

CURRENT ISSUES OF DEVELOPMENT OF SMALL AND MEDIUM ENTREPRENEURSHIP IN THE REPUBLIC OF ARTSAKH

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Abstract

The combination of small technological, productive and management flexibility allows small and medium enterprises to be sensitive to changing market conditions. Small and medium entrepreneurship has acquired a special role and importance for Artsakh in the current conditions of the post-war economic recovery which requires identifying the problems of ensuring the continuity and efficiency of business entities, developing and implementing new approaches and tools aimed at solving them. In general, a guaranteed way to ensure social solidarity, political stability and economic growth in different countries is the presence of developed small and medium enterprises. In the current conditions, it is urgent and modern to eliminate obstacles to the development of small and medium enterprises by continuously identifying and introducing more effective mechanisms of state support.

Key words: small and medium enterprise, state support, GDP, social policy, tax privileges.

Introduction

The issues of development of SME have been and currently continue to be one of the important issues of the socio-economic policy implemented in the Republic of Artsakh. For the post-war recovery of the country's economy, the role of small and medium enterprises has become urgent, especially for the development of the economy, creation of new jobs, raising the living standards of the population, forming the middle class of society, increasing the level of food security and thus overcoming poverty.

Small and mid-sized enterprises are often defined as “drivers of economic growth” or “instruments for dynamism, innovation and flexibility”. Thanks to the development of small and mid-sized enterprises, it is possible to ensure real GDP growth, to increase the level of employment as well as to reduce poverty [1]. It is necessary to note that the ways of

identifying the obstacles to the development of SMEs in the republic and solving them are outlined in the priority reform programs of the Artsakh government.

The policy implemented in the field of SMEs aims to promote the development of SMEs in the country through direct state support mechanisms (tools), diversifying the frameworks aimed at state support of SME entities, envisaging the use of existing mechanisms of state support for SME entities (financial, informational, consulting, training, support to sector businesses, etc.) ensuring continuity and improvement [2].

Conflict Setting

Remarkable researches and studies have recently been carried out in domestic scientific-professional frameworks on small and medium enterprises dedicated to increasing their efficiency.

In the current period of the post-war recovery of the economy of the Republic of Artsakh, there is a strong need to deeply study the issues of ensuring the effectiveness of SME development under the conditions of the new realities, especially in the context of the use of methods and methods of state regulation of the economy.

Research results

The development of SMEs is one of the main directions of the economic policy of the Government of Armenia within which the government takes constant steps towards the development of the sector, simplification of legal regulation, cooperation with international structures, dialogue between the government and the private sector as well as in some other areas. The National Assembly of the Republic of Artsakh adopted the Law “On State Support of Small and Medium Enterprises” on April 12, 2001 which defined the standards and main directions of small and medium enterprises as well as the forms and methods of their state support in the Republic of Artsakh for the first time [3].

The only criteria to classify the enterprises in Artsakh is the number of workers. According to it, SME are classified into:

- **Very small** trade organizations and private enterprises whose workers are not more than 5 people
- **Small** trade organizations and private enterprises whose workers are not more than
 - ✓ In the industry and other branches of material production - 50 people
 - ✓ In construction and energy sector – 25 people
 - ✓ In education and science – 25 people
 - ✓ In transport, trade and service sector - 15 people.
- **Medium** trade organizations and private enterprises whose workers are not more than
 - ✓ In the industry and other branches of material production - 100 people
 - ✓ In construction and energy sector – 50 people
 - ✓ In education and science - 50 people
 - ✓ In transport, trade and service sector - 30 people

Support programs of SME are

- Partial subsidiary programs of percentage of loans given to individual business entity of SME
 - Promotion support program of the products or services by individual business entity
 - Business informative and consulting support program to SME [4].

According to the results of the research of business register carried out by the National Statistical Service of the Republic of Artsakh in the last three years, the number of state-

registered legal entities decreased by 93 including the number of operating entities by 175 and the decrease in individual entrepreneurs was 1468 and 955, respectively.

The consumption of production by acting legal entities (products, services) decreased by 10 percent.

Table 1

The number of legal entities and individual entrepreneurs under study in 2019-2021

	Legal entity	Acted	Individual entrepreneur	Acted
On 01.01.2020	4203	1184	11563	3861
On 01.01.2021	4428	1187	12105	3192
On 01.01.2022	4135	1012	10637	2237

Table 2

Distribution of legal entities and individual entrepreneurs according to the number of workers in 2019-2021 (%)

	Legal entity				Individual entrepreneur	
	Big	Mid-sized	Small	Very small	Small	Very small
On 01.01.2020	5.1	4.0	26.9	64.0	0.6	99.4
On 01.01.2021	6.3	4.1	21.2	68.4	0.4	99.6
On 01.01.2022	5.8	4.2	26.9	63.1	0.1	99.9

Table 3

Distribution of revenue from consumption of products and services by acting legal entities according to number of workers in 2019-2021 (%) [5].

	Big	Mid-sized	Small	Very small
On 01.01.2020	52.7	5.3	29.6	12.4
On 01.01.2021	67.1	6.1	16.4	10.4
On 01.01.2022	64.6	6.2	19.3	9.9

Tables 1-3 were compiled by the authors based on the publications of the business register survey carried out by the NSS of the Republic of Artsakh in 2020-2022.

The main factors ensuring the level of economic viability of small enterprises are:

- financial potential (assets, capital structure, payability),
- productive potential (structure of main and circular production funds),
- labour potential (staff and qualification of employers of the enterprise).

However, the decisive factor ensuring the effective operation of a small enterprise is the availability of state support, the forms of which must be different, effective and conducive to achieving the strategic goal of increasing the share of small and mid-sized businesses in the GDP and its structure by increasing employment and improving their well-being [6].

Currently, the package of bill “On Amendments to the Law on “Profit Tax”, “Trade Tax” and “Certified Fees”” is currently being discussed in the National Assembly of the Republic of Artsakh which suggests

1) In terms of income tax, the sums of state support provided for the loss as a result of the hostilities unleashed against the Republic of Artsakh on September 27, 2020 should not be considered as income, and at the same time, the possibility of loss transfer should be limited for taxpayers included in the state support program.

2) to tax commercial activity through pharmacies and chemistry with the trade tax setting its rate to 3 percent of sales turnover reducing 1 percent of documented expenses for goods purchased for sale.

If the amount of trade tax after reduction is less than 2 percent of sales turnover, then trade tax will be calculated at the rate of 2 percent, and the unreduced part will be reduced in subsequent reporting periods.

3) to tax a number of types of activities of small and medium enterprises with fixed fees, setting the period of submission of the statement on the baseline data at quarterly intervals, and for individual entrepreneurs submitting term calculation-reports at term intervals. It is also recommended to set the quarter as the term of payment of the fixed fee for the new types of activities [7].

As a result of the adoption of the package of draft laws, more favorable conditions of activity will be created for small and medium enterprises and unified approaches in terms of taxation with profit tax will be ensured for entities that have suffered losses as a result of hostilities.

In the current stage of development of entrepreneurship in Artsakh SMEs face the following problems which can be conditionally divided into 5 groups :

1. General issues (not fully developed tax systems which affect SMEs);
2. security of activity of SMEs;
3. Problems arising at the stage of organization of small and medium enterprises (finding a vacancy in the market, attracting partners, financial problems, imperfection of the certification procedure);
4. SMEs in the stage of development (problems of information market awareness, fierce competition, lack of improvement activities of professional skills);
5. Problems that arise at the start-up stage of an SME (lack of working capital, high rent, difficulties in finding ways to sell products or services, lack of qualified personnel, high prices for high-quality advertising).

Hence, it is necessary to divide the issues of SMEs into

- shortcomings of corresponding infrastructures and mechanisms which promote the activity of SMEs,
- difficulties when receiving financial (credit) aids for SMEs which are connected with the absence of short-term and alternative sources of financing (crediting),
- absence of business skills and financial sources for beginners,
- obstacles on the way of getting business information, staff consultation and training,
- limited opportunities of internalization of SME activities.

It should be noted that the characteristic of the country according to the European Small Business Act (SBA) is the “SME policy index. Eastern Partner Countries 2020”, the calculation methodology of which was developed by the Organization for Economic Co-operation and Development (OECD), the European Bank for Reconstruction and Development and the European Education Fund (EFF) with the financial support of the European Union, within the framework of the EU4Business initiative to evaluate SME institutions and policies efficiency.

It should be noted that the SME economic policy index has been an important auxiliary tool for the competent state bodies of Eastern Partnership countries and their foreign partners since 2012 in the development and implementation of more effective policies for the development of the SME sector [8].

Since the above mentioned methodology requires self-assessment by the government and data and information collection by local experts for each platform as well as conducting interviews with key stakeholders and private sector representatives, it is advisable to implement a SME economic policy with the involvement of relevant public administration and statistical service bodies in Artsakh Republic. Moreover, ARMSTAT prepared the first statistical bulletin of “Small and Medium Enterprises in the Republic of Armenia” in 2018 which presents

comprehensive and detailed information about the role of the SME sector in the RA economy. The publication adopted the recommended OECD template for the dissemination of statistical data which includes the use of numerous figures and tables and includes indicators such as: number of enterprises (by size and economic activity), turnover of SMEs, employers, average wages, gross value added and information on the creation and termination of enterprises [9].

We think that such research is possible and is necessary to conduct in the Republic of Artsakh. The level of digital development of both the enterprise and the entire industry plays an important role in the modern world. In other words, the digital factor acquires both internal and external character. The digital transformation of the global economy and the gradual introduction of 4.0 technologies into the global economy demonstrate to enterprises of all sizes and fields of activity the urgent need to digitize production and management processes in the near future in order to remain competitive in national and foreign markets.

This problem is especially relevant for small and mid-sized businesses due to the most active digitization of transnational corporations and large domestic companies, which have sufficient resources to acquire and invest in expensive advanced technologies and can make small and mid-sized businesses get out of the market [10].

Conclusion

Thus, despite the fact that the Government of Artsakh develops and implements programs to support small and medium enterprises, it needs to be improved in the current challenges. To solve the existing problems, it is necessary to implement changes in the following areas:

1. Property support activities for SMEs - free use of state-owned capital structures (buildings, structures), isolated areas and their parts including the right to acquire them by ownership after the end of the period of free use with priority for deported citizens;

2. Access to state procurement: defining the specifics of participation of SMEs as suppliers (contractors, executors) in public procurement procedures for goods (tenders, services).

To authorize at least 10% of the total volume of state procurement of goods (works, services) to SMEs and conduct separate tenders for this part of state procurement of goods (works, services) among these organizations;

Involvement of SMEs in the supply of goods (performance of work, provision of services) as co-performers, setting special requirements for reserving a certain share of state procurement of goods (works, services) for SMEs for tender winners.

3. Grant support to start-up entrepreneurs aimed at attracting investment from migrant workers to business; every 1 million Drams invested from the funds earned by a migrant working abroad is supplemented by 1 million Drams in the form of a grant setting the maximum amount of the grant to 3 million drams.

4. Introduction of additional financial instruments on the principle of co-financing, which will help SMEs to participate in exhibitions and fairs abroad and other business cooperation events;

5. Ensuring a state policy to support the innovative activities of small businesses, to promote the development and production of new types of products, to develop new technologies, to apply patents and licenses and know-how.

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**ՓՄՁ ՈԼՈՐՏԻ ԶԱՐԳԱՑՄԱՆ ԱՐԴԻ ՀԻՄՆԱԽՆԴԻՐՆԵՐԸ
ԱՐՑԱԽԻ ՀԱՆՐԱՊԵՏՈՒԹՅՈՒՆՈՒՄ**

Ներսիսյան Կ.Ա., Պողոսովա Տ.Ա.

Շուշիի տեխնոլոգիական համալսարան

Տեխնոլոգիական, արտադրության և կառավարման ճյուղության հետ համադրությունը թույլ է տալիս փոքր և միջին ձեռնարկություններին զգայուն լինել շուկայական փոփոխվող պայմանների նկատմամբ: Փոքր և միջին ձեռնարկատիրությունն Արցախի համար առանձնահատուկ դեր և նշանակություն է ձեռք բերել տնտեսության հետպատերազմյան վերականգնման պայմաններում, որը պահանջում է բացահայտել տնտեսավարող սուբյեկտների գործունեության արդյունավետության ապահովման հիմնախնդիրները, մշակել ու գործողության մեջ դնել դրանց լուծմանն ուղղված նոր մոտեցումներ ու գործիքակազմ: Հրատապ և արդիական է փոքր և միջին ձեռնարկատիրության զարգացման խոչընդոտների վերացումը՝ շարունակաբար բացահայտելով և ներդնելով պետական աջակցության առավել արդյունավետ մեխանիզմներ:

Բանալի բաներ. Փոքր և միջին ձեռնարկատիրություն, պետական աջակցություն, ՀՆԱ, սոցիալական քաղաքականություն, հարկային արտոնություններ:

**СОВРЕМЕННЫЕ ПРОБЛЕМЫ РАЗВИТИЯ СФЕРЫ
МСП В РЕСПУБЛИКЕ АРЦАХ**

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Сочетание технологической, производственной и управленческой гибкости позволяет малым и средним предприятиям легко адаптироваться к меняющимся рыночным условиям. В нынешних условиях послевоенного восстановления экономики малое и среднее предпринимательство приобрело для Арцаха особую роль и значение, что требует выявления проблем, препятствующих повышению эффективности деятельности хозяйствующих субъектов, разработке и внедрению новых подходов и инструментария, направленных на их решение. Важным и актуальным является устранение препятствий на пути развития малого и среднего предпринимательства путем постоянного выявления и внедрения более эффективных механизмов государственной поддержки.

Ключевые слова: малое и среднее предпринимательство, государственная поддержка, ВВП, социальная политика, налоговые льготы.

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