

**THE POTENTIAL IMPACT OF THE
IMPLEMENTATION OF IFRS FOR SMES
ON BANKS' CREDIT DECISION, IN THE
CASE OF THE REPUBLIC OF
KAZAKHSTAN**

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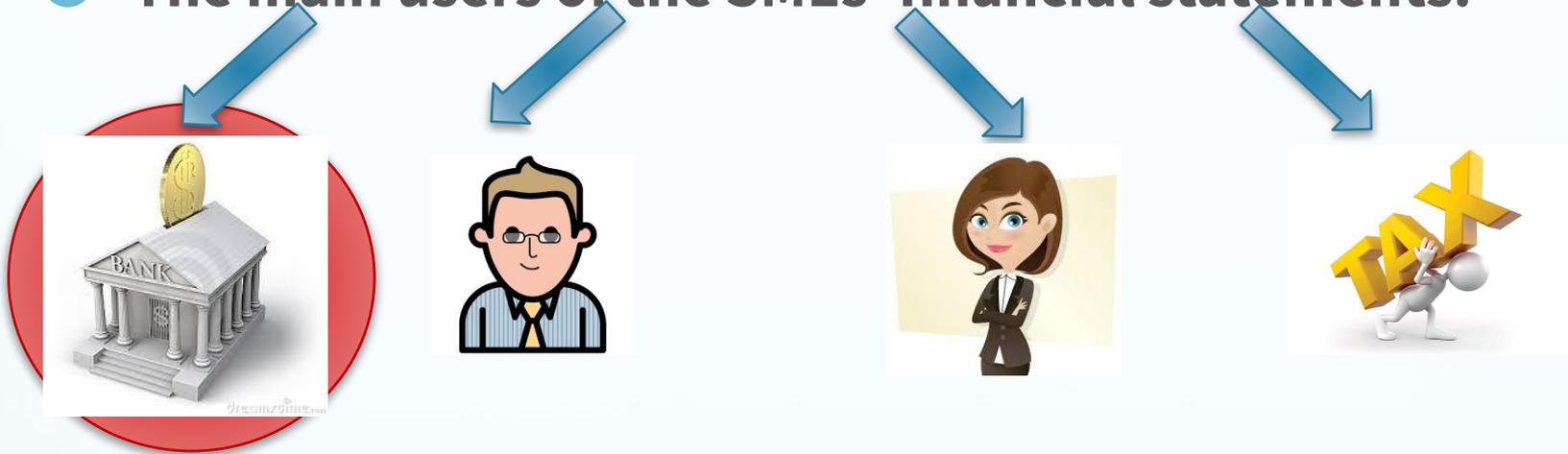
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Introduction

- **SMEs are considered as the main source of modernization, innovation and entrepreneurial spirit**
- **July 2009 the IASB published the IFRS for SMEs**
- **January 1, 2013 Kazakhstan has declared that from SMEs and state institutions were obliged to prepare its financial statements according to IFRS for SMEs.**
- **The main objective: to meet the SMEs financial statements users' needs**

Introduction(continuation)

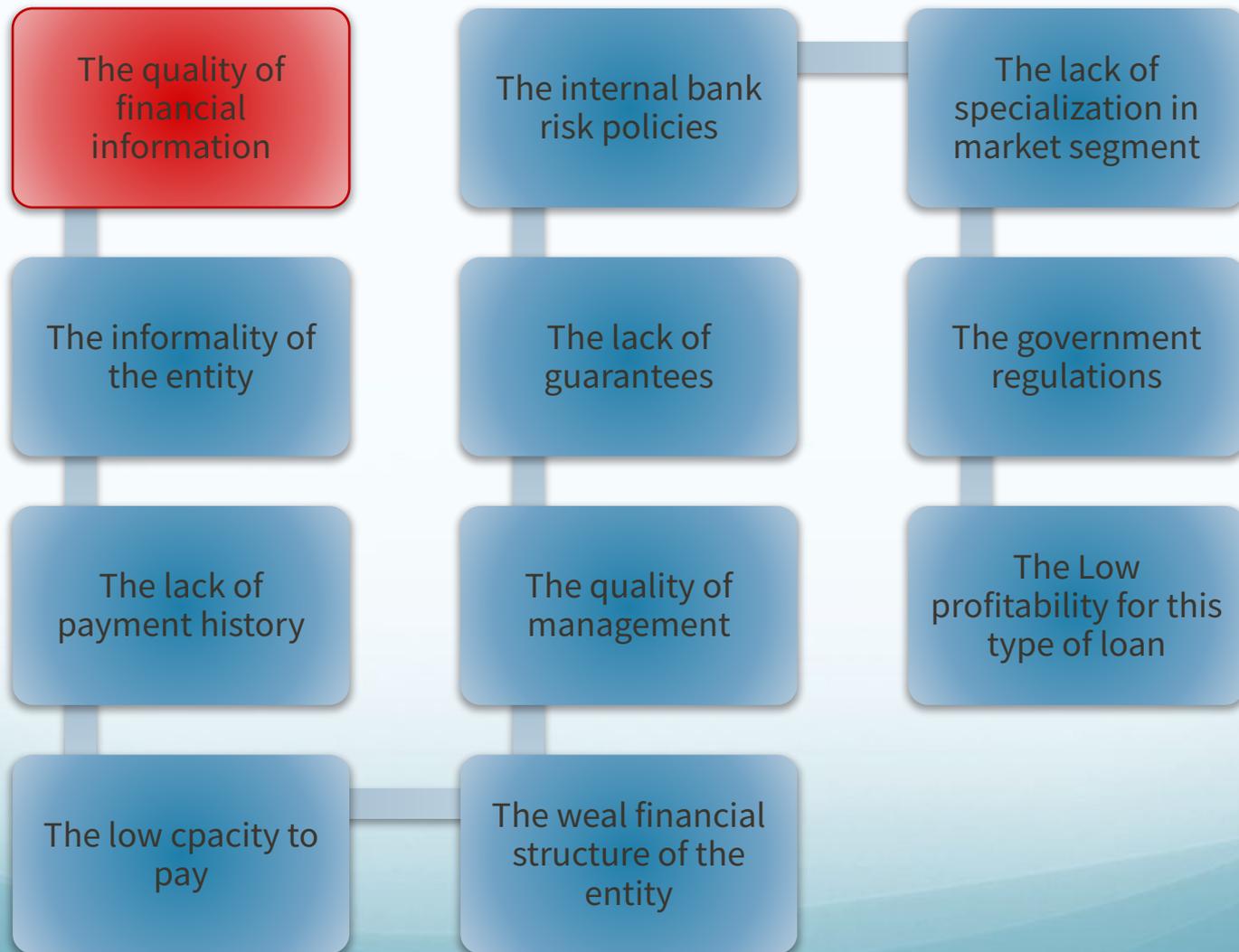
- The main users of the SMEs' financial statements:



In our work we are concentrated on banks as a main users.

Opacity is the first factor that might constrain financial institutions to start, financing SMEs

Stephanou and Rodriguez's ranking the significance of the main obstacles cited by banks





Literature review



- Many countries, such as Sweden, Czech Republic, Germany, Albania, Pakistan, have a numerous research works directly and indirectly related to our work. The most significant ones:
- **Nermine Ahmed Mamdouh, “The Potential Effect of the Implementation of the IFRS For Smes on the Credit Decision for Small Entities”, International Business Research Conference in Dubai**
- **Henning Zuelch and Stephan Burghardt, “The granting of loans by German banks to SMEs against the background of international financial reporting”**

Method

- **We used qualitative and quantitative method:**
- Firstly we created a questionnaire
- Secondly we used percentage analysis to quantify our results from the questionnaire
- Our questionnaire is divided into 4 parts and totally consists 17 close ended questions.
- We distributed our questionnaires to 34 second -tier banks that operate in Kazakhstan.

Method

- We have identified that 7 banks:
- Trading and Industrial Bank of China in Kazakhstan, Subsidiary Bank of China in Kazakhstan, Subsidiary Bank “Home Credit and Finance Bank”, Subsidiary Bank RBS Kazakhstan, “Al Hilal” Islamic Bank, Zaman bank, Citibank-
do not issue loans for SMEs.
- 11 banks permitted to conduct a survey and officially answered to our questionnaire through the email address and by post.

Findings



- **Our main findings are:**

- ✓ Banks have strong relationship with SMEs and, moreover, have perspective strategic interest about them.
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- ✓ Banks agree with the statement that the quality of financial information is very significant for the banks' decision making



Findings

- ✓ Banks believe that implementation of IFRS for SMEs would strengthen the position of SMEs in requiring the credit.
- ✓ Banks doubt that implementation of IFRS for SMEs would tend to decrease SME loan interest rates
- ✓ Banks say that SMEs' who are applying for the credit, total volume of the loans, degree of solvency did not change and time required checking the SMEs' financial position decreased after the start of the implementation of the IFRS for SMEs in Kazakhstan.