

A significant part of the Tajik economy is monopolized. It is the monopolies that are to blame for the fact that Tajikistan has not yet created a competitive environment, said Khodzhimhammad Umarov, professor of Tajik State University, doctor of economic sciences.

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CABAR.asia : What is small and medium business in Tajikistan? How is small and medium business defined in Tajikistan?



Khojimuhammad Umarov. Photo: ozodi.org

Khojimuhammad Umarov : There is no official definition of small and medium business in Tajikistan. Usually, in agriculture, these are production units of up to ten people who do not use wage labor. In industry and construction, we are talking about enterprises with up to five employees. However, there are no such definitions for medium-sized businesses.

What privileges do small and medium-sized businesses have in our country? Are these measures enough?

Small and medium-sized businesses enjoy benefits/privileges during five years from the time of their registration. These are mainly tax benefits. From time to time, state funds are organized to assist small and medium-sized businesses. Still, such measures are inadequate because they have no sustainability and stability.

What contribution does small and medium business make to the country's manufacturing sector?

In fact, in the manufacturing sector of Tajikistan, in relation to the labor force, the small and medium sectors provide more than 50% of employment in industry and construction, and 85-90% in agriculture.

How noticeable is the contribution of small and medium-sized businesses in solving unemployment problems?

The share of small businesses in reducing unemployment is negligible. Only during intense field work, a certain part of the unemployed is involved in agricultural work. As for the state budget, the share of small business in its filling has never exceeded 10%.

The head of the State Committee on Investments and State Property Management Farrukh Khamralizoda, while speaking about the cessation of 30 thousand businesses, rejected the assumption that the main reason is the administrative pressure and tax burden. In his opinion, there are many reasons and the main one is high competition in the market. Do you agree with that?

I do not agree with the statement of Farrukh Khamralizoda. The main reasons for cessation of this are administrative pressure and a high level of tax burden. As for competition, its influence is insignificant. Entrepreneurs flee to other countries due to the lack of a satisfactory business environment.

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Have Tajik businesses managed to reach any achievements in the recent years?

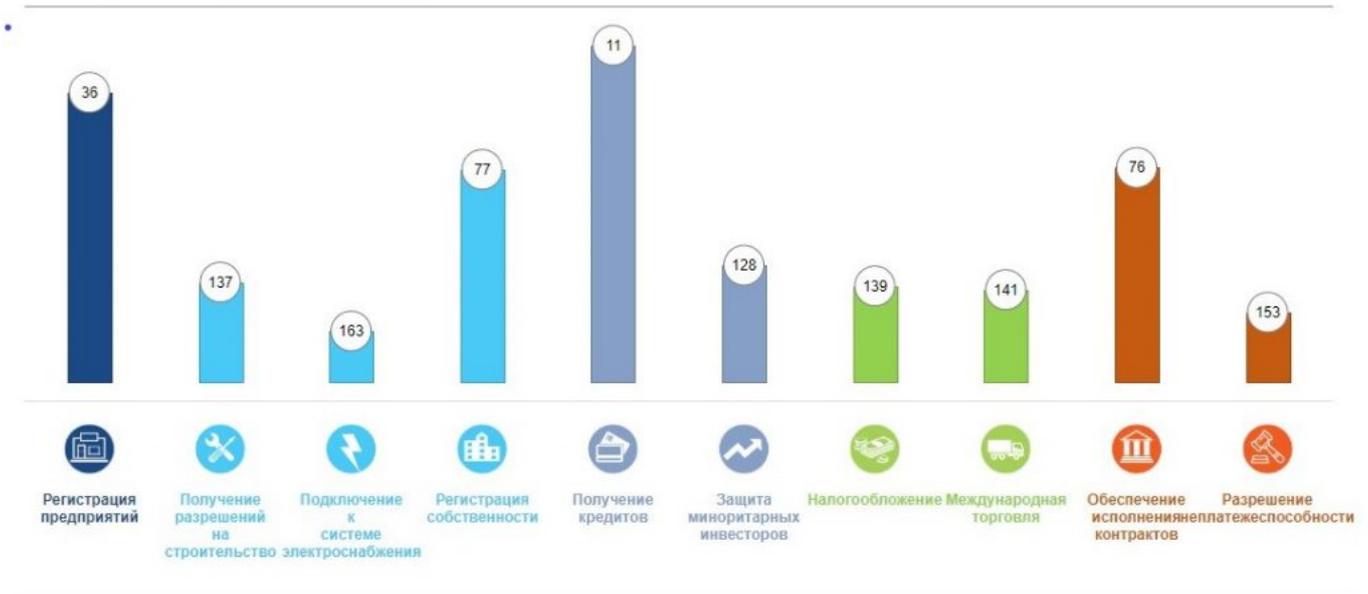
The Tajik business has certain achievements in the field of housing and the cement industry. Both sectors develop within the framework of monopolies. Since, the banking system is in a state of deep crisis, people buy houses and apartments for their savings. In a word, the latter serve as savings books (deposit passbook).

There are also some achievements in the hotel and restaurant business. However, this business is still far from being highly profitable.

Is it possible to compare our indicators of development of small and medium-sized businesses with neighboring countries? For example, with Kyrgyzstan and Uzbekistan?

Small and medium-sized businesses in Tajikistan are noticeably behind the neighboring countries - China, Kyrgyzstan, Uzbekistan and Kazakhstan. In these countries, the middle class appears to be from 20 to 40% and continues to increase its share. This is due to the fact that a favorable business environment has been created in neighboring countries and the state is caring for small and medium-sized businesses.

Rankings on Doing Business topics - Tajikistan



Ease of Doing Business Score on Doing Business topics - Таджикистан



Tajikistan is among the top 20 Doing Business 2020 World Bank reformer countries. Photo: doingbusiness.org

At the same time, Tajik businessmen can be blamed for the insufficient level of professionalism and creativity. For instance, entrepreneurs from Afghanistan and China, do not complain, and do business quite successfully in Tajikistan, right?

Tajik entrepreneurs cannot be blamed for the insufficient level of professionalism and creativity. Outside of Tajikistan, Tajik entrepreneurs are very successful. They develop their business in all continents of the globe. They can be found not only in Kazakhstan and

Russia, but also in Australia, New Zealand, Brazil, Argentina, Ecuador, Germany and many other countries. As for the entrepreneurs from Afghanistan and China who have successful business in Tajikistan, they use dishonest methods and are organically connected with local corrupt officials.

Tajikistan is among the top 20 Doing Business 2020 World Bank reformer countries. According to the [rating](#) , it has become easier to do business in Tajikistan due to the social protection provided during company registration.

Although Tajikistan is among the top 20 reformers of the World Bank, it cannot be said that it has become easier to do business in the country. Reforms are still at the origin. There was no other way out, since previous reforms had completely failed. With an excessively high level of concentration of business and national wealth, one can hardly expect significant progress from second-generation reforms.

“Tajikistan has expanded access to bank loans by creating a unified, modern and notification-based registry of collateralized property, expanding the range of assets,” the World Bank report mentions.

No, this is a distorted interpretation of the situation

It is not the registry of collateralized property, but a low interest rate plays a decisive role in expanding access to loans.

The rating also notes that the customs authorities of Tajikistan have taken measures to expedite the procedures for export clearance of perishable goods. Do you agree with that?

Yes, I agree that recently the Tajik customs authorities have been implementing measures to expedite the export clearance of perishable goods. This leads to increased efficiency of the export-oriented part of the agro-industrial complex.

Why are Tajik businessmen not involved in production, but in the service sector and trade?

Firstly, production is more capital-intensive and knowledge-intensive, that is, it requires more funds per employee. With regard to trade and paid services, the costs are relatively lower. In addition, the free trade regime, that is, the low level of cross-border taxes creates powerful competition for domestic goods.

Why there is no foreign investment in Tajikistan?

Foreign investors are in no hurry to invest their resources in the Tajik economy due to the lack of a modern favorable investment environment. This is the reason that the state is increasingly seeking debts, especially Chinese, which threaten the interests of national security.

What are the main five problems of small and medium-sized businesses in Tajikistan that prevent it from developing?

The main problems hindering the development of small and medium-sized businesses in Tajikistan are: a) a high level of the banking rate and difficulties in obtaining loans; b) a high level of tax burden; c) high level of corruption; d) private inspections and numerous manifestations of administrative pressure; e) lack of incentives provided by the state.

Why do we have such high bank loans for businessmen?

High levels of bank rates due to errors in the management of monetary circulation. Until now, under pressure from the IMF, a monetary compression policy has prevailed in the country. There is a shortage of money. The issue of money is under strict control of the IMF. The level of monetization is extremely low.



Tajik entrepreneurs in a meeting with President Emomali Rahmon. Screenshot from YouTube

The authorities promise to reduce and ease the tax burden. But this does not happen. Why?

The authorities promise all the time to reduce and ease the tax burden. However, this does not happen due to high pressure on government revenues. For this reason, budgeting is constantly under pressure. Many sources of replenishment of the budget go into private hands. Many companies do not sufficiently fulfill their obligations regarding taxes and fees.

The same situation with check-ups. Do you personally know cases when an official was punished for delivering an illegal check-up?

Frequent check-ups turned into a scourge for a Tajik entrepreneur. Due to the high frequency of inspections, enterprises and commercial organizations are working under heavy stress. At the same time, many officials require gratuity, in other words, such check-ups are corrupt. The president talks a lot about reducing the frequency of inspections, and officials do not listen to him.

Do you agree that our economy is monopolized? Why is that bad? What can be done to create a competitive environment?

A significant part of our economy is monopolized. Monopolies cannot be fought. They are to blame for the fact that Tajikistan has not yet created a competitive environment that is designed to comply with the socio-economic nature of market relations.

How often are our businessmen raided? Why is this happening? What can be done to stop the practice of raider seizure of promising enterprises?

There are cases of raiding. Power structures do not pay due attention to this issue. In our opinion, raider seizure issues should be in the attention of not only law enforcement agencies, but also the government, parliament and the president.

In Tajikistan, only those who are “insiders” (свои) for officials can conduct successful business. Do you agree with that?



Many officials during the checks require gratuity. Photo: ozodi.org

I partially agree with the statement that in Tajikistan a successful business depends on those officials who are considered as “insiders” for entrepreneurs. Unfortunately, the lack of transparency of information does not allow scientists to talk about this issue more openly. However, there are also entrepreneurs who, due to their personal characteristics, can conduct a successful business. As for the sustainability and stability of their business, this issue raises widespread debate in society.

Are there any benefits for small and medium-sized businesses from authorized government agencies? For example, from an advisory board on improvement of investment climate.

As for the benefits of the authorized bodies, the question arises – what is their role in improving the business and investment climate. In the meantime, this role is scanty.

What is the level of access of small and medium-sized businesses to bank loans?

Small businesses do not have wide access to bank loans. In addition, interest rates are excessively high and do not correspond to the interests of successful business. Small business in Tajikistan does not find proper support from international financial organizations and banks. It is supported by microfinance organizations. The latter teach borrowers how to efficiently use borrowed resources. However, the interest rate of these organizations remains quite high (1.5-2% per month).

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Can small and medium-sized businesses become a serious economic factor for the growth of the national economy?

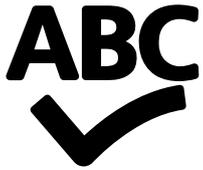
If comfortable conditions for small and medium-sized businesses are created, obstacles that were mentioned above, removed, then this business can become a locomotive for the development of the national economy. In addition, there will be a middle class that will guarantee tranquility, peace and personal progress in the country.

Can you name five steps to take in the near future in order to help small and medium-sized businesses?

Five essential steps:

1. a) creation of a state bank for lending to small and medium-sized businesses;
2. b) reduction of the tax burden;
3. c) strict termination of inspections by officials;
4. d) the cessation of all kinds of instructions from above on the participation of entrepreneurs in the improvement and creation of social facilities;
5. e) state support (grants, subsidies) for certain SME groups related to innovations and intensive use of local raw materials.

“This article was prepared as part of the Giving Voice, Driving Change - from the Borderland to the Steppes Project”.



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