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FACTORS AFFECTING FINANCIAL RISK AT SMALL AND MEDIUM ENTERPRISES IN KAZAKHSTAN

Abstract. The purpose of following research was to identify the factors that affect financial risk in SME on the example of enterprises. The relevance of the topic of this study was determined by the fact that modern business is impossible without identifying risk. To achieve aim author chooses quantitative analysis by using regression model with financial risk as dependent variable and debt structure, solvency, performance, operation ability, capital structure as independent variables. Considering the particularity of the small and medium-sized enterprises, Alexander Bathory model was used to measure the size of the financial risk. The research data of this study was based on 2016 annual reports of 80 enterprises, which were selected from small and medium enterprises of all cities of Kazakhstan. Regression analysis showed that solvency and performance have positive impact on financial risk and they were the main factors affecting financial risk.

Key words: Financial risk, debt structure, solvency, performance, operation ability, capital structure, measuring risk, regression analysis.

Аңдатпа. Зерттеу мақсаты кәсіпорындар мысалында шағын және орта кәсіпорындарда қаржылық тәуекелді әсер ететін факторларды анықтау болып табылады. Зерттеу тақырыбының өзектілігі қазіргі заманғы бизнестің белгілі бір тәуекелсіз мүмкін еместігі, бұл өз мәнінде зерттеуде анықталады. Мақсатқа жету үшін автор тәуелді айнымалы ретінде, төлем қабілеттілігі, орындау, жұмыс істеу қабілеті, және капитал құрылымын тандады, сондай-ақ тәуелсіз айнымалы ретінде қаржының тәуекелі бар регрессиялық модельді пайдаланып сандық талдау таңдайды. Шағын және орта кәсіпкерлік субъектілері болып табылатын ерекшеліктерді ескере отырып, Александр Батори үлгісін қаржының тәуекел мөлшерін анықтау үшін пайдаланылатын болады. Осы зерттеудің деректері, шамамен 80 компания, Қазақстанның барлық қалаларының шағын және орта кәсіпорындарынан таңдалған болады, 2016 жылғы есептерінің негізінде болады. Регрессиялық талдау төлем қабілеттілігі мен өнімділігін қаржылық тәуекел бойынша оң әсер және олар қаржылық тәуекелді әсер ететін негізгі факторлар екенін көрсетті.

Түйінді сөздер: қаржылық тәуекел, төлем қабілеттілігі, жұмыс істеу қабілеті, капитал құрылымы, регрессиялық модель.

Аннотация. Цель исследования заключается в определении факторов, влияющих на финансовый риск в малых и средних предприятиях на примере организаций. Актуальность темы данного исследования определяется тем, что современный бизнес невозможен без определения риска. Для достижения цели автор построил регрессионную модель с финансовым риском в качестве зависимой переменной и платежеспособностью, производительностью, способностью работать, структурой долга, капитала в качестве независимых переменных. Учитывая специфику малых и средних предприятий, модель «Александр Батори» была использована для определения размера финансового риска. Данные этого исследования взяты из годовых отчетов 80 малых и средних предприятий РК, сделанных в 2016 году. Регрессионный анализ показал, что платежеспособность и эффективность являются основными факторами, влияющими на финансовый риск.

Ключевые слова. Финансовый риск, структура долга, платежеспособность, производительность, капитал, определение риска, регрессионный анализ.

Risk is inherent in any form of human activity, which is associated with a variety of conditions and factors that affect the positive outcome of people's decisions. Risk is the flip side of the freedom of entrepreneurship. With the development of market relations in our country, competition intensifies, and opportunities for activity expand. Entrepreneurs need original solutions and actions in order to succeed in the business. The main goal of entrepreneurship is to maximize revenues with minimal capital outlays in a competitive environment. The realization of this goal requires measuring the size of the capital invested in production and trade with the financial results of this activity. At the same time, any type of economic activity objectively has a risk of losses, the level of which is fluctuated according to specifics of a business, while the financial risk of the enterprise is understood as the probability of unfavorable financial consequences in the form of loss of income and capital in the situation of uncertainty in conditions for the implementation of its financial activities [1].

Researchers state that financial risk arises in the process of the company's relations with financial institutions (banks, financial, investment, insurance companies, stock exchanges, etc.) [2]. The reasons for the financial risk are inflation factors, growth of bank discount rates, a decline in the value of securities, etc.

At present, the deep crisis in the economy of the Republic of Kazakhstan has a great influence on the negative changes in the financial situation, both for individual enterprises and for the industries as a whole. Business in Kazakhstan is actually shaped of small businesses in the form of individual enterprises, legal entities and peasant farms. Almost 72 % of individual entrepreneurs (IE), 14% of individual farms and the rest of small enterprises form the SMEs in Kazakhstan. The contribution of large enterprises that are engaged in business activities could only make it nowhere just 0.1%. To get the right idea of what Kazakh business is, it is pretty much easy to understand that mainly there are individual entrepreneurs and SMEs. For instance, the number of SMEs has seen slight decrease between 2014 and 2015 both of operating SMEs with 2,3% and the registered SMEs to be dropped by 7,6% [3].

In most cases, due to the fact that entrepreneurs do not take risks into account, many enterprises are closed. Financial condition of companies is very important for the company to move forward. In order to stabilize the socio-economic status of enterprises, their financial independence, and increase their efficiency, maximize profits or avoid losses and bankruptcies, enterprise managers are increasingly focusing on financial planning in modern conditions. This, undoubtedly, is one of the most important factors of the normalization of economic turnover, providing it with the necessary resources, strengthening the financial position of enterprises in conditions of uncertain economic situation.

Consequently, in the market economy, the decision-making process occurs at all levels of management in conditions where the final result of the activity is unknown. So, the level of risk increases with acquired uncertainty. In particular, this is inherent in initial stages of the development of entrepreneurship.

In modern economic theory the risk is such a category which measures the uncertainty. The problem of risk management exists in any sector of the economy - from agriculture and industry to trade and financial institutions, which explains its relevance. In this regard, it is important to define a system of risk assessment indicators for planning the activities of an enterprise, the factors affecting it, developing practical recommendations for reducing and minimizing risks, and developing a risk management strategy.

The financial activity of the enterprise in all its forms is fraught with numerous risks, the degree of influence of which on the results of this activity increases significantly with the transition to a market economy. Risks accompanying this activity are allocated to a special group of financial risks that play the most significant role in the overall risk portfolio of the enterprise. The increase in the degree of financial risk impact the financial performance of the enterprise due to the rapid variability of the economic situation in the country and the financial market conditions, the expansion of the sphere of financial relations and its "emancipation", the emergence of new financial technologies and instruments for our business practices and a number of other factors.

Financial risk as an object of management implies its assessment and minimization by means of risk management methods. There are several ways to assess financial risk and a great methods of managing it. The main goal of financial management is to achieve, that in the worst case of financial condition, speech could go only about a certain reduction in profits, but in no case was the question of bankruptcy [4].

The purpose of following research is to identify the factors that affect financial risk in SME on the example of enterprises. The above aim is going to be accomplished by fulfilling the following research objectives:

- Considering the theoretical basis of financial risk and its factors;
- Evaluate and analyze financial risk on the example of 80 enterprises using Alexander Bathory model.

Theoretical basis of the study was the scientific works of domestic and foreign scholars of economists and financiers, journal articles.

Methodological basis: To achieve aim author will choose quantitative analysis by using regression model with financial risk as dependent variable and debt structure, solvency, performance, operation ability, capital structure as independent variables. These factors were found during literature review. Considering the particularity of the small and medium-sized enterprises,

Alexander Bathory model will be used to measure the size of the financial risk. Data will be taken from financial statements of enterprises.

According to Frank J. Fabozzi (2010) risk is one of the inevitable, but rather important elements of any activity that is influenced by many factors, is focused on achieving certain results and requires decision-making to achieve these results. In any field of activity, risk is understood as an economic category that reflects the possibility of an unfavorable situation or an unsuccessful outcome of an activity (industrial, economic, financial, innovative) [5].

Achieving the most effective organization and implementation of acts of sale, entrepreneur-businessman constantly faces the possibility not only to not receive the expected profit, but also to lose what he already has. This can be caused by various reasons: both unfavorable natural conditions, and the activities of competitors, and the inept actions of the entrepreneur himself, etc. Therefore, it becomes necessary to assess the risk, try to anticipate it and minimize possible negative consequences. If actions involving a risk are unavoidable, then you need to learn to take a reasonable risk [6].

Risk in the general sense of the word is understood as a possible danger of loss, resulting from the specific nature of certain phenomena of nature and the wrong actions of man. Paul Sweeting (2011) states that risk is the possibility of an unfavorable situation or an unsuccessful outcome of production and economic or any other activity. An unfavorable situation or an unsuccessful outcome may be: lost profit; loss (loss of own funds); no result (neither profit nor loss); incomplete receipt of income or profit; an event that could lead to losses or a lack of revenue in the future [7].

According to Hu Meihui (2007) risk is the instability related with the likelihood of adverse circumstances and outcomes during the project, when the probabilities related with a few impacts, which can be assessed on the basis of the previous period. The financial risk of the enterprise is the aftereffect of the choice of its owners or managers of alternative financial solutions planned to accomplish the coveted target budgetary execution in the likelihood of bringing about financial harm [8].

As Valsamakis states that as an initial step for the definition, comparative terms, which are frequently utilized replaceable in every day's speech, need to be recognized, specifically: uncertainty, danger and risk. Uncertainty is utilized when the results of future occasions are uncertain and the diverse states can't be associated with probabilities of occurrence. The term danger in general stands for unplanned and unpredictable results negatively affecting something. Like those two terms, risk compresses occasions that are indeterminate with respect to their result. The distinction is that on account of risk, the results can be associated with a likelihood of event. Moreover, risk can be part into two classes. From one perspective there are pure risks or systematic risks, which can't be affected by the chief and are free of business

choices. Then again there are unsystematic risks, which are the result of managerial decision-making and can either have a negative or a positive result [9].

Despite the fact that risk as an economic phenomenon is of an objective nature, its estimated index - the level of risk - is subjective. This subjectivity (the uneven evaluation of this objective phenomenon) is determined by the different level of completeness and reliability of the information base, qualifications of financial managers, their experience in the sphere of risk management and other factors.

At present, the most significant role in the overall risk portfolio of the enterprise has become financial risks. As Steven L. Allen states that financial risk is the level of instability related with the mix of debt and equity of the enterprise or property. In the event that the share of acquired assets is greater, at that point the financial risk increases [10].

According to Plugina financial risks of an enterprise are portrayed by an extensive assortment with a specific end goal to get ready powerful administration choices require a particular risk arrangement for example, the wellspring of the risk, kind of financial risk, portrayed by an office risk evaluation, an arrangement of research instruments, the many-sided quality of financial risk, the way of the conceivable money financial outcomes of risk, the nature of risk appearance, the level of likelihood of the risk, level of money financial misfortunes on risk, the capacity to foresee risk, the likelihood of risk protection. Financial risk is equivalent to the capital structure risk, because it is considered as an additional risk born by the need to replace debt with equity. In a broader sense the financial risk will be considered any fluctuations in cash flow, financial performance and business value as a result of various factors such as interest rates, exchange rates, price changes, etc. Financial risk management has received increased attention over the past years [11].

The reason for this is that financial risks, though they are not a core competency of non-financial firms, also influence their business operations to a large extends. Financial risks can be of different forms. On the one hand there are external financial risks depending on changes on financial markets. On the other hand there are internal financial risks, where the company itself is the source of the risks.

According to Paul Sweeting one of the most important types of risks of the entrepreneurial firm in a market economy is credit risk. Credit risk is associated with the possibility of the entrepreneurial firm failing to fulfill its financial obligations to the investor as a result of using an external loan to finance the firm's activities. Consequently, credit risk arises in the process of business communication between an enterprise and its creditors: The bank and other financial institutions; Counterparties - suppliers and intermediaries; Shareholders.

As Ryaskova N. noted in any economic activity, there is always the danger of monetary losses arising from the specifics of certain economic transactions. The danger of such losses is financial risks. The number of risks that arise in the activities of many companies has increased significantly in recent years. This is due to the emergence of new financial instruments, actively used by market participants. The use of new instruments, although it allows to reduce the risks assumed, but also involves certain risks for the activities of financial market participants. Therefore, the increasing importance for the successful operation of the company is now gaining awareness of the role of risk in the company's activities and the ability to respond adequately and in a timely manner to the current situation, to make the right decision with regard to risk.

The consequences of financial risks affect the financial results of the enterprise, they can lead not only to certain financial losses, but also to the bankruptcy of the enterprise. Therefore, one of the main tasks of a financial manager is to determine precisely those financial risks that affect the activities of a particular enterprise. The main thing for a financial manager is the management of these risks or such actions that would minimize the impact of these risks on the activities of the enterprise.

Other types of risks are the risks, for example, of late execution of settlement and cash operations (related to the unsuccessful choice of a serving commercial bank); Risk of emission, etc.

The risk of financial activity of an enterprise as a whole is a complex of all types of risks inherent in the financial activity of an enterprise. It is determined by the specifics of the organizational and legal form of the enterprise, the structure of capital, the composition of assets, the ratio of fixed and variable costs, etc [12].

The main factors determining the level of riskiness of economic activity in Kazakhstan and in many respects adversely affecting the results of entrepreneurial activity of the bulk of businessmen are external [13].

Among the internal factors can be identified the main: incompetence, lack of experience, knowledge and operational business activity, adventurism, excessive credulity in relations with partners, the desire for immediate benefits to the detriment of development, etc. Meanwhile, neither in the state system, nor in specialized private firms, nor with foreign sponsors, our entrepreneurs, as a rule, as a rule, cannot receive quality consultations.

A more rigid and unpredictable factor is the uncertainty of the vectors of economic reform. The state still conducts such financial, credit, currency, structural policy, which is capable of putting on the brink of bankruptcy of any, even the most capable and qualified entrepreneur. It is impossible, of course, to take into account all the risk factors, but it is quite possible to identify the main ones from the results of the impact on one or another type of entrepreneurial activity. The division of risk factors into internal and external risks is important

for risk assessment and minimization. As a rule, external factors with great difficulty can be analyzed and influenced by the economic entity than internal factors.

One of the main niche of economies of the developing countries is small and medium enterprises. The uniqueness of SMEs is that there might be fewer number of employees than it has to be in reality, and that is the outcome of SME to be independent, non-subsidiary firms. As an example, in European Union, there is a rarity of upper limit of number of employees to be around 250, and this number varies in different countries all over the world. By contrast, some of the countries consider it to the limit at 200 employees, while in United States it might be 500 employees. SME is generally understood to have fewer than 50 employees, when smaller firms have just around 10 to 5 workers at the same time.

At the same time, the number of SMEs in Kazakhstan has seen slight decrease between 2014 and 2015 both of operating SMEs with 2,3% and the registered SMEs to be dropped by 7,6% . In most cases, due to the fact that entrepreneurs do not take risks into account, many enterprises are closed. Financial condition of companies is very important for the company to move forward.

In this study author has used financial risk as dependent variable and debt structure, solvency, performance, operation ability and capital structure as independent variables. Debt structure was found as the ratio between current liabilities and long-term liabilities (non-current liabilities) proportion in the total liabilities of the enterprise. Solvency refers to the solvency indicator that company repay maturing debt (including principal and interest). It can be divided into short-term liquidity and long-term solvency indicators. Profitability refers to the profitability level of enterprise production and management. Operationability depends on the strength of the turnover rate of assets, asset operation, asset management and other factors. Capital structure risk was found as the ratio between total liabilities and total assets. And also, financial risk of SMEs has been measured by using Alexander Bathory Model. This model can be expressed as $FR = A + B + C + D + E$, where FR is the value measuring financial risk of index, was taken as dependent variable in this study. $A = (\text{profit before tax} + \text{depreciation} + \text{deferred tax}) / \text{current liabilities}$, $B = \text{Pre-tax profit} / \text{operating capital}$, $C = \text{Shareholders' interests} / \text{current liabilities}$, $D = \text{Net tangible assets} / \text{total liabilities}$, $E = \text{Working capital} / \text{total assets}$.

According to multiple linear regression, the significance of current ratio, net profit rate, net assets ratio, and the ratio of fixed asset were 0.000, it indicated that the four variables had a significant linear relation with Financial risk metric values - FR and they were the main factors affecting financial risk. The sig of debt structure, inventory turnover, and accounts receivable turnover rate were less significant, the impact on financial risk is not obvious.

In this work five main factors affect SME's financial risk - debt structure, solvency, performance, operation ability, and capital structure. The detail was shown in Table 1.

Table 1

Factors and variable description

Factors	Variable description
Financial risk metric values	Bathory's model metrics
Debt structure	Current liabilities/non-current liabilities
Solvency	Current Ratio
	Quick Ratio
	Asset-liability ratio
Performance	Net profit rate
	Total asset returns
Operation ability	Inventory turnover
	Fixed asset turnover
	Total asset turnover
	Accounts receivable turnover
Capital structure	Net assets ratio
	Fixed assets ratio
<i>Source: (Amalendu Bhunia. 2012. Financial risk measurement of SME's)</i>	

Analyzing Amalendu Bhunia's article, among the main factors that affect the financial risk of enterprise are debt structure, solvency, performance, operation ability and capital structure:

1) Debt structure is the ratio between current liabilities and long-term liabilities (non-current liabilities) proportion in the total liabilities of the enterprise; SMEs' financial risk is positively related with debt structure. Compared with the long-term debt financing, current liabilities financing is short-term, low cost and more debt risk relatively.

2) Solvency refers to the solvency indicator that company repay maturing debt (including principal and interest). It can be divided into short-term liquidity and long-term solvency indicators. The stronger corporate solvency is, the more likely debt service is on schedule, and the less likely financial risks appear.

3) Profitability refers to the profitability level of enterprise production and management. The more corporate profitability is the more profits get from

the production and operation, the more able to guarantee of debt due for repayment the less likely financial risks appear.

4) Operation ability depends on the strength of the turnover rate of assets, asset operation, asset management and other factors. The strong operation ability can contribute to the growth in profitability, which in turn guarantee enterprises of good solvency, reduce financial risk.

5) Capital structure risk was found as the ratio between total liabilities and total assets. The higher net assets ratio in total assets is, the more secure creditors' debt is. In the same way, the ratio of fixed assets can effectively protect the interests of creditors, so as to reduce financial risk.

The main question of this work is to identify factors having more influence on financial risk at enterprises of Kazakhstan. It follows that author will research factors that have impact on financial risk of enterprises in Kazakhstan and analyze them. The work consists of correlation and regression analysis. Analyzing the most common factors that author has noted, author chose 5 factors, such as debt structure, solvency, performance, operation ability, capital structure and made a model (Figure 1).

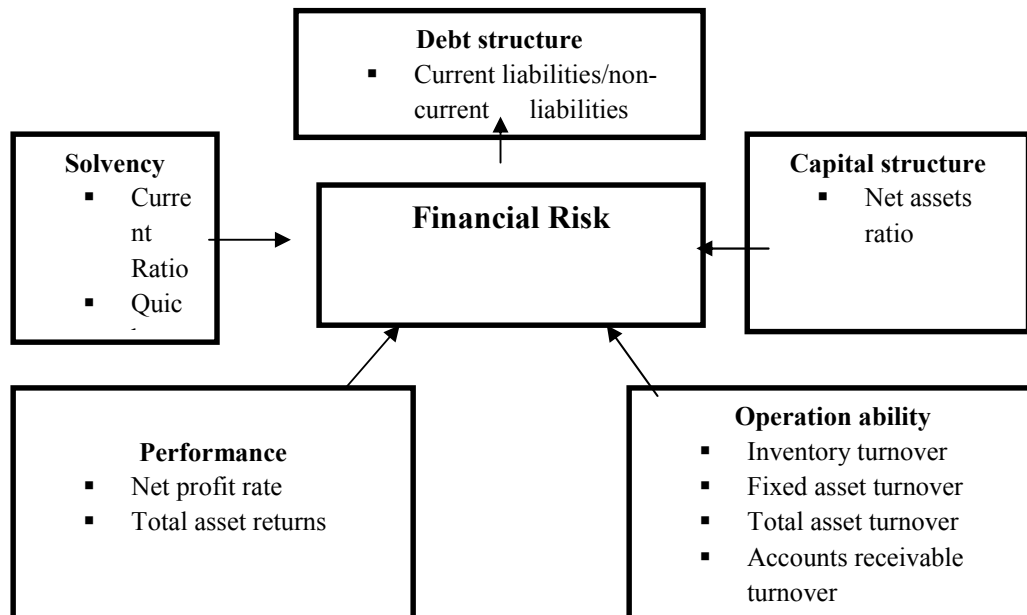


Fig.1. Factors affecting Financial Risk (Source: Compiled by author).

Debt structure includes independent variable such as current liabilities/non-current liabilities. Solvency include independent variables such as current ratio and quick ratio. Performance include independent variables such as net profit rate and total asset returns.

Operation ability include independent variables such as inventory turnover, fixed asset turnover, total asset turnover and accounts receivable

turnover. Capital structure includes independent variable such as net assets ratio.

By the empirical model, $Y =$

$$\alpha + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \beta_4 * X_4 + \beta_5 * X_5 + \beta_6 * X_6 + \beta_7 * X_7 + \beta_8 * X_8 + \beta_9 * X_9 + \beta_{10} * X_{10} + \beta_{11} * X_{11} + E,$$

we may identify influence of factors on financial risk in enterprise.

Alexander Bathory model was used to measure the financial risk. This model can be expressed as below:

$$FR = A + B + C + D + E$$

Where FR is the value measuring financial risk of index, we took it as dependent variable in this study. $A =$ (profit before tax + depreciation + deferred tax) / current liabilities, $B =$ Pre-tax profit/operating capital, $C =$ Shareholders' interests / current liabilities, $D =$ Net tangible assets / total liabilities, $E =$ Working capital / total assets. The characteristics of the model is applicable to all industries, and calculation is simple. It also can be used to predict the possibility of bankruptcy, as well as measure corporate strength. In Alexander Bathory's view, the smaller the value of FR is, the weaker the enterprise strength is and the more financial risks of enterprise have.

The research data of this study was based on 2016 annual reports of 80 enterprises, which were selected from small and medium enterprises of all cities of Kazakhstan. Statistical software excel 2010 was used to process the data.

For accurate analysis of factors that affect the financial risk author uses a model that defines the relationship of the factors with the financial risk. Model is specified as follows:

$$Y =$$

$$\alpha + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \beta_4 * X_4 + \beta_5 * X_5 + \beta_6 * X_6 + \beta_7 * X_7 + \beta_8 * X_8 + \beta_9 * X_9 + \beta_{10} * X_{10} + \beta_{11} * X_{11} + E$$

Where variables are financial risk, current liabilities, current ratio, quick ratio, asset-liability ratio, net profit ratio, total asset returns, inventory turnover, accounts receivable turnover and net assets ratio, respectively.

Dependent variable of our model is production model Y . Regression model includes the set of other independent variables. In such way financial risk is expressed as the function of debt structure, solvency, performance, operation ability and capital structure.

For the analysis of the model author uses correlation and regression analysis. This analysis helps to determine whether there is a relationship between the factors and the financial risk. If the correlation calculation characterizes the strength of relationship between two variables, the regression analysis is used to determine the type of communication and provides an

opportunity to predict the value of one dependent variable starting from the value of other independent variables.

Table 2

Regression analysis

Regression Statistics								
Multiple R	0,9231							
R Square	0,8522							
Adjusted R Square	0,8283							
Standard Error	5,0215							
Observations	80							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	11	9885,7748	898,7068	35,6414	0,0000			
Residual	68	1714,6367	25,2152					
Total	79	11600,4116						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95,0%</i>	<i>Upper 95,0%</i>
Y-Intercept	-0,4433	1,2812	-0,3460	0,7304	-2,9999	2,1134	-2,9999	2,1134
CL/NCL	-0,0044	0,0102	-0,4322	0,6670	-0,0248	0,0159	-0,0248	0,0159
Current Ratio	-0,3827	0,0464	-8,2539	0,0000	-0,4752	-0,2901	-0,4752	-0,2901
Quick Ratio	1,5985	0,1160	13,7836	0,0000	1,3671	1,8300	1,3671	1,8300
Asset-liability ratio	0,6323	0,0748	8,4557	0,0000	0,4831	0,7815	0,4831	0,7815
Net profit rate	-0,0007	0,0006	-1,2005	0,2341	-0,0018	0,0005	-0,0018	0,0005
Total asset returns	25,5351	5,5474	4,6030	0,0000	14,4653	36,6048	14,4653	36,6048
Inventory turnover	0,0018	0,0039	0,4724	0,6381	-0,0059	0,0096	-0,0059	0,0096
Fixed asset turnover	0,0022	0,0195	0,1153	0,9085	-0,0366	0,0411	-0,0366	0,0411
Total asset turnover	-0,3452	1,0874	-0,3175	0,7519	-2,5150	1,8246	-2,5150	1,8246
A/R turnover	0,0009	0,0024	0,3764	0,7078	-0,0039	0,0057	-0,0039	0,0057
Net assets ratio	-0,6407	2,4490	-0,2616	0,7944	-5,5276	4,2462	-5,5276	4,2462

Source: Calculated by author on the basis of a source

According to Gujiratti Correlation and regression analysis can be good tool for defining prior expectations about signs of the coefficients of the independent variables. The difference between correlation and regression is that correlation is a measure of association between two variables whereas regression statistics is used to predict the dependent variable when the independent variable is known. Regression goes beyond correlation by adding prediction capabilities.

Checking significance and correctness of the regression analysis:

R square is equal to 0.8522 that means that a good fit of the regression line to the original data.

F significance 0.000 < 0.05 that means regression is significant.

By using explanatory coefficients I create the following function:

$$Y = -0,4433 - 0,0044X_1 - 0,3827X_2 + 1,5985X_3 + 0,6323X_4 - 0,0007X_5 + 25,5351X_6 + 0,0018X_7 + 0,0022X_8 - 0,3452X_9 + 0,0009X_{10} - 0,6407X_{11}$$

Solvency and Performance have positive impact on financial risk and we can see that they are significant, which can be judged from the values of the P-value, which are less than a given level of significance $\alpha = 0.05$.

From the Multiple linear Regression, we could see that the Sig of Current Ratio, Quick Ratio, Asset-liability Ratio, and Total asset returns were less than 0.05, it indicated that the four variables had a significant linear relation with Financial risk metric values - FR and they were the main factors affecting financial risk. The Sig of Net profit rate were less than 0.3, had a certain significance, and a certain impact on the financial risk. The sig of Current liabilities/Non-current liabilities, Inventory turnover, Fixed asset turnover, Total asset turnover and Accounts receivable turnover, Net assets ratio were less significant, the impact on financial risk is not obvious.

Proceeding from the whole analysis we can say that

SMEs' financial risk is positively related with solvency.

SMEs' financial risk is positively related with performance.

In any field of activity, risk is understood as an economic category that reflects the possibility of an unfavorable situation or an unsuccessful outcome of an activity (industrial, economic, financial, innovative) [15].

This study attempted to analyze financial risk factors of Kazakhstan's small and medium-sized enterprises. To achieve aim author chose quantitative analysis by using regression model with financial risk as dependent variable and debt structure, solvency, performance, operation ability, capital structure as independent variables. To measure the size of the financial risk Alexander Bathory model was used.

The research data of this study was based on 2016 annual reports of 80 enterprises, which were selected from small and medium enterprises of all cities of KZ.

Regression analysis showed the following results:

SMEs' financial risk has a significant positive relation with solvency and performance in Kazakhstan, and they were the main factors affecting financial risk.

SMEs' financial risk has no obvious relation with debt structure, operation ability and capital structure in Kazakhstan.

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КАНАЛЫ МАРКЕТИНГА В СТРАХОВОЙ ИНДУСТРИИ

Аннотация. Исследование рынка страховой отрасли несовершенно, не исследуя страховой маркетинг. Современные теории страхования фокусируются на окружающей среде промышленности, в частности на страховые компаний, как тревожные и неустойчивые явления. Разносторонние стратегии развития страхования основаны на экономической ситуации, культурном характере, социальных моделях каждой страны. Успех на этом чистом конкурентном рынке - это тяжелое