

pandemics, We can learn from those experience and minimize the negative impact of COVID-19. To put forward effective recommendations for minimize the negative impact of the pandemic on the economy. Put forward effective recommendations for economic recovery after the COVID-19. To provide reference for economic development in the following COVID-19.

Table 2 – Long-term economic affect by pandemics

Pandemics name	Period	Global GDP
H2N2 (Asian flu)	1957–1958	From GDP growth rate 2.1 % in 1957; 0.2 % in 1958
H3N2 (Hong Kong flu)	1968–1969	1968 global GDP: 2.451 trillion; 1969 global GDP: 2.705 trillion
SARS	2002–2003	2002: \$34.71trillion GDP growth rate 2.182 %; 2003: \$38.945 trillion; GDP growth rate 2.964 %
Swine influenza A(H1N1)	2009–2010	2009: \$60.396 trillion, GDP growth rate: –1.674 %; 2010: 66.113 trillion, GDP growth rate: 4.301 %

Note – Data sources are compiled by the author.

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## THE ROLE OF SMALL AND MEDIUM ENTERPRISES IN THE MODERN ECONOMY

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The main objective of this research is to identify what are the finance access problems and barriers that SME owners face in rural areas of Kazakhstan by the case of Karatal district. The study confirmed existence of eleven previously developed barriers and problems, with three additional factor, one of which is trust issue, that arise in SMEs toward banks in rural areas.

*Keywords:* SME; finance; finance access; rural area.

## РОЛЬ МАЛЫХ И СРЕДНИХ ПРЕДПРИЯТИЙ В СОВРЕМЕННОЙ ЭКОНОМИКЕ

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Основная цель данной работы – выявить проблемы и барьеры, связанные с доступностью финансирования, которые возникают у владельцев малого и среднего бизнеса в сельских районах на примере Каратальского района, Алматинская область.

Исследование подтвердило существование одиннадцати ранее разработанных барьеров и проблем, а также три новых фактора, одним из которых является проблема доверия к банкам у предпринимателей в сельских районах.

*Ключевые слова:* МСП; финансы; доступность финансирования; сельские районы.

## **Introduction**

The Law of the Private Entrepreneurship of the Republic of the Kazakhstan identify small business to be owned by the individual entrepreneur without formation of legal entity that have less than 50 employees and the legal entities that have less than 50 employees and the annual worth of assets of 60'000 MCI (Republic of Kazakhstan, 2018).

The medium size enterprises are those that are owned by the individual entrepreneur without formation of legal entity with the number of employees more than 50 and legal entities with the number of employees of more than 50 but less than 250. The annual worth of assets should not be more than 325,000 MCI (Republic of Kazakhstan, 2018).

SMEs are one of the main factors of sustainable economy development of any country nowadays, and Republic of Kazakhstan is not an exception. SMEs are major drivers of intensive evolution of Kazakhstan toward current modern country. SMEs create the basis for social and economic progress in Kazakhstan society. (Ministry of National Economy of the RK, 2018).

The importance of SMEs in the economy and live of a country clearly witnessed in the case of countries in Western Europe, the United States and Japan: more than the half of the job growth in these countries provided by the SME sector. More than three-quarters of all new jobs in the Republic of Kazakhstan are created by SMEs (Ministry of National Economy of the RK, 2018).

That is why it is very important for a country to support and motivate people toward SME economy. The most optimal share of SMEs in the country's total company amount around the world is about 40–50 %. Countries in Europe like UK, Germany, Holland have 64 %, 58 %, and 51.5 % of economy share [1].

The average GDP generation by SME around the globe is 63 %, while in RK this number is more than 2 times less and equals 26,8 % (Ministry of National Economy of the RK, 2018). And even increasing number of the registered SME and various support campaigns do not contribute to the growth of the contribution of the SME to the GDP of the country – the number is decreasing (Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, 2018).

The advantages of SMEs' are their flexibility and ability to change, adapt to new conditions and circumstances faster than big size companies, simplified management structure with smaller staff that creates greater involvement in the work and quick intercommunication between employees [2]. But even if the start of the SME doesn't usually require large material investments and cumulate small stuff cost, SMEs are more sensitive to any change in the economy and external factors, and also SMEs are much less attractive for investors than large companies. (StudVopros, 2016).

## **Problem Statement**

More than for 15 years people have been talking about importance of SME, about the need of assistance, government and legislative support, better lending terms, better financing

access and so on. If pay little attention to the SMEs and their potential and various business opportunities and contribution to the society it may lead to a big strategic miscalculation [4].

Amount of SME in Kazakhstan increased in recent years, and all of them require additional financing and sources of finance for stable healthy growth of enterprise. Taking in consideration that SME created 26,8 % of GDP of RK in 2016 it is clear that SME plays major role in economy development of the country and deserve a great deal of attention (Atameken Business Channel, 2018).

However current situation in SME industry is very uncertain and disorganized. The financial source of state support for business has dried up in Kazakhstan in 2018. Different state programs, including the biggest and the most successful program «BR-2020», failed to meet financing needs of SMEs and have already run out of money by the end of April 2018. One of the biggest Enterprise Development Fund «Damu» announced a deficit of 15 billion KZT. And «Atameken» The National Chamber of Entrepreneurs of the Republic of Kazakhstan reported a shortage of 13.3 billion KZT in 10 administrative areas around the RK (Kapital.kz, 2018).

Despite the fact that state creates funds and organizations to support SMEs, many subjects of small and medium-sized businesses still cannot get finance, especially in rural areas, where access to bank financing is even more limited.

Also, high interest rates in banks make it very difficult for SME to afford needed financing. Entrepreneurs want more money for less interest and a more loyal system of interaction with the state. Banks try to stay within the service of those clients whom they have studied well, and whom they can trust, particularly to big sized companies. Banks are in no hurry to lend to small and medium-sized businesses, directing the funds intended for them to repay their arrears to international financial institutions and other domestic purposes (The speech of the President of the Republic of Kazakhstan, 2009).

Understanding of reasons why SME companies experience issues with finance obtaining will help companies to overcome financing problem and get in a path of sustainable development that, of course, will boost Kazakhstan economy to global levels. That is why every country in the world highly supports SMEs and creates various funds and organization that will help SME to obtain needed finance.

As more investigation and analysis will be held in this field the more solutions for financing issues can be found.

This prospective thesis work was designed to identify the problems of financing of SMEs in rural areas of the Republic of Kazakhstan on the example of the Karatal district. To examine finance access problems and barriers that SME owners face in rural areas of Kazakhstan.

The reason of this research is to identify the reasons of the financing problems that entrepreneurs and owners of small or medium enterprises face while operating in rural areas in Kazakhstan. That is why the qualitative research is chosen to be carried out. The main purpose of the qualitative research is on the experts in the SME financing area and their opinions and perceptions of the situation in SME financing.

The basis of the qualitative research is on what people say, then on the statistical information [3]. The (Bryman A. , 2002) identify qualitative research that is based on the responses of the person individually as a case study. Case study is very useful when researcher focuses on the particular geographic location or company [6]. There are 3 essential requirements that each case study have to follow: to give an answer on how something is happening, it is important to study for the sake of current or future times, the person who conduct research have small or do not have any control over the event [7].

The process of the case study is chosen to be followed in this research. First of all, the theory should be developed. The second step includes two sub task that are to select cases and design the way how data will be collected. Next step will be actual interview according to the case. Then, the reports will be written according to the data collected through interview and analyzed so that in the next step researcher will be able to draw a conclusion for the whole situation.

The researcher which conducts case study is required to have at least next qualifications: to be able to timely and properly ask related questions that are clear and understandable to each respondent, to be objective and show good listening skills, to adapt to the situation, to have enough knowledge about the discussed topic and be able to listen to the any opinion, even if it is opposite to the researcher opinion [5]. These qualifications must be complied while doing an interview.

### **Research Questions**

The study designed in order to give an answer the following research question: What are the finance access problems and barriers that SME owners face in rural areas of Kazakhstan?

### **Discussion and conclusion**

The study founds 14 particular problems that SME owners face in rural areas. The following framework was derived from obtained information.

Rural areas are geographically small with low population, where everyone know each other. The barriers of liability of newness did not have major power in the rural areas with small amount of companies and where people usually do not have much choice.

According to the results there is a pattern that size and age of the firm are interrelated, that is why they are tied together in a graph. As our respondents mentioned they were small at the very beginning of business. The size of the company has big impact on the performance, opportunities and better access to finance. With greater assets capital and number of employees sharing work burden, the company's performance become better, internal finances increase and financial institutions are more willing to lent to such companies.

The location in rural area has one of the biggest impacts on the occurrence of the problems in financing. Banks secure themselves more in rural areas, and provide less profitable terms of credit to entrepreneurs, lower the worth of collateral. The government didn't pay as much needed attention to small towns that lead to a lot of inconvenience and infrastructure problems. Small towns with small amount of people living there limit the demand of the people, lowering the sales and profit maximum for companies. The resources are more limited, especially in labor market. All of these factors worsen the performance of the company making it less attractive for banks and other financing institutions, lower the company's ability to finance internally through retaining earnings.

The location in rural area also affects industry barrier in a rural area. That is why they were tied together in a graph. People are more motivated to work in agriculture and farming than other industries. Those who want to open something that is not very essential in rural area, will have less support from the government and very small demand.

The performance of the company also affected by Business structure, Financial records condition and Owner's education. All these factors are about human resource. The level of education in rural areas is lower than in big cities. Companies unable to find proper employees to do work, to track and record all financials. People without education in rural areas usually tries to start a small business, but as owners of the business they are very uneducated and have no experience. It leads to a poor performance, poor financial records condition, and ineffective business structure. All of this affect the company's investing attractiveness and ability finance itself.

Banks distribute less finance to rural areas, that lead to small amount available finance and higher interest rates. They try to secure themselves from risk, by pushing most of it on the shoulders of entrepreneurs. It leads to trust issues: entrepreneurs feel like banks use them to gain, not to help them grow.

The network and information asymmetry explained by the location of the SMEs. Small town, where everyone knows each other and each other's families create tight networks. Information asymmetry exists only because people are not interested in it, due to lack of understanding. It feels for them that it is not important.

Based on the results, the objective of this study has been fulfilled, since the purpose of this study was to examine finance access problems and barriers that SME owners face in rural areas of Kazakhstan.

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## СОВРЕМЕННЫЕ ПОДХОДЫ К ОПРЕДЕЛЕНИЮ И КЛАССИФИКАЦИИ ИННОВАЦИОННЫХ ПРОЕКТОВ

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В данной статье рассмотрены современные подходы к понятию «инновация» и «инновационный проект», также рассмотрены основания для классификации инноваций, представленные в литературе. Проведен анализ более чем 150 определений инноваций: предложена их классификация и выделены существенные характеристики инноваций. На основании анализа предложено свое определение инновации, которое сочетает в себе разные подходы. Выделены основания для классификации инноваций, которые можно использовать в практической работе, при принятии решений о реализации инновационного проекта.

*Ключевые слова:* инновации; инновационный проект; техническое новшество; НТР; классификация инноваций; НИОКР.