

G.N.Chistyakova<sup>1</sup>, Zh. Huzsti<sup>2</sup>, A.A.Chistova<sup>1</sup>

<sup>1</sup>*Ye.A.Buketov Karaganda State University;*

<sup>2</sup>*Institute of Economic Sciences of Pecs University, Hungary  
(E-mail: shi\_gal\_nik\_@mail.ru)*

## **Economic-geographical approach for developing small and medium businesses in central Kazakhstan**

This article defines the specific tasks for the development of small and medium businesses (SMB) in the specific conditions of Central Kazakhstan and projected the priority development of the cities of two levels. These cities can become Karaganda, Temirtau, Zhezkazgan, Satpayev, Balkhash. Enhancing the role of small and medium businesses (SMB) in Central Kazakhstan requires the study of world experience and search of the most suitable economic-geographical approaches to solving the problems of development and the territorial organization of the considered sector of the economy. In this regard, the authors consider that the proposed economic-geographical approaches to socio-economic development of the region in conjunction with economic and geographic conditions will bring SMB on the trajectory of substantiated development, which meets the standards of medium and highly developed countries. Conducted work confirms the relevance of the research results of the economic potential of Central Kazakhstan's to develop the Concept of small and medium businesses development, since the spatial organization of the territory turns into a major factor of social and economic development.

*Key words:* Central Kazakhstan, small and medium business, spatial organization of the territory, the international division of labor, growth poles, regional cluster, territorial-economic system, economic macro-region, economic specialization, innovation and industrial development, polarized development, the Central Asian region, polycentric development, small and medium-sized cities, market economy.

Enhancing the role of small and medium businesses (SMB) in Central Kazakhstan requires the study of world experience and search of the most suitable economic-geographical approaches to solving the problems of development and the territorial organization of the considered sector of the economy. Prepare the new General Scheme of the spatial organization of the territory of the Republic of Kazakhstan caused by implementation of the Strategy of industrial-innovative development and the gradual transition to the Strategy of industrial-innovative development, the major part of which should be the entrepreneurial activities — the sphere of small and medium- businesses.

This means that the economic policy of the state is focused on a better, more efficient use of available economic capacity, including research and production and innovative potential of cities, towns and villages, as well as the transition to high technologies and environmental management.

For this reason, the main goal of the development of small and medium businesses can be formulated as the creation of socio-economic, infrastructural, legal and other conditions and prerequisites, which will contribute to enhance the role of small and medium businesses in the spatial organization of the investigated region territory. This approach involves the specification of functions of the state, society and business in the development of small and medium businesses, taking into account economic and geographical conditions of each settlements, primarily urban settlements [1].

For the development of small and medium businesses in Central Kazakhstan we identified the following tasks: 1) raising the level of population concentration and population size of cities to a level that does not cause a threat of their degradation; 2) approximation of the structure of employment in small and medium businesses to the parameters, that are characteristic of the post-industrial countries, depending on the population of the city; 3) accelerated development of transport, engineering, market, innovation infrastructure for enhancing domestic and foreign investors; 4) the formation of systems of populated areas and types of settlement of Central Kazakhstan population, which meets the economic-geographical, geopolitical, regional position, with the aim of deepening intra-regional, national and international territorial division of labor.

Based on the spatial organization of the territory and the population resettlement of the Republic of Kazakhstan until 2030, developed by the Institute of Economic Researches in the specific economic-geographical conditions of Central Kazakhstan envisages priority development of cities of two levels:

1) two or three major cities-leaders nationwide level, and in the future — the Central Asian level (potential city can become Karaganda), which will become the most important nodes in the Eurasian system of commodity, financial, technological and cultural exchanges; City leaders must become the centers of growth poles, integrated into global, regional and national markets, and to act as a «locomotive» for all other regions of the country;

2) supporting cities of national and regional levels, concentrating in itself an economic activity in their regions and act as a catalyst of formation of competitive regional clusters and ensuring the integration of the regions in the national and foreign markets. These may be the cities of Temirtau, Zhezkazgan, Satpayev, Balkhash [2].

Integrated territorial development envisaged in terms of existing territorial-economic systems: 1) economic macro-regions, including two or more regions of the country depending on geographical situation, economic specialization and level of cooperation, community of transport systems; 2) regions, within the same region or city of republican value and 3) subregions, within one or more areas [1].

Formed in the present strategic axes of development and economic macro-regions (regions, subregions) will be the basis of the system of population settlement and will form appropriate settlement macro-zones (North, South, Central) and systems of populated areas (macro-regional, regional and subregional).

In conditions of market economy, the challenge is not to eliminate inter-regional imbalances, but to create conditions for rational territorial organization of economic potential, efficient use of natural, economic and labor resources, geographical location.

For a long time it was thought, that in place of the concept of uniform development of the territory must come the concept of polarized development, where the «poles of growth» may be the most dynamically developing cities or regions that are integrated into regional and global markets and acting as «locomotives» for all other regions of the country. Such development as a method of territorial and sectoral organization of national economy, based on the principles of domination of industrial development, in which man becomes the appendage of production to the detriment of the quality of the environment, cannot be a doctrine of civilized development of Kazakhstan in conditions of globalization of the world.

In this regard, along with measures to ensure in the whole country the conditions for the growth of economic activity, at the central level priority for regulation should be polycentric development. Polycentric development is the basis of the methodology of the spatial organization of the territory of the developed countries — the development of urban agglomerations, urban regions and the whole territory of countries, without bringing the number of population of agglomerations to critical indicators, with a view to ensuring high levels of quality of life of the entire population. Objects of such regulation will not only cities or regions-leaders within their administrative boundaries, but also part of the territories of adjacent to them administrative-territorial units, interconnected by common commodity, financial, technological flows. All efforts of the regional authorities will be concentrated on the elaboration of development strategies (competitive strategies) of their regions and main cities, their incorporation into the overall strategy of positioning the country on the regional and global markets, specific issues for the development of regional clusters. Regional strategies will be focused not on the achievement of competitive advantages in relation to other regions of the country, but on the implementation of the principle «from the competition of regions — to cooperate» and through it — to achieve competitiveness on a regional scale [1].

This primarily concerns the issues of regulation of development of small and medium-sized cities. The main purpose of the regional policy of the state in the long term is to create conditions for the effective use of all factors of economic growth of regions and the country as a whole, ensuring the integrity of the State and the unity of its economic space on the basis of rational territorial division of labor, improvement of living standards and environmental improvements.

Violation of the reproductive process and stabilization of the foundations of regional concerns in the 1990s led to a depression state of the small and medium-sized cities of Kazakhstan, including Central, which are the important elements of a unified territorial system of distribution of productive forces of the Republic. As a result, sharply decreased the standard of living of the population of 59 small and medium-sized cities, where live more than 20 % of the urban population of the Republic. Small cities were unprepared for independent functioning in market conditions.

Small and medium-sized cities with population less than 100 thousand people, having common features, differ in the development of productive forces, the level of living of the population, scientific-technical potential, the complexity of the challenges facing them, including the development of small and medium businesses, the role in social and cultural life of the country and the region. In Central Kazakhstan such cities are Karazhal, Priozersk, Balkhash, Zhezkazgan, Saran, Satpayev, Shakhtinsk, Karkaralinsk, Abay. In the analysis and development of a strategy for their further development differences in the territorial structure of the regions, population settlement system and place in it each city, the volume of the given rights and the degree of autonomy of city administrations in solving the different socio-economic problems faced by cities should take into accounts.

The average cities (Balkhash, Zhezkazgan, Saran, Satpayev, Shakhtinsk) with a population of 50 to 100 thousand people, formed in the republic on the basis of the mining industries, ferrous and nonferrous metallurgy, chemical industry. The share of extractive industries and non-ferrous metallurgy in these cities is about 70 %. The situation is similar in Lisakovsk, arisen on the basis of ferrous metallurgy, in the cities of Abay, Saran, Shakhtinsk, developing on the basis of the coal industry.

In small cities (city Karkaralinsk and others) with population less than 50 thousand people are developed, mainly, light and food industry, building materials industry. Among the small cities there are also those in which the main development was practically one branch of industry, such as city Karazhal — mining (iron ore), Abay — the coal industry, and Priozersk has emerged as military town. A minor role in the economy of small and medium-sized cities takes engineering and metalworking.

Urban development, as further elements of the settlement system, allows more precise identification of their problems and to outline solutions. Accordingly, small and medium-sized cities of the country can be divided into the following groups: 1) centers of the mining industry; 2) agroindustrial, which are administrative centers of agricultural areas; 3) cities with enterprises of processing profile; 4) transport hubs; 5) recreation centers; 6) cities located in the zones of ecological disaster; 7) centers of the defense industry of republic [1].

By production and resource potential and its perspective, many of the small and medium-sized cities that survived the crisis 90s and being in today's global crisis, cannot independently resolve the negative trends in employment, incomes, social services, the environment, have no prospects for the self-resolution of crisis situations, on self-survival and development from its own internal resources. They need help from the state, regional and district authorities. Their crisis state is so obvious that the solution to this problem has become one of the most actual problems of national importance.

The main criterion for assigning cities to the number of crisis that require support from the state, in the conditions of market economy should be based on the income level of the population. The population of more than half of these cities has a cash income per employee in the sectors below the average for the country. The absence of reliable statistics on all small and medium-sized cities forced to use the system of indicators, including average monthly salary of workers and employees, the unemployment rate, data on migration of population and others. At the beginning of 2010, the salary higher than the average in the republic were workers and employees of only four cities in the country, with significant production potential. In Central Kazakhstan such cities are Satpayev, Shakhtinsk. In the other small and medium-sized cities this rate was much lower (see Table).

According to the table, on the basis of selected criteria and available information in the number of crisis cities that require special attention from the government in the coming period, it is possible to allocate 19 cities of Kazakhstan, including 3 cities of Central Kazakhstan (see Table).

Table

**The crisis small and medium-sized cities of the Republic of Kazakhstan**

No	Indicators	Values	Cities
1	A significant population decline	less than 90 %	Yermentay, Derzhavinsk, Saran, Shchuchinsk, Makinsk, Usharal
2	A strong decrease in the volume of commodity products The lowest incomes (less than 50 % of the subsistence minimum)	less than 80 %	Yesil, Derzhavinsk, Zharkent, Shu, Tekeli, Ushtobe, Saran, Abai
3	The lowest incomes (less than 50 % of the subsistence minimum)	Less than 2 thousand tenge	Mamlyutka, Kentau, Taiynsha, Esik, Shu
4	Low budget revenues per inhabitant	Less than 5 thousand tenge	Stepnogorsk, Talgar, Zharkent, Tekeli, Shu, Balkhash, Abay, Kentau, Schuchinsk

Note. Compiled on the basis of source [1].

The crisis state of some small and medium-sized cities, possessing a well-developed industrial and resource base, as well as using the advantageous geographical position near major national and regional centers, is a reflection of the general crisis in the country's economy, which is marked by the global economic crisis. In process of macroeconomic stabilization, creation of a favorable investment climate and the revival of business activity, such cities emerge from the crisis and ensure the growth of production and improvement of living standards on their own, including through the development of real sector of economy — small and medium businesses.

For example, problems of cities-centers of the mining industry such as Abay, Shakhhtinsk and Saran — with different profiles of the industry solved by the repayment of arrears and improve the situation in their town-forming enterprises, transfer of control of production on the main city-forming enterprises of to foreign companies or financing by the World Bank of Reconstruction and Development, as well as foreign companies [1].

Economic-geographical approach to the development of small and medium businesses in Central Kazakhstan envisages the possibility of changing the status of the city, its administrative subordination in process of solutions of the problems of the city, increasing its capacity, change management specialization.

Under market conditions, it is necessary to weigh the costs with the results of economic activity of the territory, i.e. to improve the quality of life of the population at the expense of the revenue of the territory, puts small and medium-sized city in a difficult position because economic, social and environmental problems they have to solve themselves.

In the materials of the spatial organization of the territory and the population resettlement of the Republic of Kazakhstan till 2030 in order to determine the type of small and medium-sized cities and size of necessary help conducted their classification by the presence of potential opportunities to overcome the economic crisis, since its cause in these cities, despite the general patterns, are different [1].

Low social and labor mobility prevents to improve living and working conditions, and in conditions of natural and climatic discomfort enterprises are only there, where high returns allow compensating this discomfort by high wages. This is, for example, Karaganda region. In Kazakhstan the state supports small and medium-sized cities, nevertheless, outflow of population from such cities has increased. The outflow of population from the crisis small and medium-sized cities has increased. Migration population decline have all small and medium-sized cities of Karaganda region: Saran — 1.9 thousand people, Shakhhtinsk — 3.3 thousand people, Balkhash — 0.5 thousand people, Priozersk — 0.1 thousand people, etc.

This factor explains the need to allocate additional financial resources to support the production in the crisis cities. It is necessary to allocate significant funds for social support of population, paying unemployment benefits require additional subsidies to the budgets of small and medium-sized cities for these purposes [1].

For the near future it is necessary to create conditions for stabilization and growth of the socio-economic development of such cities of Central Kazakhstan, as Balkhash, Saran, Abay and others, which have strategic resources and significant export potential for the development of entrepreneurial activity. Raising the standard of living of the population in depressed areas is a priority task for the state and local authorities. Thus, the most important conditions of effective state regulation of territorial development should become regional initiative and regional execution, program-target methods, systemic relevance of plans and programs for their development, taking into account all types and methods of state support in this region, responsibility and control, the widespread use of the contractual relationship, etc.

Small and medium-sized cities as part of the territorial structure of the economy of the country should find a place in the territorial development strategy of the state. The activities envisaged for the support of small and medium-sized cities at the expense of additional financial resources allow removing the socio-economic tensions in them only for some time, but they will not solve the main problem of their economic activation, of entrepreneurial activity development. The latter are largely determined by the competitiveness of branches of production of small and medium-sized cities in the system of regional relations with the neighboring regions.

The priority of further improvement of settlement system will be the transition from extensive to an intensive stage of the urbanization process. The basis of a system of settlement will be urban agglomerations around growth poles, t. i. city-leaders and supporting cities and gravitate towards them settlements that form the area of highly organized urban environment of life. Formed territorial organization of economic potential and population resettlement will set the parameters for further improvement of administrative-territorial organization of the country and territorial development planning, including the development of small and medium-sized cities, and thus the small and medium businesses.

The priority of centralized regulation in the medium term will also be solving the most acute problems in disadvantaged economic and environmental areas, compensating for regional policy. To achieve these key tasks it is necessary to concretize functions of the state and business. In this, function of the state consists in realization of problems which unaffordable to society, as well as small and medium businesses [3].

Prerogative of the state should be the creation of economic conditions for development of small and medium-sized businesses. These include:

- 1) concretization of functions of the state, society and business in SMB development, taking into account the economic and geographical conditions of each of the urban settlements of Central Kazakhstan;
- 2) the development of all types of industrial infrastructure, nationalization of uncompetitive production facilities, which are compulsory elements in the spatial organization of the territory (for example, the fuel and energy complex);
- 3) financial support of city-forming and budget forming enterprises;
- 4) elimination of the deformed structure of the economy;
- 5) raising the level of population concentration and population size of cities to levels that do not cause the threat of their degradation.

Thus, to eliminate the existing imbalances and discrepancies at the level of Central Kazakhstan, the following tasks must be solved:

- 1) the approach of the employment structure in the sphere of small and medium business to options that are specific to post-industrial and middle-income countries, depending on the population of the city;
- 2) the rapid development of transport, engineering, market, innovation infrastructure to enhance domestic and foreign investors;
- 3) formation of systems of settlements and types of population settlement in the region that meet economic and geographical, geopolitical and regional situation, to deepen intra-regional, republican, international territorial division of labor.

However, the function of the state consists in the construction of a concessional loan mechanism, taxation, various preferences and creating a single consolidated legislative basis of today's activity of Kazakh small and medium-sized enterprises. The proposed economic-geographical approaches of socio-economic development of the region, combined with economic and geographical conditions will bring the small and medium business on the trajectory of reasonable development, which meets the standards of medium- and highly developed countries of the world.

The aforesaid further confirms the relevance of the research results of the economic potential of Central Kazakhstan's to develop the Concept of small and medium businesses development, since the spatial organization of the territory turns into a major factor of social and economic development.

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## Орталық Қазақстанда шағын және орта бизнесті дамытудың экономикалық-географиялық тәсілдемесі

Мақалада Орталық Қазақстанның спецификалық жағдайында шағын және орта бизнестің (ШОБ) дамуына арналған нақты міндеттері анықталып, екі деңгейлі қалалардың даму артықшылықтары болжанды. Ондай қалаларға Қарағанды, Теміртау, Жезқазған, Сәтпаев, Балқаш жатқызылды. Орталық Қазақстандағы ШОБ-тың алатын орнын көтеру үшін әлемдік тәжірибе мен ізденістерді зерттеп, қарастырылып отырған экономика секторын аумақтық ұйымдастырудың және дамудың экономикалық-географиялық басымды тәсілдемелерін іздеуді қажет етеді. Осыған орай авторлар зерттеп отырған аймақтың әлеуметтік экономикалық дамуымен ұштасатын экономикалық-географиялық жағдайларды ескеретін, ШОБ-ның әлемдегі орта және аса дамыған елдердің стандартына сәйкес келетін негізделген траекторияға шығатын экономикалық-географиялық тәсілдемелер ұсынады. Жүргізілген жұмыстар Орталық Қазақстанның экономикалық әлеуетінің дамуына экономикалық зерттеулердің нәтижелерінің аймақта шағын және орта бизнесті дамытудың қажеттілігін растайды, себебі аумақтың кеңістіктегі ұйымдастырылуы әлеуметтік-экономикалық дамуында маңызды факторға айналады.

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## Экономико-географический подход к развитию малого и среднего бизнеса в Центральном Казахстане

В статье определены конкретные задачи для развития малого и среднего бизнеса (МСБ) в специфических условиях Центрального Казахстана и спрогнозировано приоритетное развитие городов двух уровней. Такими городами могут стать Караганда, Темиртау, Жезказган, Сатпаев, Балхаш. Повышение роли МСБ в Центральном Казахстане требует изучения мирового опыта и поиска наиболее приемлемых экономико-географических подходов в решении проблем развития и территориальной организации рассматриваемого сектора экономики. В связи с этим авторы считают, что предлагаемые экономико-географические подходы социально-экономического развития региона в сочетании с экономико-географическими условиями позволят вывести МСБ на траекторию обоснованного развития, соответствующего стандартам средне- и высокоразвитых стран мира. Проведенная работа подтверждает востребованность результатов исследования экономического потенциала Центрального Казахстана для разработки экономико-географических подходов к развитию малого и среднего бизнеса региона, так как пространственная организация территории превращается в важнейший фактор социально-экономического развития.

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