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Bachelor Thesis Abstract

**Lending of small and medium sized businesses in
Kazakhstan as an example**

JSC “ Bank CenterCredit ”

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Summary

The present study is largely shows the potential of small and medium business as the driving force of development and strengthening of the market, reforming the economy. Small and medium enterprises should: significantly and without significant capital investment expand the production of consumer goods and services; help equalize living conditions; to engage in the production of labor, material and financial resources; to accelerate the de-monopolization of production; development of competition; serve as a basis for the formation of owners of mass layer of the middle class as the foundation of society, the guarantor of its stability; to make a positive alternative to the informal economy; serve as a tangible source of budget revenues.

The dynamic development of the small business sector needs adequate financial support, in particular, increasing the flow of credit resources allocated to this sector, improving the efficiency of their use.

World experience shows that lending to small and medium business creates self-sustaining process of development and expansion of the real economy and services, ensuring employment growth, the development of labor activity and addressing its social problems. Lending to small business allows you to activate the process of introduction of new technological equipment and advanced technology, which allows the consumer market to fill a wide range of quality goods and services.

Keywords: Kazakhstan , Bank , Business , Credit , Analysis

Goals

The aim is to find proposals to optimize the provision of credit resources of small and medium-sized businesses, to improve their credit.

To achieve this goal the following tasks were:

- Examine the economic nature of the credit and give their definition;
- Identify issues of credit support to small and medium-sized businesses;
- To analyze the structure of sources of financing of small and medium-sized businesses;
- Identify risk factors for second-tier banks in lending to small and medium businesses, the forms and methods of their minimization;
- To give recommendations for the improvement of lending to small and medium-sized businesses.

Subject of investigation - a set of economic relations connected with the formation and use of credit by small and medium-sized businesses.

The object of study is to research activities of Kazakh commercial banks for lending to small and medium-sized enterprises of Kazakhstan.

Methodology

Theoretical and methodological basis of the study served as a scientific work of economists, dialectical and logical approaches to the study of economic phenomena, laws and regulations of the Republic of Kazakhstan, Statistical Bulletin of the National Bank of Kazakhstan and Karaganda region, materials statistical yearbooks of the Agency for Statistics, annual reports second-tier banks and certain small and medium-sized businesses.

On defense are made the following scientific results:

- Clarify the definition of "loans" and "providing credit facilities to small and medium-sized enterprises";
- A distinction is made of small businesses in the micro, small and medium enterprises based on quantitative criteria;
- Suggested the formation of a regional credit bureau to create a database of information about borrowers to prevent and minimize credit risks;
- Kazakh banks offered recommendations to improve the system of lending to small and medium-sized businesses.

The practical significance of the work lies in the fact that:

- Made by the author of the findings and proposals were considered in the development of regional programs to support and stimulate small businesses and the socio-economic development of Kazakhstan;
- Main points and conclusions of the thesis can be used by commercial banks to develop lending programs for small and medium-sized businesses;

Conclusion

During 2007-2012 the Government of Kazakhstan takes serious measures to create favorable conditions to ensure the development of small and medium business in Kazakhstan. This covered almost all of the problems that hinder the successful and active development of this sector. Objective reasons for the adoption of measures was that, contrary to logic and expectations, in recent years there has been a steady decline in activity in the sector of small and medium-sized businesses.

According to international practice, small and medium businesses the most successfully functioning at the appropriate state support in a steadily developing economy. In Kazakhstan, despite the prevailing global trends, these processes are not fully confirmed.

In the 2009-2012 The situation for the revitalization of small business is significantly improved compared to previous years. This was due to the recovery of production, the growth of real incomes of the population, increasing state support, etc.

However, despite this, in the reporting period, there is a noticeable slowdown in the number of active small and medium-sized businesses - legal entities and employment to them.

Current study showed that the formation of the market is a multi-faceted process. It requires the interaction of many components, one of which is the establishment and development of small business.

In the reporting period, the trend of outstripping growth in the number of small and medium-sized businesses in relation to the growth of employment in the small business sector. This suggests that an increasing number of companies with a small number of employees, in particular, this trend is typical for the sphere of trade and services. This is indirect evidence of the revitalization of the small enterprises in these activities and the transfer of the enterprises of industrial production in the medium category.

Currently, this issue is included as one of the most important program in the de-monopolization of the economy. Small businesses create favorable conditions for economic recovery: growing competition, there is saturation of the market in goods and services create more jobs, expanding consumer sector, better use of local raw materials and resources.

The social function of small businesses is that they can absorb the unemployed labor force, reduce social tension, unemployment. Therefore, the development of small businesses - is the cheapest way to the market, laying the foundations of the global conservation of economic growth in the country.

It should be noted that Kazakhstan is taking steps to address the problem of long-term lending to small businesses. In this regard, has already established Development Bank of Kazakhstan, the main objectives of the activities which will be the medium and long term loans to investment projects, financing of export projects to residents of the Republic

of Kazakhstan in order to promote exports of products manufactured in our country, encouraging lending to the productive sector of the economy by issuing guarantees on loans and credits granted by other credit institutions as well as co-financing.

Growth of credit to the economy is measured not only quantitatively but also qualitatively, and in this regard it should be emphasized competent work of banks, aimed at reducing the share of bad loans.

The National Bank, as an organ of state regulation, efforts are being made to give the right direction to changes taking place in the banking sector. Some processes are already not spontaneously, for example, the merger of banks, which created favorable treatment. For a number of banks, in accordance with the law may be introduced conservation regime. All of these activities will contribute to an increase in services by small enterprises and income of tier two banks.

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