

A SWOT ANALYSIS OF FACTORS INFLUENCING THE DEVELOPMENT OF AGRICULTURE SECTOR AND AGRIBUSINESS ENTREPRENEURSHIP

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ABSTRACT

Agribusiness entrepreneurship has significant role in the economy to foster rural development in the country. Kazakhstan has strong potential for the development of agribusiness entrepreneurship due to country's considerable land resources, as Kazakhstan has the world's 12th largest arable land area, and fifth in the world in terms of pastureland of 182.2 million hectares, but it uses only about 30% of the pastures (FAO, 2018). The current agribusiness entrepreneurship in Kazakhstan is mainly in the nature of food processing units. They have implication on food security and basic needs of human being. The present article aims at identifying strengths, weaknesses, opportunities, and threats for agribusiness entrepreneurship with combining financial and economic aspects in Kazakhstan. The article proposes among others effective and adequate agribusiness entrepreneurship policies such as price stabilization policy and programmes for addressing factors that hinder the growth and development of agribusiness entrepreneurship in Kazakhstan.

Keywords: Agriculture, Food Security, Investment, Entrepreneurship.

INTRODUCTION

Agribusiness entrepreneurship is one of the newest areas of research in the entrepreneurship field (Mugonola & Baliddawa, 2014). However, since its integration in the field, it has become one of the significant supportive factors for rural economic development. Klerkx & Leeuwis (2008) defines entrepreneurship as the personalized drive and capacity to commercialise the product, service, process, or business idea. Therefore agribusiness entrepreneurship can simply be defined as managerial capacity to launch investment and run business either farming or other rural income generating activities (Escalante & Turvey, 2006). For successful agribusiness entrepreneurship the active attitude towards innovation is required (Gielen et al., 2003). In agribusiness entrepreneurship, the acquisition of knowledge and information from the external sources and their internalisation is an important skill. In this respect however agricultural enterprises much as other small and medium businesses, confront certain difficulties (Senker & Faulkner, 2001). Solving such problems entrepreneurship implies

creativity in developing adequate resources and competences in terms of strategies and conceptual focus, organisation, opportunity recognition, building relationship, networking drive (Nwibo & Okorie, 2013). In Kazakhstan for example, the current agribusiness entrepreneurship situation requires more initiative from entrepreneurs, whereas the previous system to support innovations amongst agricultural entrepreneurs was largely supply driven and prescriptive (Wortman, 1990). The current situation, calls for competitiveness and networking of rural entrepreneurs, which is, a drive for competences which are with regard to knowledge and information acquisition and learning for innovation. At the same time, the entrepreneurship plays a major role in innovation system as innovation is seen as a process of creating and managing effective linkages between different subsystems within the system.

Kazakhstan is the largest economy in Central Asia. The country has vast oil reserves, deposits of metals and robust agricultural potential with lands suitable for both livestock and grain production (Koshim et al., 2018; Valeyev et al., 2019). Since 2000 Kazakhstan's economy has been growing dynamically (among the world's fastest developing countries) with average GDP growth rate of 7.7% in years 2000-2016 (Karatajev et al., 2016). GDP increase has been driven by favorable market prices for Kazakhstan's leading exports—oil, metals and grain (Rivotti et al., 2019). Kazakhstan has been the first former Soviet republic to repay all of its debt to the IMF, 7 years ahead of schedule. The public debt of Kazakhstan since 2011 remains stable between 12-14%. For the period 2010-2018 gross production of the agriculture goods in Kazakhstan increased by 1.5 times and reached 8 bln. USD in 2018 (KAS, 2018). Agro sector is becoming more competitive and export-oriented. Since 2010 export of agriculture commodities and processed products has increased by 1.3 time and reached 2.6 bln. USD (FAO, 2018). Food processing total turnover for the year 2016 reached import and export indicators in 2018 were 2.9 and 1.1 bln. USD (KIG, 2018). FDI inflow to the sector increased by 2 times and reached 894.5 mln. USD in 2014, out of which FDI into the food processing industry was about 219.4 mln. USD (KAS, 2018).

Currently there are about 1689 enterprises of small medium and large sizes operating in the sector of food processing in the country. Local market provision with domestically produced main categories of goods was around 80%. Average production capacity for companies in 7 subsectors of food processing was around 42%, varying from lowest 16.2% in vegetables processing to highest 66.2% in production of canned meat (ICSD, 2016). As of 2018 overall food processing industry of the country increased by 2.9% and reached over 5.5 bln. USD (KAS, 2019). Kazakhstan is one of world's main exporters of wheat and flour. Vast farmland and access to raw agricultural products offer investors an opportunity for supplying and providing the market with processed high-margin food products. As the agriculture in Kazakhstan is highly extensive, with fertilizer consumption growth, yields per hectare should increase, offering investors an opportunity for further development. All producers in this market are relatively small, can be consolidated and scale advantages can be achieved.

METHODOLOGY

This article aims to assess on promotion of agribusiness entrepreneurship involving agricultural cooperatives combining financial and socio-economic aspects. The specific objectives are to identify the strengths of agribusiness entrepreneurship in Kazakhstan, study the weakness of agribusiness entrepreneurship, identify the opportunities of agribusiness entrepreneurship, and identify the threats before the agribusiness entrepreneurship. In this study, a SWOT analysis (Kurttila et al., 2000; Ncube & Washburn, 2010) was carried out to analyse

factors in development of entrepreneurship in agricultural sector of Kazakhstan. SWOT analysis makes it possible to assess the various strengths, weaknesses, opportunities and threats within the agricultural extension and advisory system as a whole. SWOT is an analytical technique that provides answers to the questions related to each of the four words whose first letter forms the acronym (Herliana et al., 2018). Strengths relate to advantages, areas of excellence, relevant resources possessed and available institutions. Weaknesses include things to improve, areas of poor performance. Opportunities are available enabling factors, favourable trends and comparative advantages while Threats are obstacles that interfere with and hinder success, and areas to avoid. In the application of the SWOT technique for the analysis, the organizational setting of extension services and the indicators for determining their effectiveness, capabilities and efficiencies were examined (Mayo et al., 2002). Carrying out an analysis using the SWOT framework helps to focus activities into areas of strengths and where the greatest opportunities lie (Sanchez & Omar, 2012).

RESULTS AND DISCUSSIONS

Determinants of Entrepreneurship

The previous analysis (Smagulova et al., 2018) on the determinants of entrepreneurship has shown that the quest to be self-fulfilled and financially independent as one of the major driving forces. Again, some entrepreneurs opted to be entrepreneurs to avoid being unemployed. This corroborates Saparaliyev et al. (2019) who inferred that entrepreneurial forces are relatively strong in Kazakhstan, as lack of jobs and poverty leaves many people with only the option of venture creation. An area that is highly populated has been identified to have strong affinity for entrepreneurs, who get attracted to the area in order to maximize returns from expected patronage of customers. Saiymova (2018) indicated that the pace of population growth positively influenced the number of entrepreneurs as population growth creates an increasing demand for goods and services hence, urban regions attract businesses due to the existence of business infrastructure. The study equally identified experience as being an important determinant of entrepreneurship as having experience as an employee in another related firm has a positive impact on individual's quest to be an entrepreneur of his own. The proximity of agribusiness ventures to market has been identified by the study to have positively influenced entrepreneurship among agribusiness entrepreneur in Kazakhstan as firms that are closely located to the market can easily acquire necessary production inputs and also dispose output. This finding was in total agreement with Smagulova et al. (2018) who posited that firms that are close to market have the advantage of increased productivity given the low cost of inputs as a result of reduced transport cost. Table 1 illustrates the main factors impacted on agribusiness entrepreneurship together in four general conditions of SO, WO, ST and WT.

Strengths	Weaknesses
Huge natural resources	Old aging of infrastructure facilities
Suitable geographical conditions	Complex export procedure
Availability of raw material	Lack of finance
Ability to exports	Lack of professional management
Strong traditional knowledge	Limited access to modern technologies
Additional employment generations	Insufficient veterinary and food safety
Large domestic demand	Dependence on climatic conditions
Opportunities	Threats
Increasing market span	Global competition
Value addition	Unorganized market

More employment generations Proper utilization of natural resources	Bad trade practices Price fluctuations: Huge cost of modern technologies
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Internal Factors

The strengths of agribusiness entrepreneurship includes:

1. Huge natural resources: Kazakhstan is one of the versatile countries in the world where number of huge natural resources are available. Each natural resource providing a potential to establish a new agro based industry. It leads to undertake agribusiness entrepreneurship in rural area (Yessentemirova et al., 2019).
2. Suitable geographical conditions for agricultural production: Kazakhstan has a rich in an appropriate geographical conditions for agriculture production where huge agriculture production is possible. Agro based industries are mainly depends on the agriculture outputs so it is one of the important strengths of the agribusiness entrepreneurship as far as its development is considered.
3. Availability of raw material: Raw material is the necessary inputs for getting a final product for agribusiness entrepreneurship. Kazakhstan is being produced huge agriculture product, which become the raw material for agro activities (Saiymova, 2017).
4. Ability to exports: Kazakhstan is also able to export its product in the international market. Agribusiness entrepreneurship can acquire a valuable foreign exchange, which will strengthen national economy.
5. Strong traditional knowledge: agribusiness entrepreneurship has a strong traditional knowledge, which is percolated from the generations to generations, which is providing inputs to the expertise in manufacturing like artisans industry, textile industry, cashew industry, handicraft industry etc.
6. Additional employment generations: agribusiness entrepreneurship generates additional employment in rural area this opportunity may go to a person from poor family it helps to reduce the poverty by providing income sources for livelihood.
7. Large domestic demand: production has a huge demand in the domestic market. Large domestic market demand is creating a different perspective for agribusiness entrepreneurship it is considered one of the important positive aspects of this industry.
8. TOP 10 national priority subsectors of agriculture and food are milk processing; meat processing; production of fats; deep processing of grain; fruits and vegetables processing; confectionery; fish processing; processing of hides; sugar production; and wool processing.

Agribusiness entrepreneurship has some weaknesses, which are discussed below:

1. Old aging of infrastructure facilities: infrastructure is the important elements, which is necessary to be considered consciously. In case of the agribusiness entrepreneurship in Kazakhstan, infrastructure is not adequate like road, transportation, banks, telecommunications etc.
2. Complex export procedure: the export procedures are very complicated it requires more time that may create problems for agribusiness entrepreneurship. It requires to complete different types of formalities it requires more time and effort for them (Smagulova et al., 2018).
3. Lack of finance: in the area where no three tire banking system is situated here industries are facing problem getting finance.
4. Lack of professional management: agribusiness entrepreneurship may not have professional expertise. It is very difficult to utilize full resources of the organization properly to achieve the objectives of the company.
5. Lack of modern technology: use of technology increases the production capacity of the company with the low cost and time. The cost of modern technology is very high which is not affordable to small agribusiness entrepreneurship. A lack of modern technology is become the weakness.

External Factors

Agribusiness entrepreneurship is the important element in the rural economy of the country. These industries particularly have the following opportunities.

1. Increasing market span: initially only local market is available for agribusiness entrepreneurship but at present market span has increased. It is not necessary agribusiness entrepreneurship is depend only to the local market it can be move outside market. Increasing market span creating huge opportunities for agribusiness entrepreneurship.
2. Value addition: the rural industry can make value addition product like reprocessing on milk, reprocessing on sugar etc. This is area where agribusiness entrepreneurship has considered big opportunities (Saparaliyev et al., 2019).
3. More employment generations: agribusiness entrepreneurship can able to create the more employment generations in the rural area, this may also considered as one of the opportunities for agribusiness entrepreneurship.
4. Proper utilization of natural resources: Kazakhstan is very rich with natural resources. To utilize the proper natural resources is big opportunities for agribusiness entrepreneurship.

The following factors are creating threats for agribusiness entrepreneurship:

1. Global competition: agribusiness entrepreneurship are facing know the global competition. It is very difficult to agribusiness entrepreneurship to run a business in the high competitive area with the low profile. Generally, agribusiness entrepreneurship is small having small capital in the remote area of the country so it is difficult to complete the large organization (Saiymova et al., 2018).
2. Unorganized market: it is very difficult to found the well organized market for agribusiness entrepreneurship product; good market is the necessary for to have the appropriate price for the final product. Problem of the marketing is considered one of the important threats for agribusiness entrepreneurship.
3. Bad trade practices: in order to maintain the sustainable development of any industry good trade practices are necessary. In case of agribusiness entrepreneurship lack of good trades practices like quality of product, weight, packaging etc. Are creating the problem of this industry.
4. Price fluctuations: because of the price fluctuations it is very difficult to maintain the pricing strategy some time company may have loss, this losses agro based industry could not bare, hence this factor creating the threat for agribusiness entrepreneurship (Saparaliyev et al., 2019).
5. Huge cost of modern technology: the cost of modern technology is always high it is very difficult to purchase this machinery for small organization in Kazakhstan. The high cost of machinery is creating threats for the agribusiness entrepreneurship. The agribusiness entrepreneurship having acquired major place in life of the rural people so it is necessary to rectify the above threats and secure the future of the agro-based industry in the country.

TOWS ANALYSIS

Providing strategies for development of rural entrepreneurship are presented below based on four strategies, i.e. WO, ST, SO and WT.

Competitive Strategies (SO)

Inoffensive strategies that focus on internal strengths and external opportunities, following strategies are proposed to utilize available priorities in order to develop rural entrepreneurship:

1. Need to adopt leadership which will keep the participatory and active membership in the cooperatives to keep ambitions and attract more new members;
2. To decentralize the decision making power where applicable and adopt strategies for efficient management of the resources;
3. To capitalize all recognizable and new opportunities for the sustainability of cooperatives;
4. Create linkages with different potential partners to build capacity in human resources in different domains;

5. Promote internal and external collaboration and put more effort in services provision to members, production and post harvest activities;
6. To hire experience from each other and compete as they learn from each other.

Diversification Strategies (ST)

In diversification strategies that focus on the internal strengths and external threats, the following strategies are presented to provide some requirements of develop rural entrepreneurship in order to meet the threats:

1. To facilitate the initiation of the national cooperative federation to promote effective collaboration of cooperative at both national and international level;
2. To initialize the financial system including the initiation of specialized banks to facilitate cooperatives get sufficient loans to finance the long-term and sustainable investments;
3. To promote more competitive research institutes by involving the private sector;
4. To collaborate more with NGOs and cooperative for participatory specification of need and implementation of policies in cooperative sector.

Overview Strategies (WO)

In the revising strategies emphasizing on the internal weaknesses, we try to take advantage of external opportunities to address weaknesses facing on rural entrepreneurship. Following proposes are provided:

1. In collaboration with other actors, to sustain and reinforce efforts in trainings in specific areas such as leadership and communication, management of resources, simplified business planning and costs-benefit analysis;
2. To help fund long-term investments of the cooperatives such as equipment and infrastructures wherever applicable.

Defensive Strategies (WT)

In this strategy, in addition to emphasis on removing the vulnerability of the studied area, the following strategies are provided:

1. To invest more in agro-food industry so as to participate in the quick move of the agricultural sector by creating wealth and employment in rural areas;
2. To undertake more research about rural entrepreneurship;
3. To apply & perfection the self-ass tool to experience it effectiveness and flexibility.

CONCLUSION

It is necessary to develop agribusiness entrepreneurship as an important tool to change rural economy of the country. Kazakhstan's environment of agribusiness entrepreneurship has great strengths and more opportunities in the competitive business environment. However, the country has the some weakness and the threats, which are necessary to eliminate with careful solutions at macro level and micro level. Kazakhstan has to be increased the agriculture production as per demands of the agro based industry at the large extent with the quality. It requires making the research on different aspects of agribusiness entrepreneurship models. There is need of the revision of government schemes in the light of emerging business environment at national and international level. With innovations, management skills and technology

agribusiness entrepreneurship can come up as major player in economy as well as a tool for rural development. It requires rural industry potential survey to be conducted on the basis of rural resources management. Agribusiness entrepreneurship has been given a privileged leading position in rural transformation in both developing and developed countries. In such rural development approach agricultural cooperatives are incontestable actors.

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