

PECULIARITIES OF FORMING A PRIVATE ENTREPRENEURSHIP ENVIRONMENT IN THE REGION

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There is a synchronic interconnection between the development of market relations and evolutionary processes in the regions. A market is formed by regions, culture and mentality and specific market, production and social infrastructure of the regions.

Small-scale entrepreneurship in a region is a constituent of the social and economic system and directly or indirectly depends on the influence of numerous and quite definite external and internal factors. These factors act reciprocally to form a mechanism, which influences the functioning and development of the regional entrepreneurial environment.

The readiness of administrative bodies to support the development of a market economy, entrepreneurship and private initiative is an important organization and management factor and a common and general condition for the formation of a good entrepreneurial environment in this or that region.

The whole complex of economic factors produces the most important and lasting influence upon the formation and development of the entrepreneurial environment. The character of factors determining the development of small-scale entrepreneurship can change in the course of time. The most important of these factors are the state of the labour market and the level of unemployment, financial and credit policy, transport and engineering infrastructure, investment and external economic relations.

The state of the labour market and the level of unemployment produce the most important effect on entrepreneurial environment. As a rule, a high level of manpower released from large enterprises during crises stimulates the development of small-scale entrepreneurship and is a powerful source of small businesses coming into being in new spheres of the city economy.

Finance and credit policy. Any developing undertaking needs definite financial resources. A search for the sources of financing and investments is becoming more and more topical for small-scale entrepreneurship in Kyrgyzstan.

According to the analysed results of small-scale entrepreneurship development, more than 75 % of entrepreneurs consider the shortage of financial resources to be one of the main factors restricting the growth of production in small enterprises.

Despite the heterogeneous character of the entrepreneurial environment, one can conditionally identify three main groups of small businesses differing in their abilities to attract financial resources.

The first group includes enterprises with a history of development and a stable financial situation. They can

solve financial problems from their own sources or resources of their partners and founders. These enterprises are owners of property and can pledge it, if necessary, to get loans from commercial or state banks. They try to minimize expenses connected with attracting resources and are not interested in getting resources on the conditions currently offered by banks.

The second group is the largest and unites enterprises that have passed the stage of formation, but are in need of resources for their development. They are interested in attracting financial resources to solve different problems, but their abilities are limited by the shortage of available collateral and guarantees.

The third group comprises enterprises with an unstable financial situation and debt liabilities, as well as recently established enterprises, which are just beginning their business. They have neither free resources, nor real collateral or an adjusted system of guarantees and insurance for investment activity.

At the same time, the banking sector has accumulated significant resources, but small businesses are not capable of attracting finances.

Despite a sufficiently large number of projects offered by entrepreneurs with future prospects for financing, these projects are not a commodity to be promoted in the capital market and do not find investors or creditors for the following reasons: low quality of business plans, lack of guarantees and collateral, poor project implementation schemes and lack of knowledge about the principal requirements of investors. By offering low quality projects having no chances of being financed, entrepreneurs are wasting time, resources and effort and finally lose the will and impetus to carry on.

Due to a lack of resources and the small number of specialized consulting firms, small businesses cannot afford to use business consultancy services for the operation and development of investment projects.

World standard financial mechanisms and business support technologies, adjusted to local conditions, are necessary to successfully attract financial resources to small businesses.

Besides, the effective functioning of businesses requires good transport and engineering infrastructure (connecting the region to the main transport highways, providing it with modern communications, information transfer and processing means), which forms a favourable environment for the development of small businesses.

State policy in the investment sphere was and is so far aimed at decentralizing investment. The importance of own capital in financing the development of entrepreneurship is growing.

State and local authorities should pay more attention to the issues of strengthening investment policy in the interests of small businesses. This policy should take into account the needed volumes of financial resources, different forms of investment support and, first of all, structural and regional priorities.

Another important factor is the level of external economic relations' development.

It is necessary to make a definite choice regarding the development model for the local economy (import replacing or export-oriented policy) in the sphere of external economic cooperation. The resource distribution structure must meet the requirements of the chosen model.

It is necessary to create a favourable economic environment for domestic entrepreneurs and for foreign investors. It is foreign capital and technological potential, as well as the experience in organizing and running a business that can be used by entrepreneurs to accumulate their own resources for the further development of their businesses.

Besides economic components, the formation of a business environment is influenced by public, political and social factors and they are no less important.

These are purely objective factors and the forming of the market type of thinking is also important.

A large part of the population, including the urban population, does not completely believe in the ideology of market relations. Overcoming the formed stereotypes requires decades: people do not easily change their psychology and way of thinking. It is very important that there be a group of people ready to carry out entrepreneurial activity and protect and personify its principles.

A gradual change in people's psychology, their acceptance of new types of activity and better adjustment to market relations will favour the better use of human potential. The entrepreneurial effectiveness of the population also depends on the combination or predominance of various forms of labour motivation. Currently the material incentive has become the main factor of this activity.

The development of entrepreneurship also shows the importance of historical experience and the availability of traditions, which show the ability of the population to unite in order to bring to life an idea, which opens the prospects of further development.

One of the main problems in the transition to market relations is social differentiation of the population by level and quality of living standards, because this restricts the growth of the entrepreneurial effectiveness of the population. Falling living standards of the overwhelming majority of the population in Kyrgyzstan and a growing number of social groups, which are not competitive in the labour market (disabled people, pensioners, some categories of women) and are passive in their attitude to entrepreneurial activity, are aggravating the unfavourable social, economic and moral situation.

In conclusion it should be noted that all these factors produce a cumulative effect on the development of small businesses. It is actually impossible to define a certain factor and determine its influence on the development process. All the above-mentioned factors either strengthen or eliminate each other. However, the listed factors are not the only ones, which influence the forming of an entrepreneurial environment. There may be casual factors, whose influence can hardly be forecast.

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THE AGRO-INDUSTRIAL COMPLEX: IMPROVING ECONOMIC RELATIONS

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One of the main reasons for the unsatisfactory situation in the agro-industrial complex is the lost ability to regulate processes taking place in this sphere. The organizational structure of the agro-industrial complex (AIC), which comprised agriculture, forestry, water economy, processing and food industry, material and technical supply, agrarian services and agricultural construction, had disintegrated.

The AIC state management system was liquidated and nothing was created in its stead. This has caused a vacuum in the management system. The unreasoned and scientifically baseless reorganization of state management bodies has led to disjointed management functions at republican and regional levels and the vertical system of the AIC state management system was disrupted.

The AIC economic management system has not been formed either, for different reasons. Numerous structures have been formed in material and technical supply, processing, agro-services and trade, but their work has not been coordinated at state level.

The majority of commercial structures have channeled their activity to making profits without taking into account the interests of agricultural producers and this has negatively influenced the whole production process.

At the present time the number of enterprises and producers processing agricultural raw materials for food and light industries is more than 600.

Due to lack of resources, the production capacities of processing enterprises remain underused. Food industry enterprises are only working on average to 15 % of their capacity and some other enterprises producing certain types of products – less than 10 %.

The branch really lacks modern containers and packaging materials.

The main factor restricting the food industry's development is the unadjusted mechanisms of interaction between agricultural producers and processing enterprises.

The difficult situation in light industry was caused by a lack of mutual relations between light industry and