

МЕНЕДЖМЕНТ

Prospects for the development of the SME sector in the RA

Baghdasaryan Gevorg B.

Armenian State University of Economics, MBA student, 2nd year (Yerevan, RA)

gevorg.baghdasaryan20@gmail.com

UDC: 330.3; **EDN:** HRSSUR; **JEL:** H2, H3

Keywords: SME, GDP, regression model, taxes

ՓՄՁ ոլորտի զարգացման հեռանկարները ՀՀ-ում

Բաղդասարյան Գևորգ Բ.

ՀՊՏՀ, Կառավարման ֆակուլտետ, առկա մագիստրատուրա, 2-րդ կուրս (Երևան, ՀՀ)

gevorg.baghdasaryan20@gmail.com

Ամփոփում. Փոքր եվ միջին ձեռնարկատիրության ոլորտը նշանակալի դերակատարություն ունի ՀՀ-ում ՀՆԱ-ի ձևավորման, զբաղվածության, եկամուտների հավասար բաշխման հնարավորության ապահովման և աղքատության հաղթահարման առումով: Չնայած այն հանգամանքին, որ խոշոր ընկերությունները ավելի մեծ ավելացված արժեք են ստեղծում, այնուամենայնիվ ՓՄՁ զարգացման համար անհրաժեշտ պայմաններ ստեղծելու պարագայում դրանք ևս կարող են էական ազդեցություն ունենալ երկրում ստեղծվող ապրանքների և ծառայությունների վերջնական ծավալի վրա:

Սույն հոդվածում նպատակ է դրվել բացահայտել ՀՀ-ում փոքր և միջին ձեռնարկատիրության հիմնախնդիրները, զարգացման ներուժն ու հեռանկարները: Վիճակագրական գործիքների միջոցով բացահայտվել է ՀՆԱ-ի և ՓՄՁ-ների կողմից ստեղծված ավելացված արժեքի միջև կապը, համապատասխան ցուցանիշների վերլուծության միջոցով բացահայտվել են ոլորտում առկա հիմնախնդիրները:

Հանգուցաբառեր՝ ՓՄՁ, ՀՆԱ, ռեգրեսիոն մոդել, հարկեր

Перспективы развития сектора МСП в РА

Багдасарян Геворг Б.

Армянский государственный экономический университет, магистрант делового администрирования, 2-ой курс (Ереван, РА)

gevorg.baghdasaryan20@gmail.com

Аннотация. Сектору малых и средних предприятий (МСП) принадлежит значительная роль в формировании ВВП РА, занятости населения, обеспечении возможности равного распределения доходов и преодолении бедности. Несмотря на то, что крупные компании создают большую добавленную стоимость, в случае создания необходимых условий для развития МСП они также могут оказать существенное влияние на конечный объем товаров и услуг, создаваемых в стране.

Данная статья направлена на выявление проблем, потенциала развития и перспектив малого и среднего предпринимательства в РА. С помощью статистических инструментов была выявлена взаимосвязь между ВВП и добавленной стоимостью, созданной МСП, а через анализ соответствующих показателей выявлены проблемы в отрасли.

Ключевые слова: МСП, ВВП, регрессионная модель, налоги

Introduction.

The environment created to support entrepreneurial activity and its growth is crucial to the development of the national economy. The growth of small and medium-sized enterprises, which are a more vulnerable link in the chain of economy, requires special consideration.

The development of SMEs in the Republic of Armenia is accompanied by a number of problems. Armenia has a small domestic market that is vulnerable to external shocks and an unfavorable geographic location, so enhancing economic competitiveness and generating economic growth through exports has been identified as a top policy priority for the country. Armenia's borders with two

of its four neighbors, Azerbaijan and Turkey, remain closed. In social terms, the main problems of the Republic of Armenia are the high level of poverty, income inequality, uneven territorial development.

Analysis.

In 2020, the share of the SME sector in the country's GDP is more than 26%. Strengthening the competitiveness of the SME sector is key to developing the economy, reducing dependence on external factors and ensuring sustainable economic growth.

First of all, we note that enterprises in the Republic of Armenia are very unevenly distributed geographically. In all the years under review, super-small enterprises dominated among small and

medium-sized enterprises, accounting for more than 90 percent of small and medium-sized enterprises. Table 1 shows that the vast majority of the total number of enterprises in the Republic of Armenia are small and medium-sized enterprises, which in 2020 accounted for 99.8% of the total. This, of course, is a good indicator at first glance, but what is more important is the extent to which these small and medium-sized enterprises create value-added and how much they influence the formation of GDP.

Here you can see that in 2020 in Yerevan, according to the data, there are more SMEs (52%) than in the other 9 marzes together, which can be described as a negative phenomenon in terms of balanced territorial development. Kotayk region is in second place in terms of the number of enterprises, where 6 percent of enterprises are located. Marz Vayots Dzor, where only 2% of enterprises are located, is losing its positions in this regard.

SME density (number of SMEs per 1,000 residents) in Yerevan in 2020 was 39, the average for the marzes - 22. The same indicator is 28 throughout the RA. For comparison, we note that neighboring Georgia surpasses Armenia by almost 10 times (about 290) [7; 8].

During the observed period, the number of SMEs in the Republic of Armenia showed a steady growth trend. In particular, the average growth rate of the number of SMEs for the entire period was 11.8%. If we consider 2017 as a base year, then compared to this year in 2020 the indicator increased by 39.6%. If we consider the change in their number by individual marzes and Yerevan, then here is the same picture when the index grows. Here, attention is drawn to the fact that the

pandemic had a positive impact on the quantitative indicators of the SME sector.

Table 1: Number of SMEs by marzes of RA and the city of Yerevan, 2017-2020 (unit) [2; 3; 4; 5]

	2017	2018	2019	2020
Yerevan	30983	35662	39280	42792
Aragatsotn	1556	1780	2000	2283
Ararat	3662	4223	4547	5261
Armavir	3424	3943	4438	5016
Gegharkunik	2403	2763	3007	3340
Lori	3627	4254	4522	4977
Kotayk	4728	5890	6393	7117
Shirak	2899	3235	3542	3970
Syunik	2838	3176	3222	3598
Vayots Dzor	1023	1227	1316	1491
Tavush	2324	2501	2778	3187
Total	59467	68654	75045	83032

The SME sector also has a direct impact on the formation of labor market trends. Speaking about the labor market of the Republic of Armenia, we can say that it is characterized by a strong disproportion. In particular, more than 30% of the labor force of the Republic of Armenia is concentrated in the capital. As for employees of small and medium-sized businesses and large organizations, we have a similar picture. In 2020, according to the data, 65% of employees of the SME sector and 74% of employees of large organizations work in Yerevan [7]. If in 2020 we consider their share in the total number of employees, then we will see that in almost all marzes and in Yerevan, employees in the SME sector predominate, the only exception is Syunik, where there are more employees in large companies (Figure 1).

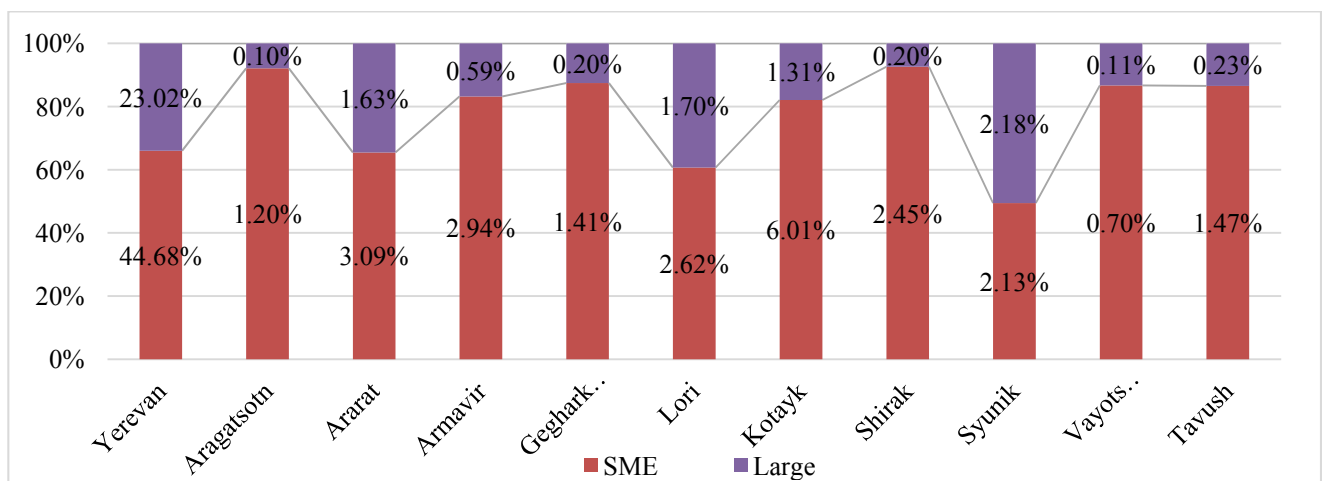


Figure 1: The structure of the number of employees by marzes of the RA and the city of Yerevan and enlarged groups by the number of entrepreneurs, 2020 [2; 3; 4; 5]

If we compare the average monthly wage rates in SMEs and large enterprises for the observed

period, we will see that the average monthly wage level in large organizations is higher than the same

indicator in SMEs during the entire period under review (Figure 2). During the period under review the average monthly salary in large organizations is 251,705 drams, and in SMEs - 153,438 drams. It

should also be noted that in the case of the former, the range of variation was [+0.7%; +8.6%], and in the case of SMEs, the range was larger: [-4.8%; 5.3%].

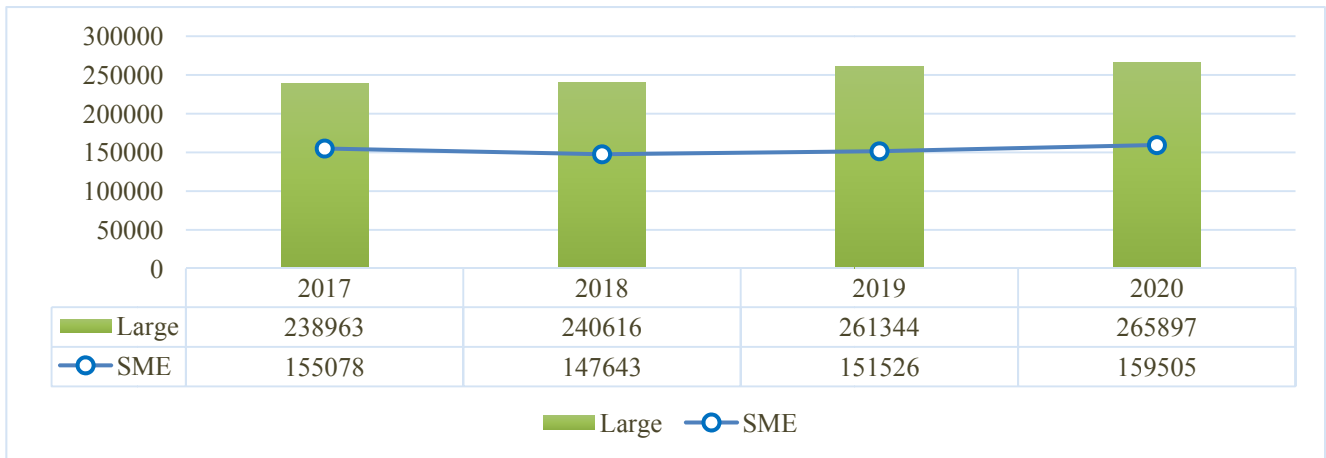


Figure 2. Average monthly nominal wages by enlarged groups of entrepreneurs, 2020 (AMD) [2; 3; 4; 5]

GDP is an accurate indicator of the state of the economy, and the rate of GDP growth characterizes the level of efficiency of the economy. By comparing GDP with the corresponding figures of the previous or base year, one can determine whether the economy is expanding by producing more goods and services or contracting.

As a result of studying the data in Figure 3, it becomes clear that over the period under review, the GDP growth rate was negative only in 2020, having

decreased by 7.2 percent compared to the previous year. In 2020, first the spread of the pandemic, and then the military actions in Artsakh and beyond, the Armenian economy faced increased significant uncertainty about the future course of the economic outlook. Uncertainties change the behavior of both the population (households) and businesses (economic entities). As a result, this affects the volume of goods and services produced in the country.

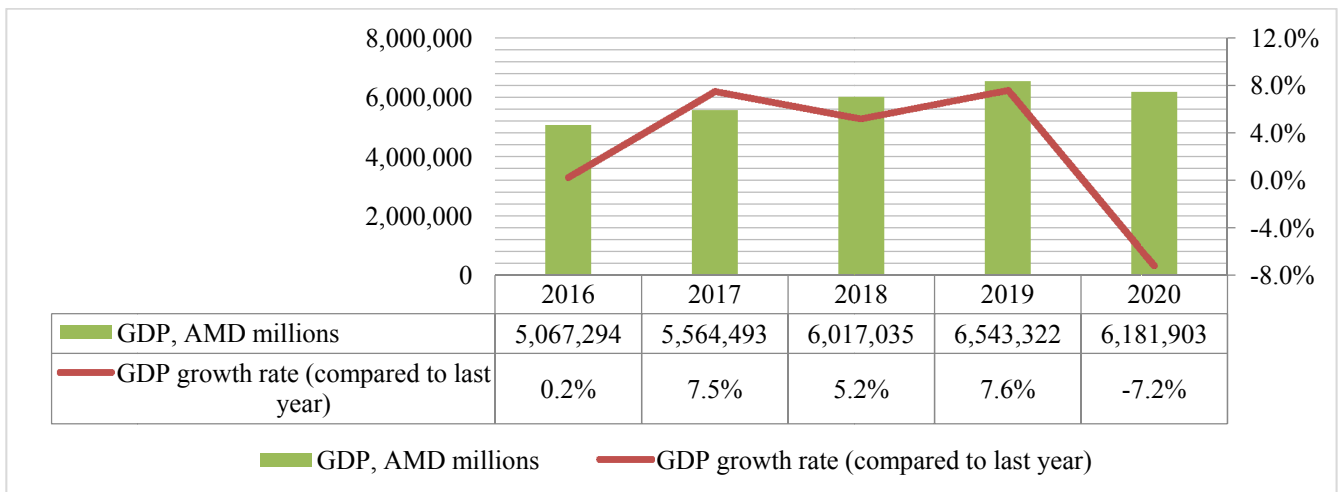


Figure 3. Relative and absolute change in GDP in 2016-2020 [7]

It should be noted that the share of value added created by SMEs in GDP averaged 25% over the period under review. Figure 5 illustrates the relationship between GDP and the value added created by SMEs.

To identify the relationship of variables a regression model was built that will allow to evaluate the dependent variable through the independent variable. The SME value added index

for the period under review was taken as the independent variable, and the level of GDP was taken as the dependent variable. The positive slope of the straight line in the diagram indicates a positive relationship between two variables, which means that a change in the independent variable, SME value added, leads to a change in the dependent variable, the level of GDP. This is also evidenced by the regression coefficient (R^2) equal to

0.6593, which means that a change in the value added created by SMEs affects a change in the level of GDP by 65.93%. It means that the added value

created in the industry can have a significant impact on the formation of GDP, and its growth will certainly lead to an increase in GDP at a higher rate.

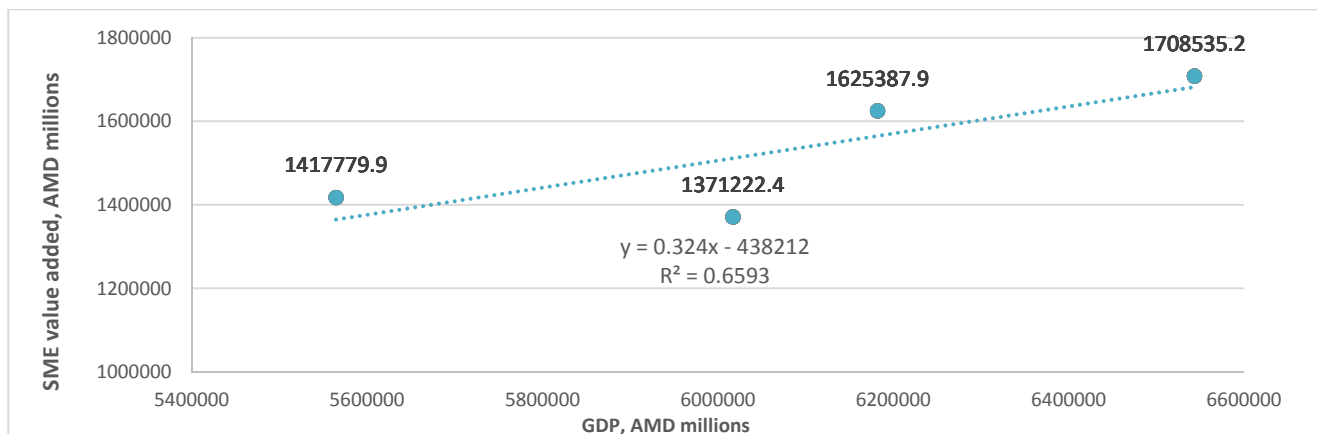


Figure 4: Relationship between the level of GDP and the value added created by SMEs [7]

Statistics show that about 95% of the revenues of the state budget of the Republic of Armenia are tax revenues and state duties, that is, about 95% of the revenues of the state budget of the RA are formed from taxes and state duties [1]. We have already mentioned that during the 4 years under consideration, on average, about 70,000 small and medium-sized enterprises operated in the RA, and their number tends to grow. If we study the share of

taxes and fees paid by 1,000 large taxpayers in the total amount of taxes and fees, we will see that the taxes and fees paid by them make up a large part of the total. In the observed period, their share in the total amount averaged 69.4% (Figure 5). From the above data, it can be assumed that, despite their large number, only a small part of SMEs participates in the process of generating budget revenues.

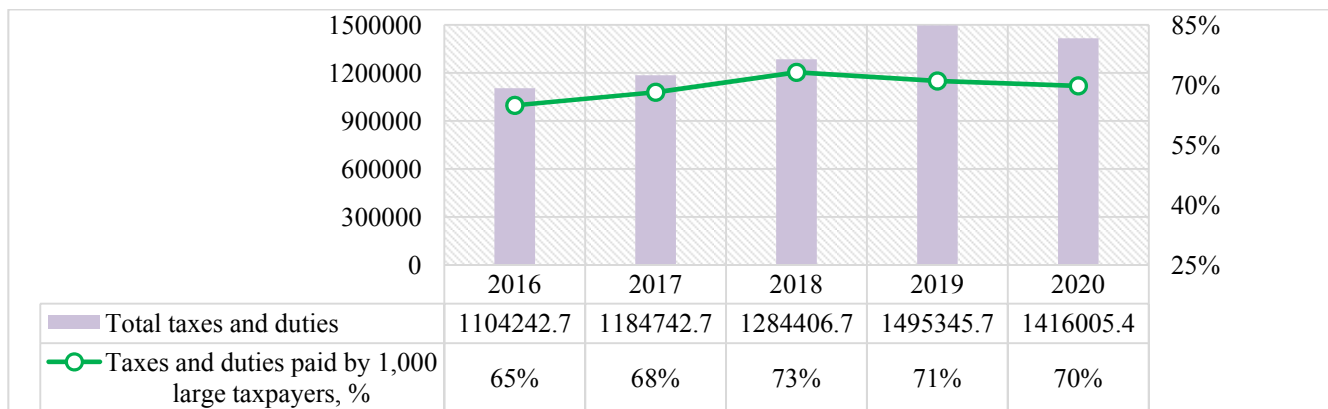


Figure 5. The share of taxes and duties paid by 1,000 large taxpayers in the structure of the total amount of taxes and duties paid to the RA budget, 2016-2020 [6; 7]

Conclusions and recommendations.

Summarizing the above, we can say that SMEs have the level of potential that will allow them to have a significant impact on the level of GDP. Despite this fact, the share of value added created by SMEs in GDP is still low, SMEs have a very small impact on tax revenues to the budget. It is necessary to develop and promote an entrepreneurial culture in the Republic of Armenia, SMEs have big problems with access to financing, they are distinguished by a low level of knowledge and skills, the business environment in the Republic of Armenia has not yet been clearly formed. The territorial distribution of

SMEs is characterized by a rather pronounced asymmetry; the majority of business entities prefer to carry out their activities in Yerevan: The solution to problems in the industry should be aimed at identifying the potential of SMEs and maximizing their use, which will increase their level of efficiency and productivity, contributing to the growth of GDP.

To solve the problems of the industry, we recommend:

1. To expand the effectiveness of state support tools for SMEs. It is necessary to review the lending procedure, especially for SMEs, by making it

simpler and more transparent, and by increasing the level of guarantees provided by the state.

2. To actively promote the development of financial literacy of SMEs, contributing to the development of business culture. In this regard, it is necessary to conduct a large information campaign, which will be aimed at increasing the technical capabilities of the subjects. This mainly concerns the transfer of new approaches and technologies, marketing, accounting, strategic planning and financial management, the necessary entrepreneurial knowledge.

3. It is necessary to improve the mechanisms of private-public dialogue, which will allow SMEs to be in constant contact with the relevant state bodies, provide feedback, which will allow them to quickly solve problems that arise in the industry.

4. To promote the integration of SMEs into the value chain of large organizations. It is necessary to first study and eliminate all problems that hinder the cooperation of large and small organizations. Here the role of the state as a link is important.

5. To activate state support programs, especially in marzes, by reviewing legal requirements and easing the financial burden of

SMEs. In the long term, this can create prerequisites for balanced territorial development.

References

1. RA Law "On the State Budget"
2. RA Statistical Committee, SME Statistical Bulletin, 2017
3. RA Statistical Committee, SME Statistical Bulletin, 2018
4. RA Statistical Committee, SME Statistical Bulletin, 2019
5. RA Statistical Committee, SME Statistical Bulletin, 2020
6. <https://www.petekamutner.am/>
7. <https://armstat.am/>
8. <https://www.geostat.ge/>
9. <https://www.ilo.org/infostories/en-GB/Stories/Employment/SMEs#power-of-small>
10. <https://www.worldbank.org/en/topic/smefinance>

Сдана/Հանձնվել է՝ 06.11.2022

Рецензирована/Գրախոսվել է՝ 24.11.2022

Принята/Ընդունվել է՝ 30.11.2022