
Armenian Small And Medium-Sized Business Isn't Developing

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The sphere of small and medium-sized business (SMB), which is still the basis of the Armenian economy, isn't developing due to unbearable taxation. This is one of reasons for the migration of businessmen, which leads to a reduction in demand for SMB goods among the population. SMB is under a extremely strong negative influence which can be called "the ripple effect." It can be concluded, after reading the results of the survey "SMB in Armenia: the current situation, tendencies, development, and applied instruments," which has been conducted by the consulting company Ameria.

Considering the fact that the share of SMB in Armenia's GDP was about 43%, the problems of the sphere had to cause concerns among top officials. However, it isn't taking place. According to surveys involving 1003 enterprises, only 5.1% of Armenian SMB entities are medium-sized enterprises, 20.2% are small, while the other 74.7% are micro-entities. 47.6% are involved in trading; 34.4% - in the service sector; 15.5% - in industry; 2.2% - in construction.

According to the director of development of the group of companies Ameria, Tigran Dzhrbashyan, the SMB sphere suffered a significant fall in comparison to 2012. And Armenia hasn't established favorable conditions for development of the sphere. Small and medium-sized enterprises, especially micro-entities, remain in a profound depression. This is encouraged by huge migration from the regions. One of main problems in the path of SMB development is heavy taxation, which traditionally attacks micro-businessmen. As a result, some of them have shut down, others are almost bankrupt.

Another negative factor is the low accessibility of loans for enterprises working in the regions, i.e. pay-back periods are short, while rates are enormously high. Average dram credit rates are about 18.5%, dollar credit rates - 14.5%. This means that an SMB is an instrument of profit for commercial banks.

Low demand in the SMB sphere can be compensated only by growing exports. Exporting enterprises are least vulnerable to the fluctuations of internal demand. Considering the fact that SMB goods are unlikely to be popular in Europe, Armenian businessmen will have to wait to join the Customs Union. At least this can be concluded from the results of the surveys by Armenian experts.

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