Prospects of agricultural management on the basis of creation of the Kazakhstan innovative venture system in agroindustrial complex (Management of industrial-innovative development of the agroindustrial complex)

Yerbossyn Tabylganovich Abyllkasymov and Borash Smayilovich Mirzaliyev

International Kazakh-Turkish University named after H. A. Yassawi, The building of Administration, B. Sattarvanov pr., 29, Turkestan city, 161200, Kazakhstan

Abstract. Formation of the post-Soviet independent sovereign States has created a political and economic precondition for radical reformation of agrarian relations, the transition from command - administrative methods of management of agriculture to economic. The purpose of a scientific article is the development of theoretical and methodological bases of the effective functioning of the mechanism of management of industrial-innovative development in the conditions of globalization of economic processes in the agro-industrial complex and concrete proposals for improving the management role of the state and corporate structures to ensure the efficiency of the sector and enhancing the competitiveness of market participants adequate to new realities of the formation of the rural economy.

[Abyllkasymov Y.T., Mirzaliyev B.S. **Prospects of agricultural management on the basis of creation of the Kazakhstan innovative venture system in agroindustrial complex (Management of industrial-innovative development of the agroindustrial complex).** *Life Sci J* 2014;11(4):433-437] (ISSN:1097-8135). http://www.lifesciencesite.com. 60

Keywords: agro culture, agro-industrial complex, agro-innovation, agro-industrial complex of the South Kazakhstan region, venture system.

Introduction

The crisis in agriculture of independent Kazakhstan led to the need of implementation of deep economic reforms. In the process of deepening of economic reforms and market formation is crucial for the development of new approaches to the creation of control system of agricultural production.

Agricultural economics can be defined as application of principles of economics to the problems of agriculture. In other words, it educates man or cultivator so that he can maximize his profit from limited resources, as well as knowledge of agricultural economics is necessary to different types of agricultural specialists and to those who are working for rural development [1].

On this occasion, the President of the country Nursultan Nazarbayev in his address to the nation said: «I have to admit that agriculture, its workers were the most affected from the imperfection of the Soviet economy, and that they felt all the lameness of the transition towards the market» [2].

The main statements and evidence-based results are formulated in the thesis are used in the activities of the South-Kazakhstan regional territorial administration of the Ministry of agriculture of the Republic of Kazakhstan, Department of economy and budget planning of the South Kazakhstan region and LLC «South-West research Institute of plant» JSC Agro-innovation» Ministry of agriculture of Kazakhstan, with the substantiation of the efficiency of state control of activity of agricultural enterprises, the creation of provisions for development of the key directions of development of agriculture and rural affairs. Moreover, some of the results of the study are used in educational process of International Kazakh-Turkish university named after H.A.Yassawı.

In this regard, economic reform includes restructuring mechanism of management of industrial-innovative development of agriculture in the country.

«Despite the certain results, the policy of diversification and innovative development has not been fully realized due to the presence of a number of system effects objectively inherent in resource economies of the emerging markets» [3].

Object of research are agro formation various legal forms of organization and social and economic structures, adapted to market conditions, organizational and economic relations arising in the process of their functioning.

The need for the development of information and telecommunications market in the rural areas of the Republic of Kazakhstan has been revealed. The expansion of the marketing information system in the rural areas is outlined. Main activities for the information infrastructure development in the agro-industrial complex of the country are proposed [4,1].

The research subjects were the organizational systems arising in the process of state regulation of agriculture in conditions of development of market relations.

Materials and methods

Agricultural research is one of the most widespread forms of organized research in the world, in both developed and developing countries. Management of agricultural research involves many decisions that have scientific, social and political consequences. Every country has established agricultural research priorities based on many complex factors that must be considered when decisions are made on the choice of research problems to be investigated. Resources must be divided among projects that often compete for the limited funding available that supports the total research enterprise [5].

The theoretic-methodological basis of this work was the works of the classics of economic theory, as well as works of Russian and foreign scientists-economists on management of industrial-innovative development of the economy in General, agriculture 6 in particular [6].

Economic, political and legal basis of the study consisted of Laws and legislative acts of the Republic of Kazakhstan, Decrees of the President of the Republic of Kazakhstan, Decrees and the Program of the Government of the Republic of Kazakhstan on the agrifood policies, the Message of the President of the country N.A. Nazarbayev to the people of Kazakhstan, other normative-legal documents on the problems of agrarian transformations. Used materials of the author's researches and the results of economic experiments.

The fundamental challenge in developing a new farming is to have it adopted and maintained by farmers [7].

As an information base used for the data of the Republic of Kazakhstan statistics Agency, the materials of the regional departments of statistics, Ministry of agriculture, as well as certain state and collective farms.

An agricultural system is an assemblage of components which are united by some form of interaction and interdependence and which operate within a prescribed boundary to achieve a specified agricultural objective on behalf of the beneficiaries of the system [8].

In the process of dissertation research used both qualitative and quantitative methods, scientific abstraction, expert evaluations, sample survey and other.

Research and Results

A considerable part of small innovative companies in Kazakhstan currently specializes in the field of research and development and experimental design works. Market for their products and services is limited, mainly Kazakhstan and less CIS countries, and to keep these markets cannot, primarily due to the delivery of high quality innovative products at a low price.

We consider the innovative potential in the agro-industrial complex as the total characterization, reflecting the ability of the object to the creation, implementation and commercialization of innovations. System of innovation potential can be conventionally represented consisting of four interrelated segments (potentials) (**Fig. 1**):

- scientific and technical, to ensure the availability of innovations held for productive use in macro system;
- education, which characterizes the possibility of a macro system in creation and use of scientific and technical innovations;
- Consumer sector - individuals and legal entities, which are, on the one hand, the consumers of the proposed innovations, and on the other, through the formation of new needs initiate activity of other segments and etc.

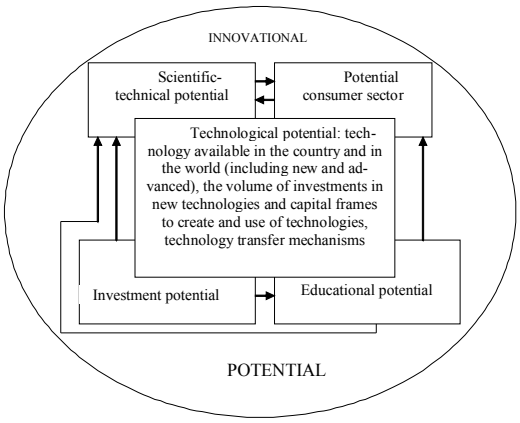

Figure 1 - recommended structure of innovative potential

The Central place is occupied by the technological potential, covering all four elements in the area associated with the creation, development and dissemination of advanced technologies in agriculture.

Innovative potential of the national economy, the region, the agricultural sector of the enterprise) as a multifaceted phenomenon is regarded as:

- a collection of resources, conditions, institutional readiness and ability of entities to exercise and play innovations in agribusiness.

The problem of development of innovation entrepreneurship is particularly acute in Kazakhstan, common to all countries. The importance of the innovation entrepreneurship for the development of the economy of agro culture is emphasized by all investigators of the innovation process.

As a result of the 2000s research on advanced methods D.Birch [9], identified examples of «gazelles» in the banking sector (JSCB «Russian standard»), telecommunications (all three leading mobile operator), retail trade («Euroset», «Pyaterochka», «Top-kniga»), the Internet business («Yandex», RBC), and several other sectors of the economy.

The decisive conditions, providing the innovation activity of small agricultural enterprises, in our opinion, should include:

- facilitating access to capital;
- technical assistance from the state organizations;
- special regulation of the securities market (the formation of alternative trading platforms for unlisting in the main markets of companies);
- formation and perfection of the regional innovation infrastructure; cooperation and collaboration with research organizations and higher educational institutions and favorable tax climate and the formation of industrial clusters;
- availability authorities for entrepreneurs.

Typically, early-stage technology development is funded by corporations, business angels, in some cases - by the state, although, in our view, the role of the state should not be in direct financing of the business innovative projects, and the creation of favorable conditions for promotion of the technology to the stage of commercially sold product.

In our opinion, an important role in overcoming the innovation passivity of the Kazakhstan business environment must play a venture capital development in Kazakhstan in recent years, there is still slow.

Venture investment is based on the principles of consistent funding, without percentage provided funds patience to the growth of the enterprise, and close cooperation between venture capital and created with their participation of the enterprises.

Venture capital, combining different forms of capital (equity, loan and entrepreneurial), acts as intermediary in the relations between the investors and companies seeking financing (Fig. 2).

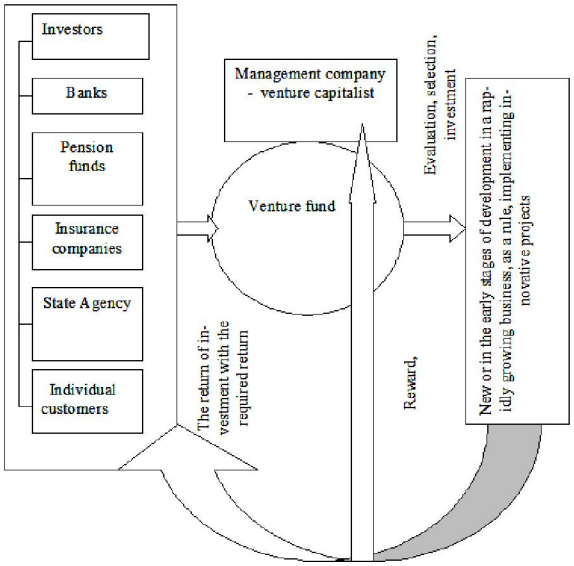

Figure 2 - recommended practice for the organization of venture investment in agribusiness

Being basically, direct and venture investments are characterized by specific features, which allow separating them from other types of investments:

- venture capitalists act as financial intermediaries, attracting investors' capital and putting it directly in shares of the companies in their portfolio;
- venture capitalists are investing in private companies not quoted on the stock market;
- venture capital investors play an active role in the management of the companies, providing them with necessary assistance, as well as monitor their activities;
- to reduce the risk venture capitalists are investing in their funded companies in stages and etc..

Allocation of cash flows of venture investment in agriculture shown in Fig. 3, that allows to interpret venture investors as financial intermediaries between institutional investors and companies in need of financing.

To venture capital are business angels, although they differ from venture capitalists that invest their own funds, while the venture capital firm place funds of institutional investors. There are two categories of business angels, between which there are several intermediate gradations:

- Individual investors with considerable personal fortune and investing, usually in a business acquaintances or relatives;
- Association of persons, as a rule, as entrepreneurs in a particular sector of the economy or adjacent fields.

The closeness of investor companies, on the one hand, is competitive advantage venture capitalists, because they possess inside information. On the other hand, it leads to a greater risk (the risk of non-diversification of investment and a higher required rate of return. According to the National venture capital Association of the USA, in 2006 the average profitability of the venture capital funds of all types (including all phases of the investment) was at 10-year period of existence of the funds of 20.8% per annum compared with 11.4 percent per annum for private equity the same period [10].

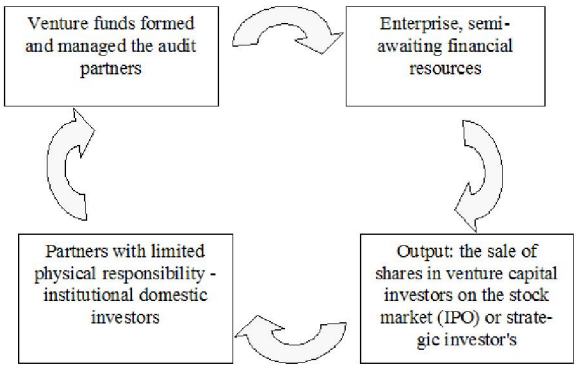

Figure 3 - the Financial flows of venture investment in agribusiness

We note that the above summary is not an apples-to-apples comparison, because in Europe the term "venture capital" often refers not only to early and later-stage investments as in America, but may include buyouts as well [11].

The United States is the creator and world leader of the venture capital industry. Twenty percent of all U. S. public companies were started with venture capital backing and today they account for over 30 percent of the market value of all public firms [12].

The adoption of the decision on expediency of investment is largely based on the financial performance of the investor companies, for their assessment. There are some approaches to evaluation that can be used by venture capitalists.

This should take into account that all of them (**tab. 1**) should be modified in comparison with the usual practice of their application, so how are young No listed companies.

The Treaty method is the easiest as it does not require the application of formal assessment procedures, and relies largely on intuition of the investor and his knowledge of the market, and on the ability of the entrepreneur (management company) to present it in a good light in the eyes of the investor.

Table 1 - Methods of evaluation of companies in the venture investment

Method	Description of the method
Contract method	The value of the company is determined on the basis of an agreement between its founders and investors. This agreement is the result of reconciling the expectations of both parties as to the future growth and profitability of the companies
The method of multipliers of market comparisons)	Used ratios of value to the operational indicators for companies of similar assessed by industry, level of risk, size, rate of growth
The method of discounted cash flow	The value of the company is determined as the sum of the cumulative discounted cash flow for the period of its development plus the present value of the residual cash flow «output» from the project
Venture method	Prognostic value of the company at the exit is discounted at a rate acceptable to the venture investor. Estimated share target venture investor in the company at the time of release
Real options method	Take into account the possibility of making management decisions that affect the value of the company or minimizes losses

Under the venture project means a complex of works, interrelated on resources, performers and timing, which can provide significant economic benefit and high profitability, financed at the early stages (R & d) is a state party, and on the final stages (production and output of innovative products on the market) - a venture investor.

For increase of efficiency of agrarian sector of economy of Kazakhstan in conditions of globalization is proposed to develop a new economic mechanism of state governance, providing for the formation of competitive products and food on the international market.

The main directions of the development of agro-industrial complex should be considered to increase the competitiveness of products and food, optimization of production, the development of infrastructure, introduction of scientifically grounded system of maintenance of the production, specialization and concentration.

For the formation of a competitive agricultural production is recommended to form a competitive environment, aimed at the formation of the price to get the maximum profit, the best markets, satisfaction with high-quality food products.

Conclusion

Agro-industrial production in Kazakhstan in recent years has reached its steady growth: there is an increase in agricultural production and declining import.

However, it should be noted that the resource potential of the agro-industrial complex is not used at the right level: low is the yield of agricultural crops, livestock productivity, high cost and rate of return of food, not allowing to lead the expanded reproduction; food products are not competitive on the domestic and especially on the world market (except for grain and products of its processing) etc.

The main reasons of such state of development of economy is the underdevelopment of the economic mechanism of management and lack of financial state support for agricultural producers and

processors; lack of own funds (profit) for the attraction of investments, etc.

Corresponding Author:
Dr.Abyllkasymov Yerbossyn Tabylganovich
International Kazakh-Turkish University named after H. A. Yassawi, the building of Administration
B.Sattarvanov pr., 29, Turkestan city, 161200, Kazakhstan

References

1. Rane, A.A. and A.C. Deorukhkar, 2007. Economics of Agriculture. Atlantic Publishers and Distributors (P) Ltd. printed in India at Syndicate Binders – Noida, pp: 459.
2. Nazarbayev, N.A., 2003. Main directions of domestic and external policy in 2003. The message of the President to the people of Kazakhstan. Astana.
3. The state program on forced industrial-innovative development of Kazakhstan for 2010 - 2014. 2010. The decree of the President of the Republic of Kazakhstan dated 19 March 2010 № 958. Astana.
4. Shelomentseva, V. P and M.A. Amirova, 2013. Developing the Information Infrastructure of Agro-Industrial Complex In the Republic of Kazakhstan. Middle East Journal of Scientific Research, 14(8): 1103-1107.
5. Loebenstein, G. and G. Thottappilly, 2007. Agricultural Research Management. Date Views 12.03.2014 www.getebook.org.
6. Rodrigues de Araujo Felipe Rocha, N., M. Aparecida Barros, J. Fischer, Ubirajara Coutinho Filho, Vicelma Luiz Cardoso, 2013. Ethanol production from agroindustrial biomass using a crude enzyme complex produced by Aspergillus niger. Renewable Energy An International Journal, 57: 432-435. Date Views 12.03.2014 www.sciencedirect.com/science/journal/.pdf
7. Pannell, D.J., 1999. Social and economic challenges in the development of complex farming systems. Agro forestry systems, 45: 393-409.
8. The results of the research, conducted by the FAO Farm Systems Management. Farm management for Asia: a systems approach. Agricultural and farm systems - concepts and definitions. Produced by: Agriculture and Consumer Protection. Date Views 01.04.2014. http://www.fao.org/docrep/w7365e/w7365e04.htm
9. Yudanov, A., N.N. Duma, G.V. Kolodnaya, V.V. Razumov and V.E. Korolkov, et al., 2007. Experience of competition in Russia. The causes of success and failure. Moscow, pp: 337.
10. Ammosov, Yu., 2006. No ideas, no risk, no income. The expert, 45: 58-64.
11. Tyabji, H. and V. Sathe, 2011. Venture capital firms in Europe vs. America: the under performers. Ivey Business Journal. Improving the Practice of Management, 12. Date Views 21.02.2014 www.iveybusinessjournal.com/
12. Tyabji, H and V. Sathe, 2010. Venture capital firms in America: their caste system and other secrets. Date Views 21.02.2014 www.iveybusinessjournal.com/.

4/18/2014