89 146	
Information and communication	9 907	11 175	
Accommodation and food services	5 704	31 432	
Financial and insurance activities	9 674	475	
Operations with real estate	10 915	83 149	
Professional, scientific and technical activities	27 545	20 845	
Activities in the field of administrative and support services	16 181	26 781	
Education	7 713	8 590	
Health care and social services	4 479	5 423	
Arts, entertainment and recreation	3 243	9 355	
Provision of other types of services	17 583	166 246	
N o t e: compiled by the author on the basis of the Statistical Business Register			

Number of registered small business entities as of January 1, 2018 by type of economic activity



Bank Credits by Economy Branches



Analysis of financial and economic activities «Zhan-DauLet Group» LLP

Horizontal analysis of reporting is a comparative analysis of financial information of an economic entity for a number of periods. This method is also popular under the name "trend analysis".

In the horizontal analysis of reporting (for example, balance), the indicator (line) is taken and its conversion is traced for 2 or more periods.

From 2015 to 2017, current assets are increasing, mainly due to the growth of Receivables and other current assets, which is a negative factor in the work of LLP.

The funds in the Receivables testify to a temporary diversion of funds from the turnover of this enterprise, which causes an additional need for resources and can lead to a tense financial condition.

In order to prevent losses and to recognize the enterprise as not well-off, every business entity should strive to reduce the Receivables in every possible way.

The value of Receivables remains very high in the total value of assets.

Index	2015 r.	2016 r.	2017 r.	Absolute deviations, +/-		Rate of growth	
				2016/ 2015	2017 /2016	2016/ 2015	2017/ 2016
Assets							
1 Non-current assets							
<i>Intangible assets (net of depreciation)</i>	40	40	40				
<i>Fixed assets</i>	220	101	30	-119	-71	-54%	-70%
Total for section 1	260	141	70	-119	-71	-54%	-70%
2 Current assets							
<i>Inventory</i>	362	104	109	-258	5	-71%	4,6%
<i>Receivables</i>	1 274	7 044	20 408	5 770	13 364	453%	190%
<i>Cash assets</i>	25 138	15 710	12 777	-9 428	-2 933	-37%	-18%
<i>Other current assets</i>	44 238	75 093	80 880	30 855	5 787	70%	7,5%
Total for section 2	71 273	97 951	114 174	26 678	16 223	37%	16%
Balance	71 273	98 092	114 245	26 819	16 153	37%	16%
Liability							
3. Short-term liabilities							
<i>Tax liabilities</i>	6 463	7 787	7 855	1 324	68	20%	0,8%
Total for section 3	6 463	7 787	7 855	1 324	68	20%	0,8%
4 long term liabilities							
<i>Other liabilities</i>	71 528	96 488	111 467	24 960	14 979	35%	15,5%
Total for section 4	71 528	96 488	111 467	24 960	14 979	35%	15,5%
5 Capital and reserves							
<i>Authorized capital</i>	73	73	73				
<i>Undistributed profit (uncovered loss)</i>	(6 790)	(6 255)	(5 150)	535	1 106	8,5%	20%
Total for section 5	(6 718)	(6 183)	(5 077)	535	1 106	8,5%	20%
Balance	71 273	98 092	114 245	26 819	16 153	37%	16%
Note: compiled by the author on the basis of the Financial Register «Zhan-DauLet Group» LLP							

Vertical analysis of the balance sheet of «Zhan-DauLetGroup» LLP (thousand tenge)

Index	2015		2016		2017	
	Thousand tenge	% of total	Thousand tenge	% of total	Thousand tenge	% of total
Assets						
1. Non-current assets						
Intangible assets	40	0,05	40	0,04	40	0,03
Fixed assets	220	0,3	101	0,1	30	0,02
Total for section 1	260	0,3	141	0,14	70	0,05
2. Current assets						
Inventory	362	0,5	104	0,1	109	0,09
Receivables	1 274	1,8	7 044	7,2	20 408	18
Cash assets	25 138	35	15 710	16	12 777	11,2
Other current assets	44 238	62	75 093	76,5	80 880	70,8
Total for section 2	71 012	99,7	97 951	99,86	114 174	99,95
Balance	71 273	100	98 092	100	114 245	100
Liability						
1 Non-current assets						
<i>Intangible assets (net of depreciation)</i>	73	0,1	73	0,07	73	0,06
<i>Fixed assets</i>	(6 790)	-9,5	(6 255)	-6,4	(5 150)	-4,5
Total for section 1	(6 718)	-9,6	(6 183)	-6,3	(5 077)	-4,4
2 Current assets	71 528	100	96 488	98,4	111 467	97,5
<i>Inventory</i>	71 528	100	96 488	98,4	111 467	97,5
<i>Receivables</i>						
<i>Cash assets</i>	6 463	9	7 787	7,9	7 855	6,8
<i>Other current assets</i>	6 463	9	7 787	7,9	7 855	6,8
Total for section 2	77 991		104 275		119 322	
Balance	71 273	100	98 092	100	114 245	100

Note: compiled by the author on the basis of the Financial Register «Zhan-DauLetGroup» LLP

Analyzing the vertical balance sheet structure of «Zhan-DauLetGroup» LLP, it is necessary to note that during the analyzed period, current assets (more than 99%) prevail in the balance sheet structure, non-current assets make less than 1%, which positively characterizes the balance of the enterprise.

The structure of liabilities is dominated by other long-term liabilities (more than 97%), current tax liabilities are 6.8%. This is a negative fact, since the size of the company's equity is less than 1%. I.e. the enterprise actually works only at the expense of borrowed funds.

Next, we turn to the analysis of financial stability of the enterprise.

At the next stage of the analysis of financial stability of the enterprise, a number of coefficients should be calculated.

The coefficient of debt to equity determines the ratio of borrowed and equity capital of the enterprise, establishes the ratio between the different ways of financing, reflected in the balance sheet, and compares the value of equity and the capital of creditors. Normative value: <0.7 . The dynamics of the ratio of debt to equity of «Zhan-DauLetGroup» LLP is slightly changing during the period under consideration: (10.6) in 2015, (15.6) in 2016 and (22) in 2017.

It should be noted that the value of the coefficient does not correspond to the normative value and is negative, which is due to the high amount of borrowed funds in comparison with the company's minimum equity capital.

Next, 'let's calculate the coefficient of the ratio of equity and total assets, the coefficient of financial independence (financial autonomy) (K_e/a):

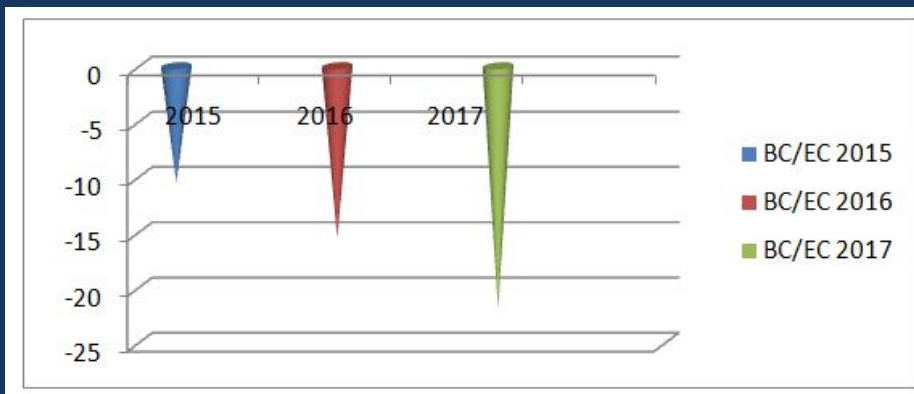
$$K_e/a_{2015} = (6\ 718) / 71\ 273 = (0,09)$$

$$K_e/a_{2016} = (6\ 183) / 98\ 092 = (0,06)$$

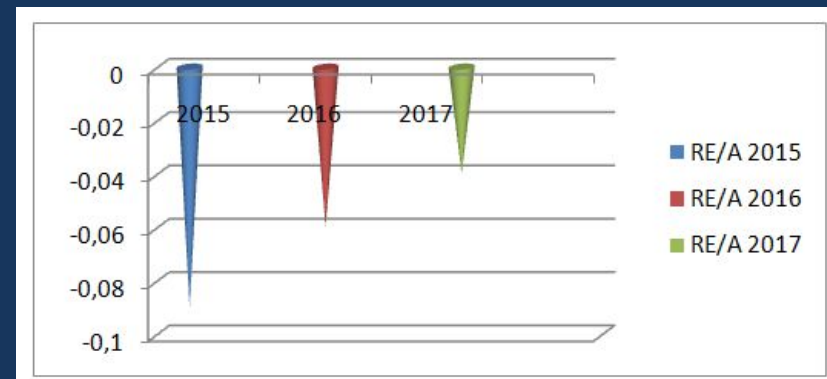
$$K_e/a_{2017} = (5\ 077) / 114\ 245 = (0,04)$$

Let's imagine the dynamics of the ratio of equity to total assets in a graphical form.

Dynamics of the ratio of debt to equity of «Zhan-DauLetGroup» LLP



Dynamics of the ratio of equity to total assets of «Zhan-DauLetGroup» LLP



Коэффициент финансовой напряженности показывает определенный вес заемного капитала в валюте баланса.

Нормативная ценность этого коэффициента должна быть больше, чем или равной 0.5. Динамика отношения долга общей стоимости имущества «Чжания-Даулэтгроупа» LLP изменилась незначительно в период при исследовании: 1 в 2015, 0.98 в 2016, 0.97 в 2017. Положительный фактор в этом случае - то, что ценность коэффициента соответствует норме и имеет положительную стоимость.

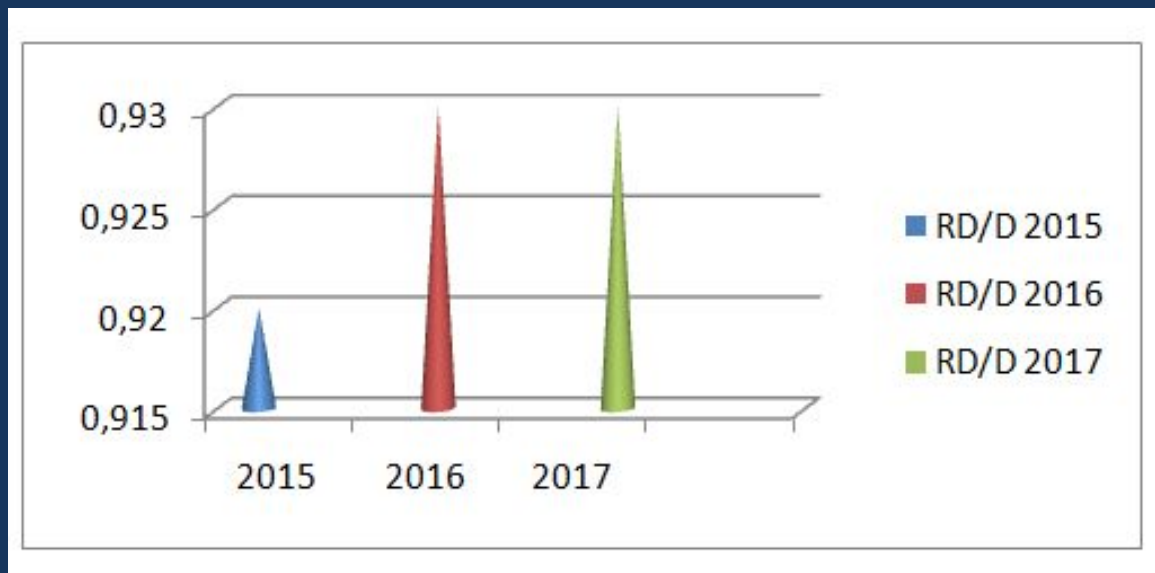
Затем, мы вычислим отношение долгосрочной задолженности к общей сумме долга

$$Klt/td\ 2015 = 77\ 991 / (77\ 991 + 6\ 463) = 0,92$$

$$Klr/td\ 2016 = 104\ 275 / (104\ 275 + 7\ 787) = 0,93$$

$$Klt/td\ 2017 = 119\ 322 / (119\ 322 + 7\ 855) = 0,93$$

Давайте вообразим динамику отношения долгосрочной задолженности к общей сумме долга в графической форме.



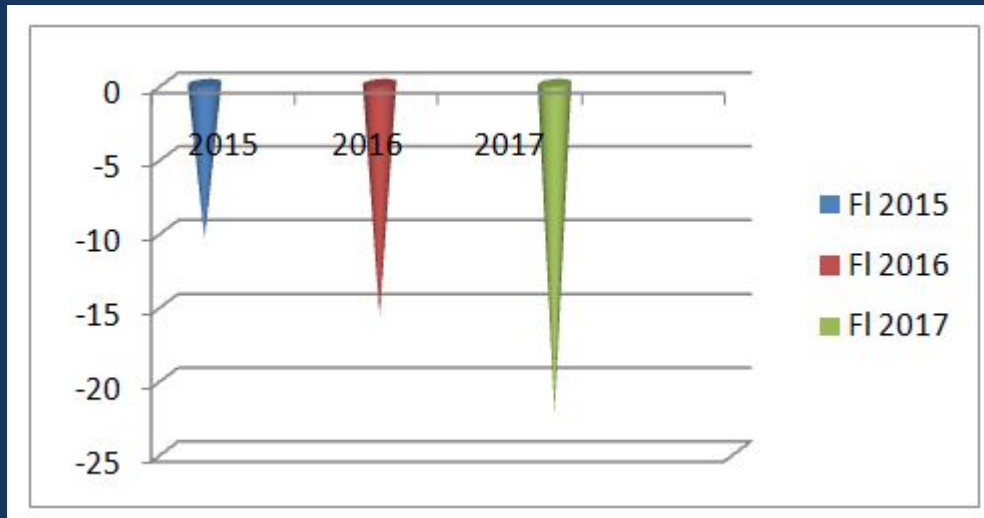
Next, calculate the coefficient of financial leverage.

$$Kfl_{2015} = 71\,273 / (6\,718) = (10,6)$$

$$Kfl_{2016} = 98\,092 / (6\,183) = (15,8)$$

$$Kfl_{2017} = 114\,245 / (5\,077) = (22,5)$$

Let's imagine the dynamics of the financial leverage coefficient in a graphic form.



The coefficient of financial leverage of «Zhan-DauLetGroup» LLP shows how many monetary units of an asset each unit of a company's own capital brings. The higher the value of financial leverage, the better. In this case, the coefficient of financial leverage has a negative value, which negatively characterizes the financial position of the enterprise.

Next, we calculate the absolute indicators of financial stability of the enterprise.

In determining the type of financial stability, the author used a three-dimensional (three-component) indicator.

Indicators	2015	2016	2017
1. Sources of equity (Ic) (equity)	(6 718)	(6 183)	(5 077)
2. Fixed assets	260	141	70
3. Own current assets (Ec) (1-2)	(6 978)	(6 324)	(5 147)
4. Long-term loans and borrowed funds (Kτ) (long-term liabilities)	71 528	96 488	111 467
5. Availability of own circulating assets and long-term borrowed sources for the formation of reserves and costs (Eτ) (3 + 4)	64 550	90 164	106 320
6. Short-term loans and borrowings (Kt)	6 463	7 787	7 855
7. The total value of the main sources of formation of reserves and costs (EΣ) (5+6)	71 013	97 951	114 175
8. The amount of reserves and costs (Z)	362	104	109
9. Surplus (lack) of SOS for the formation of reserves and costs (+-Ec) (3-8)	(7 340)	(6 428)	(5 256)
10. Surplus (shortage) of SOS and long-term borrowed funds for the formation of reserves and costs (+-Eτ) (5-8)	64 188	90 060	106 211
11. The surplus (deficiency) of the total value of the main sources of formation of reserves and costs (+-EΣ)(7-8)	70 651	97 847	114 066
12. A three-dimensional indicator of the type of financial stability (9; 10; 11)	(0,1,1)	(0,1,1)	(0,1,1)
Note: compiled by the author			

Analysis of the receivables LLP «Zhan-DauLetGroup» showed its significant growth over the analyzed period.

Such an increase in receivables requires the company to increase the number of employees involved in the administration of the receivables. A significant amount of money is immobilized in the receivables.

This tendency forces us to seek ways to accelerate the collection of receivables and new ways to ensure the fulfillment of obligations.

The implementation and use of factoring, as a financial instrument and a set of financial services, can help solve these problems.

Conditions for providing factoring without recourse

Factoring organizations	Percentage of invoice, %	Loan term (days)	Interest for credit, % per day	Percentage for risk of non-return, % per day	Service Fee, %
StarsCo-Factor LLP	90	до 120	0,32	0,15	2
Alfa-Bank JSC	90	до 120	0,35	0,2	1,5

Note: Compiled by the author

Example of calculations for «Alfa Bank» JSC

Factoring organization	Calculation
«AlfaBank»JSC	<p>The payment for financial financing by factoring will be:</p> $\Pi_{\text{ИФ}} 30 \text{ days} = 20\ 408 * (30 * 0,0035) = 2\ 142,84 \text{ thousand tenge,}$ $\text{Commission} = 20\ 408 * 0,015 = 306,12 \text{ thousand tenge.}$
	<p>When factoring without recourse, it would be necessary to pay the risk of non-repayment by the debtor of the debt.</p> <p>For «Alfa Bank» JSC, the payment would be:</p> $\Pi_{\text{ИП}} 30 \text{ days} = 20\ 408 * (30 * 0,002) = 1\ 224,48 \text{ thousand tenge.}$ <p><i>Total factoring without recourse</i> 3 673,44 thousand tenge.</p>
Note: Compiled by the author	

Costs for factoring

Factoring organizations	Withre course, thousand tenge	Without recourse, thousand tenge
«StarsCo-Factor» LLP	2 364,328	3 285,553
«Alfa-Bank» JSC	2 448,96	3 673,44
Note: Compiled by the author		

Ways to improve the effectiveness of government support tools for SMEs

In 2018, under the single program of business support and development, "DKB 2020" provides 38.8 billion tenge.

To subsidize, guarantee loans and issue state grants will allocate 30 billion tenge.

And to meet the business need for new projects, the Ministry prepared a budget request for the amount of KZT12.2 bn. for 10 regions.

Businessmen of Akmola region will receive 1.8 billion tenge,

Aktyubinsk - 1.3 billion tenge,

Atyrau - 589 million tenge,

Zhambyl - 1.2 billion tenge,

West Kazakhstan - 1.3 billion tenge,

Karaganda - 1 billion tenge,

Mangistau - 854 million tenge,

Pavlodar - 1 billion tenge,

North Kazakhstan - 1.4 billion tenge,

South Kazakhstan - 1.5 billion tenge [22].



The main participants of the factoring market of the Republic of Kazakhstan

№	Name and organizational and legal form	Information about the owners
1	JSC SB Alfa-Bank Kazakhstan	The subsidiary bank of the Russian JSC Alfa-Bank
2	National Factoring Company LLP	Private company of the Republic of Kazakhstan
3	Finanz Factor LLP	Private company of the Republic of Kazakhstan
4	Commerce Factor LLP	Private company of the Republic of Kazakhstan
5	First Factoring Company LLP	Private company of the Republic of Kazakhstan
6	Eurasian Factoring LLP	Private company of the Republic of Kazakhstan
7	Eurasian Factoring Company LLP	Private company of the Republic of Kazakhstan
8	JSC Bank of Astana	Commercial Bank of the Republic of Kazakhstan
9	Technofactor LLP	Private company of the Republic of Kazakhstan
10	Factoring to business LLP	Private company of the Republic of Kazakhstan
11	Kazakhstan Factoring Group LLP	Private company of the Republic of Kazakhstan
12	Stars Co-Factor LLP	Private company of the Republic of Kazakhstan

Note: Compiled by the author



Ranking of the factors of the Republic of Kazakhstan in terms of the amount of cash claims assigned to it in the first half of 2016



2015	2014	Name	The volume of monetary claims actually ceded to the factor in the first half of 2016, million tenge	The growth rate in the first half of 2016 compared with the first half of 2015,%
1	1	JSC SB Alfa-Bank Kazakhstan	11 822	64
2	2	Finanz Factor LLP	6 160	19
3	3	Eurasian Factoring LLP	2 500	47
4	4	Commerce Factor LLP	831	-42
5	5	First Factoring Company LLP	725	-35
6	6	Techno factor LLP	186	541
7	7	Factoring to business LLP	135	н.д.

Note: Compiled by the author RAEX (Expert RA), according to the survey of factors

Volume of monetary claims actually assigned to the company / bank, million tenge

Index	2014	1 half of 2015	2015	1 half of 2016
Internal factoring	31 637	15 843	35 857	21 755
Export factoring				
Import factoring	73	44	44	
Factoring with out financing	1 450	776	1754	604
Note: Compiled by the author RAEX (Expert RA), according to the survey of factors				



Dynamics of the customer base and debtors of participants in the factoring market research of the Republic of Kazakhstan

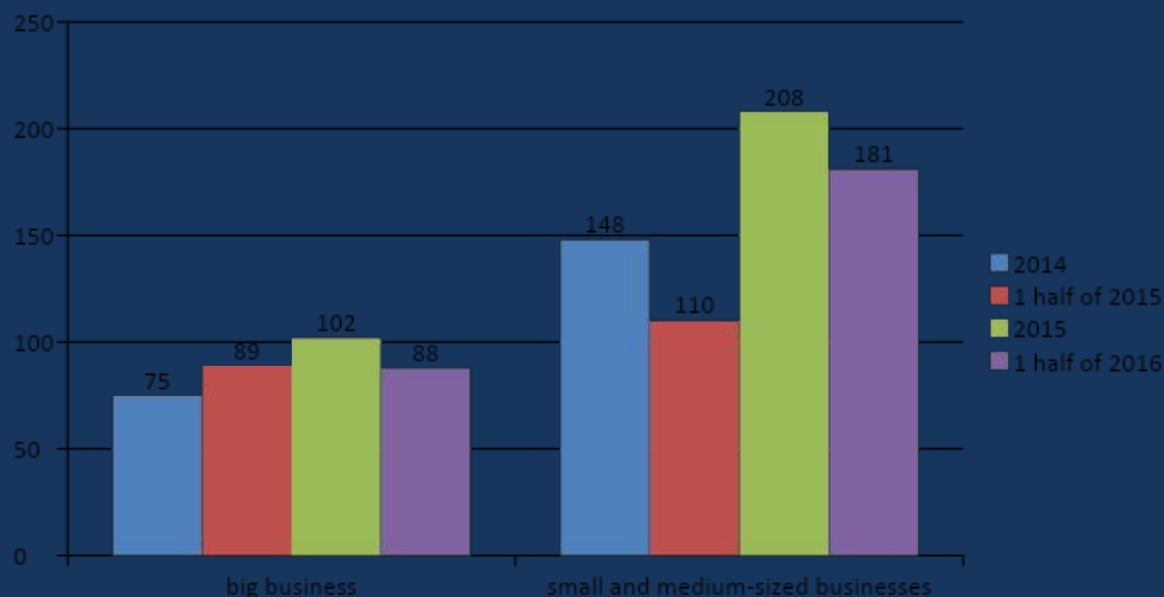
Index	2015	Change to 2014	1 half of 2016	Change to 1 half of 2015
Number of active clients, pcs.	117	25	96	19
The number of customer accounts, deliveries to which were transferred to factoring, pcs.	193	62	173	51
Note: Compiled by the author				



Dynamics of the customer base and debtors of participants in the factoring market research of the Republic of Kazakhstan

Index	2015	Change to 2014	1 half of 2016	Change to 1 half of 2015
Number of active clients, pcs.	117	25	96	19
The number of customer accounts, deliveries to which were transferred to factoring, pcs.	193	62	173	51

Note: Compiled by the author



Basic conditions for the provision of factoring services to SMEs by Damu Factoring [26, 27]

Target segment	Subjects of SMEs (Factoring customers)
Maximum limit for one factoring client	Not more than 150 000 000 (one hundred and fifty million) tenge.
Term of financing	Not more than 36 (thirty six) months
Term of the tranche	Not more than 12 (twelve) months.
Availability period	Not more than 24 (twenty four) months.
Funding currency	Tenge.
Special purpose	Financing for the assignment of receivables
Nominal InterestRate	A factoring transaction with a recourse is the interest rate of no more than 2% (two percent) per month (24% (twenty four percent) per annum). A factoring transaction without recourse is a reward rate of no more than 2.5% (two point five percent) per month (30% (thirty percent) per annum).
The maximum discount amount of accounts receivable	1) Factoring deal with recourse - no more than 10% (ten percent) of the amount of accounts receivable; 2) A factoring transaction without recourse - no more than 20% (twenty percent) of the amount of receivables.
Note: Compiled by the author	

In the FED, «Damu» believe that the use of the factoring mechanism will expand the capacity of SMEs for continuous capital turnover, regardless of the regularity of payments of debtors. In addition, the use of public funds in this area may help stimulate the development of the factoring market in Kazakhstan, and, in general, will contribute to the growth of market transparency.

