



**Volume 7  
2023**

**E-ISSN 2753-6408**

**INTERNATIONAL AND INTERDISCIPLINARY CONFERENCE:**

**SUSTAINABLE DEVELOPMENT,  
TECHNOLOGY AND INNOVATION**

**23-24 October, 2023  
London, United Kingdom**

**Editor in Chief**

Dr., Prof. Svetlana Drobyazko, The European Academy of Sciences Ltd, London, United Kingdom

**Editorial board**

Prof., Dr. Andris Denins, Dr.oec., Professor, Faculty of Economy and Management, University of Latvia (Riga, Latvia)

Prof., Dr. Andrej Udovč, Full Professor, University of Ljubljana, Slovenia

Prof., Dr. Brezina Ivan, Faculty of Economic Informatics, The University of Economics in Bratislava (Slovakia) Website

Prof., Dr. Dimitar Kanev, Professor in Behavioral Sciences at Varna Free University and Nikola Vaptsarov Naval Academy, Bulgaria

Prof., Dr. Konstantin Savov Kalinkov, University of Economics (Varna, Bulgaria)

Prof., Dr. Nikolay Majurov, St. Petersburg Law Academy, Russia

Dr. Nedelea Alexandru-Mircea, Associate Professor of Marketing at the University Stefan cel Mare of Suceava (Romania)

Prof., Dr. Valeriy Okulich-Kazarin, School of Entrepreneurship, Wroclaw University of Environmental and Life Sciences, Wroclaw (Poland)

Prof., Dr. Parikshat Singh Manhas, Director School of Hospitality and Tourism Management, Faculty of Business Studies, University of Jammu (India)

Prof., Dr. Valery Babich, Association of Russian scientists of Massachusetts (Boston, USA)

Prof., Jarosław Jerzy Turlukowski, Assistant Professor Institute of Civil Law University of Warsaw (Poland)

Prof., Dr. Nada Vignjević-Djordjević, Associate Professor State University (Novi Pazar, Serbia)

Prof. Dr. Nina Shatalova, Ural State Railway University (Russia)

Prof., Dr. Czempas Jan, University of Economics in Katowice (Poland)

Dr., Prof. Shafa Aliyev, Sumgait State University, Azerbaijan Republic

Dr. Uqbah bin Muhammad Iqbal, National University of Malaysia (Malaysian)

Dr. Luísa Cagica Carvalho, Institute Polytechnic of Setubal, School of Business and Administration; University of Evora, Portugal

Dr. Sahera Hussein Zain Al-Thalabi, Faculty of Management and Economics, Basra University (Iraq)

Prof., Dr. Badar Alam Iqbal, Emeritus Professor FBIAR (Ghana) & IUBAT (Dhaka)

Ph.D., Assoc. Prof. Octavian Dospinescu, Faculty of Economics and Business Administration, University Alexandru Ioan Cuza University (Romania)

Prof., dr.sc. Dragan Cisic, Department of Informatics, University of Rijeka (Republic of Croatia), European Academy of Sciences and Arts (full member)

© 2023 Conferencii

The European Academy of Sciences Ltd,  
London, United Kingdom

© 2023 The Authors

## **CONTENT**

**Ilir Tomorri, Remzi Keco**

CHALLENGES AND FACTORS AFFECTING THE SUSTAINABLE DEVELOPMENT OF SME-s IN ALBANIA 4

**Ibragimov, D.D.; Kuchkorov, F.S.; Musaev J.K.**

ANALYSIS OF FINANCIAL REPORTS ON REVENUES AND EXPENDITURES OF MULTI-PROFILE HOSPITALS IN THE REPUBLIC OF KAZAKHSTAN: REORGANIZATION OUTCOMES, INFLUENCE OF ECONOMIC FACTORS, AND KEY FINDINGS 15

*Aims & Scope (Business, Management, Economics)*

*Proceeding Paper*

## CHALLENGES AND FACTORS AFFECTING THE SUSTAINABLE DEVELOPMENT OF SME-s IN ALBANIA

**Ilir Tomorri,**

Associate Professor, Faculty of Economy and Agribusiness,  
Agricultural University of Tirana, Albania  
<https://orcid.org/0000-0002-2127-1323>

**Remzi Keco,**

Professor, Faculty of Economy and Agribusiness,  
Agricultural University of Tirana, Albania  
<https://orcid.org/0000-0003-4460-6461>

*Received: 01 September 2023; Accepted: 15 September 2023; Published: 20 September 2023*

**Abstract.** Small and medium-sized enterprises (SMEs) are crucial for the economic development of a country, playing an important role in job creation, poverty alleviation and economic growth. SMEs play a major role in most economies, particularly in developing countries. SMEs account for the majority of businesses worldwide and are important contributors to job creation and global economic development.

In Albania, SMEs represent more than 99% of the total number of enterprises and the percentage of employees in this sector is 82% (INSTAT, 2023). For this reason, identifying factors affecting the development of SMEs in Albania is very important, in order to take all the necessary steps to reduce barriers as well as create opportunities and facilities for supporting this sector. Small and medium-sized enterprises play an important role in the development of the national economy, influencing sustainable growth in the agriculture, services, trade, and production sectors. They are major contributors to value creation across all sectors.

The development of SMEs, especially in transition countries faces several difficulties such as limited access to finance, increased competition, low research and development costs, high levels of exposure to risk, technological change, and capacity constraints related to knowledge and innovation. As an important factor for economic growth and employment, it is important to evaluate the performance of SMEs in the country as well as the constraints and challenges they face.

The purpose of this study is to analyze and evaluate the factors that affect the sustainable development of the SMEs sector. The findings of the study are relevant to government, policymakers and managers to address these challenges, to encourage and offer support to SMEs' development through their strategies.

**Keywords:** SMEs; challenges; sustainable development; competitiveness, strategies.

**JEL Classification:** D24; L22

**Citation:** Ilir Tomorri; Remzi Keco. (2023). CHALLENGES AND FACTORS AFFECTING THE SUSTAINABLE DEVELOPMENT OF SME-s IN ALBANIA. *Conferencii*, (7) 1. [http://doi.org/10.51586/Conferencii\\_7\\_1\\_2023](http://doi.org/10.51586/Conferencii_7_1_2023)

### Introduction

Small and medium enterprises (SMEs) are an important driver of economic development, in most economies across the world, particularly in developing countries (Ndiaye et al., 2018). SMEs are important for all developing countries, especially those facing major employment and income distribution challenges.

Small and medium enterprises operate in the agriculture, services, trade, transport, accommodation and manufacturing sectors. It is important to emphasize the importance of small

enterprises in the economy, referred to their contribution to employment, innovation and economic growth.

The development of the SME, associated is with several problems related to the financing of their activity, diversification of products and services, increased productivity, low research and development costs, high levels of exposure to risk, human resources management and implementation of new and innovative technologies (Tomorri et al., 2018). Promoting entrepreneurship, improving the business environment, and facilitating access to finance, constitute some of the main directions for the development of the private sector. Economic stability is essential in improving access to SME financing and creating a friendly climate to business activity.

According to INSTAT (2023), SMEs constitute the largest part of businesses over 99% and significantly affect the economic development of the country and the number of employees. International Finance Corporation (IFC, 2017), argues that the state should promote SMEs because of the great benefits of their economy compared with large enterprises in terms of creating jobs, efficiency and economic growth.

The development of the SME sector is considered one of the most efficient sectors for the Albanian economy that generates sustainable economic growth, increases employment rate and reduces poverty levels. Our country has experienced rapid growth in lending in recent years, but banks prefer to lend to large businesses with a positive experience in the field of lending and who have sufficient collateral. However, SMEs have limited access to financing their activity from financial institutions, due to the lack of collateral, weak solvency, bank-borrower relations, and transaction costs (Asai, 2019).

Small and medium enterprises are considered as a source of innovation because they are flexible, dynamic and sensitive to market demand compared with large businesses. In contrast to large corporations, SMEs are much more flexible in terms of income distribution and better adaptability to market fluctuations and new customer demands, while their organizational structure allows for faster decision-making.

According to the SME Policy Index: Western Balkans and Turkey 2022, Albania has made good progress in implementing the Small Business Act (SBA). Thus, through national policies, and start-up financing programs or business incubators, SMEs have been encouraged and stimulated to develop, grow and support the economy and local, regional and national activities. Albania's operational environment for SMEs remains the most advanced in the region. Albania has achieved its highest average scores in the following areas: institutional and regulatory framework for SME policy making; operational environment for SMEs; public procurement; standards and technical regulations; and internationalisation of SMEs (OECD, 2022). Creating a positive climate affects the development of the SME sector by encouraging their competitiveness in the regional and global markets.

Considering the importance of SMEs in transition economies, the government, policymakers and other stakeholders should work intensively to strengthen the role and development of SMEs in the national economy.

The objectives of this study are:

- Evaluation of the role of small and medium-sized enterprises in the economic development of the country.
- Evaluation of SMEs contribution to economic growth and employment level in the Albanian economy,
- Identification of factors as well as challenges for the development of the SME sector in the future.

### **Literature Review**

Small and medium enterprises (SMEs) are vital to most economies across the world, particularly in developing countries. In recent years, the role of economic enterprises, especially small and medium-sized enterprises in developing countries, has increased. They are considered the most dynamic and vulnerable businesses in the global economy and are critical to the development of a country because they play an important role in economic growth, the number of employees and the reduction of poverty (Ayyagari et al., 2014).

The development of the SME sector is considered an effective instrument in transition economies, which generates sustainable economic growth, creation of added value, increasing the number of employees and reducing poverty.

SMEs are not only an important source of job creation in developing countries, but they can also become a source of innovation and increased productivity (Hansjörg & Zeynep, 2018). SMEs significantly contribute to the development of communities in rural economies in countries all over the world. The role of SMEs in enhancing local development is more important to overcome poverty, inequality, and unemployment in rural areas (Fiseha & Oyelana, 2015).

The importance of entrepreneurial SMEs is recognized globally, but their role is particularly important in developing economies (Karadag, 2016). SMEs contribute to the economy by stimulating employment, increasing production, transferring new technologies, etc (Rehman et al., 2019).

SMEs in transition economies reduce the surplus in labour development, restructure economies in different sectors and transform the social structure. It is important to acknowledge the problems facing growth among entrepreneurial SME businesses in developing countries because they are fundamentally different from those faced by developed countries (Khan, 2022).

SMEs make up over 90% of business and comprise more than 50% of the workforce worldwide (World Bank, 2020). Across the world, entrepreneurial small and medium-sized enterprises (SMEs) contribute greatly to national economies. A wide range of studies has indicated the crucial contribution of entrepreneurial SMEs as drivers of social and economic development. A strong entrepreneurial SME sector significantly contributes to a country's economy, adding to GDP by lowering the concentration of poverty and reducing the level of unemployment, and entrepreneurial SMEs play a vital role in developing a country (Sarwar et al., 2021).

Small and medium-sized enterprises (SMEs) make crucial contributions to job creation and income generation (Endris & Kassegn, 2022). Research studies have highlighted that SMEs are faced with issues such as ineffective leadership, entrepreneurship education and training, lack of proper infrastructure and lack of marketing strategy that are barriers to SME growth. The promotion of SMEs has been a key area of intervention in recent years given the major employment challenges (ILO, 2015).

According to Wang (2016), several factors are identified that influence the development of SMEs. Lack of access to finance is seen as one of the important factors hindering SME innovation. The main limitations of financing are high interest rates, complex application procedures and collateral requirements.

The most challenging barriers to SMEs are access to finance and lack of adequate training and consultancy from the relevant agencies (Agheli, 2017). Other factors are lack of managerial skills: as a result, entrepreneurs may not be prepared for changes in the business environment and innovative developments, the regulatory environment, etc. As a result of the limited resources of SMEs to invest, Binek and Al-Muhannadi (2020), highlight that support from government policies and powerful market players can help small and medium-sized businesses learn more about market advantages that the European Community (EC) has to offer.

Small and medium enterprises are becoming increasingly important for the creation and development of a modern, dynamic and knowledge-based economy. This is because of their capacity to promote entrepreneurship and entrepreneurial skills, and because of their ability to be flexible and adapt quickly to a changing market, and to generate new jobs (Govori, 2013).

Small and medium enterprises have embraced technological innovations in creating new opportunities as well as expanding their businesses. Sustainability performance improvement is a problem for small and medium-sized enterprises (SMEs) due to limited resources. By implementing innovation, SMEs can take advantage of external resources to innovate in their operations, thus increasing sustainability performance (Kurniawati et al., 2022).

Along with industrial development and the improvement of the knowledge society, the use of knowledge has become the new important economic resource, which changes the approach to the performance and competitiveness of SMEs. Innovation focuses on collaboration between research and businesses, due to the need to finalize research through practical results related to technical and

technological developments (Gherghina et al., 2020). The provision of financing sources for SMEs is positively related to product innovation at the firm level and process technology (Wellalage & Fernandez, 2019).

The problems related to management are human resources, leadership, managerial skills and lack of experience, which are considered the main obstacles to the success of businesses, especially small businesses (Khan & Burki, 2020). Since SMEs play an important role in the country's economic growth, it is essential to study and find the drivers and barriers to their sustainable development.

In the last two decades, with the development of modern technologies, there have been changes in production, communication, management skills, production methods and the distribution and organizational structure of businesses. The role of SMEs in economic development has been one of the most important discussions among government, policymakers, academics, researchers and experts in this sector (Myslimi & Kaçani, 2016).

The increase in small and medium enterprises and their impact on economic development is related to their structure and size. The SME sector has been structured over the years and is one of the most important sectors of the national economy. Small and medium enterprises differ by their size but also by their structures and business operations.

In recent years, Albania has made significant progress in terms of facilitating the procedures for opening a business in time and at low cost, support schemes, regulatory reforms, reduction of administrative barriers, tax system, etc.

In Albania, the SME sector is regulated according to Law No. 43/2022, "For the development of micro, small and medium-sized enterprises. According to this law, the classification of small and medium enterprises is made taking into consideration two criteria: i) number of employees; ii) annual turnover or total assets in the balance sheet. The enterprises are classified into: microenterprises, small enterprises and medium enterprises.

**Table 1. Map of the professional skills and competencies of the employee of the HR service of the enterprise**

	<b>EU definition</b>	<b>Albania definition</b>
<b>Micro</b>	< 10 employees EUR 2 million turnover or balance sheet	< 10 employees ALL 10 million turnover or balance sheet
<b>Small</b>	< 50 employees EUR 10 million turnover or balance sheet	< 50 employees ALL 50 million turnover or balance sheet
<b>Medium-sized</b>	250 employees EUR 50 million turnover EUR 43 million balance sheet	< 250 employees ALL 250 million turnover or balance sheet

Source: Republic of Albania, 2022

### Methods

Small and medium-sized enterprises (SMEs) play an important role in the economic development of most economies worldwide, especially in developing countries. They are considered the most dynamic and vulnerable businesses in the global economy and are critical to the development of a country because they play an important role in economic growth, the number of employees and the reduction of poverty.

By the objectives of this study, regarding the evaluation of the role of small and medium enterprises in the economic development of the country, the challenges and factors affecting the sustainable development of the SME sector, we have used a descriptive and analytical approach about the purpose of the study.

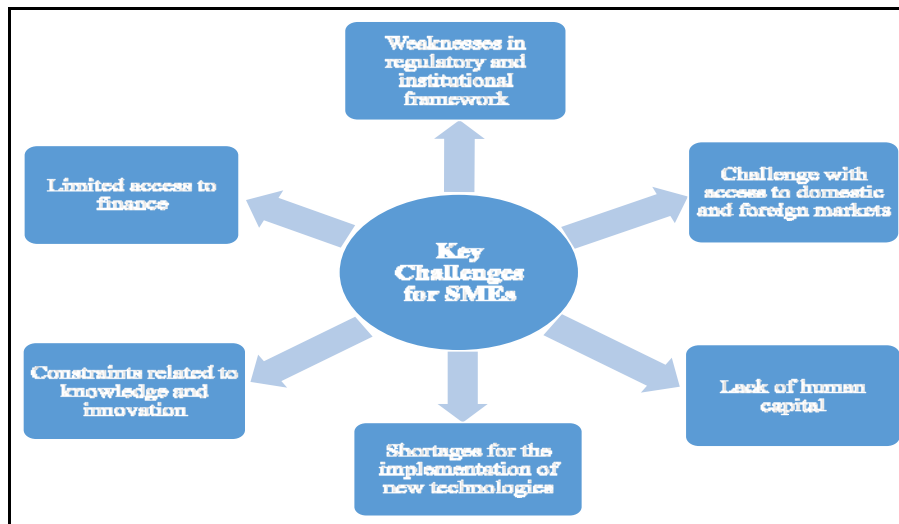
The methodology used for this study includes three phases:

- The first phase included a systematic literature review related to the purpose of the paper, which includes, research articles, papers, reports, and books from domestic and foreign authors;
- The second phase includes the collection of data published by national and international institutions such as (Institute of Statistics, Bank of Albania, EU, World Bank, OECD, ILO, etc.);

- The last phase consists of data analysis, which is structured on the logic of issues and available resources, related to the challenges and factors that affect the sustainable development of the SME sector.

We are focused on the use of the analysis method, through the collection, processing, and interpretation of data and statistical indicators related to the SME sector in the country, the problems and challenges they face, as well as conclusions and recommendations for sustainable development of this sector in the future.

The conceptual framework used for this study is based on various studies already conducted. The key challenges faced by SMEs in Albania are presented in (Figure 1).



**Figure 1. Key challenges for SMEs**

*Source: Authors' composition, 2023*

These challenges are the following: a) weakness in regulatory and institutional framework; b) challenges accessing domestic and foreign markets; c) lack of human capital; d) limited access to finance; e) shortages for the implementation of new technologies; and f) constraints related to knowledge and innovation, such as low skill levels, gender gap and leadership capacity of SMEs' entrepreneurs.

According to the SME Policy Index: Western Balkans and Turkey 2022, Albania has made good progress in implementing the Small Business Act (SBA). Thus, through national policies, and start-up financing programs or business incubators, SMEs have been encouraged and stimulated to develop, grow and support the economy and local, regional and national activities.

The economy continues to provide an environment conducive to business and is receptive to the needs of small and medium-sized enterprises (SMEs). Albania has achieved its highest average scores in the following areas: institutional and regulatory framework for SME policy making; operational environment for SMEs; public procurement; standards and technical regulations; and internationalisation of SMEs (OECD, 2022)

### **Results and Discussion**

SMEs contribute to economic development as an integral part of the national economy. Small and medium enterprises represent the main part of the entrepreneurial structure in EU countries. Through national policies and start-up financing programs, SMEs have been encouraged and stimulated to develop, grow and support the economy and local, regional and national activities. Albania's operational environment for SMEs remains the most advanced in the region.

Globalization of the economy, increased competition and changes in the external environment dictate new challenges for the development of this sector, related to the creation of innovative and competitive enterprises. Global competition has been identified as a key challenge for SMEs that makes a significant impact on business competition (Ahmedova, 2015).

In the current conditions of the Albanian economy, while the market is increasingly competitive, one of the important problems of SME development is the financing of their activity. On the other hand, the integration of Albania into the European Union dictates new challenges for



the development of this sector in terms of providing products and services, improving the infrastructure, implementing new technologies, innovative approaches, management skills, and increasing competition.

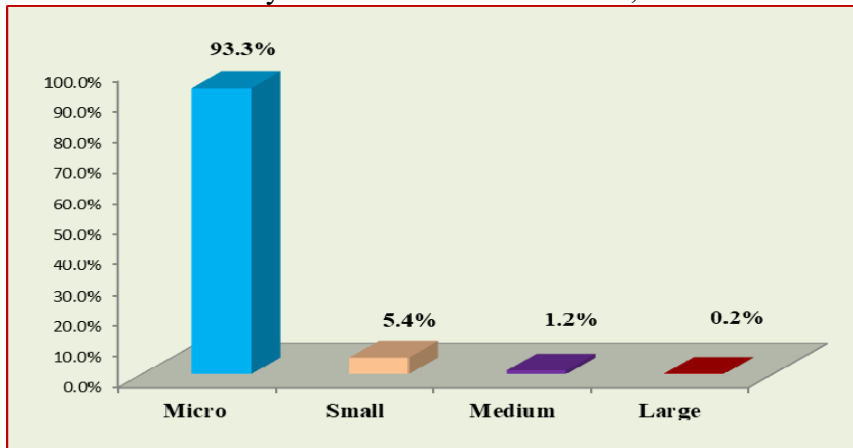
**Table 2. Data for number of enterprises, number of employed and value added by size, 2021**

No	Enterprises by size	No of enterprises	%	No of employed	%	Value added (mln ALL)	%
1	Micro (1-9 employed)	97,022	93.3%	191,250	36.8%	151,693	22.8%
2	Small (10-49 employed)	5,608	5.4%	111,318	21.4%	179,338	27.0%
3	Medium-sized (50-249 employed)	1,227	1.2%	121,002	23.3%	174,155	26.2%
*	<b>SMEs (1-249 employed)</b>	<b>103,857</b>	<b>99.8%</b>	<b>423,570</b>	<b>81.6%</b>	<b>505,186</b>	<b>76.1%</b>
4	Large (250+ employed)	174	0.2%	95,669	18.4%	159,031	23.9%
***	<b>Total</b>	<b>104,031</b>	<b>100%</b>	<b>519,240</b>	<b>100%</b>	<b>664,217</b>	<b>100%</b>

Source: Authors' composition based on data from INSAT, 2023

According to data from (INSTAT, 2023), the structure of the three main indicators of SMEs in Albania compared to the EU for 2021 are:

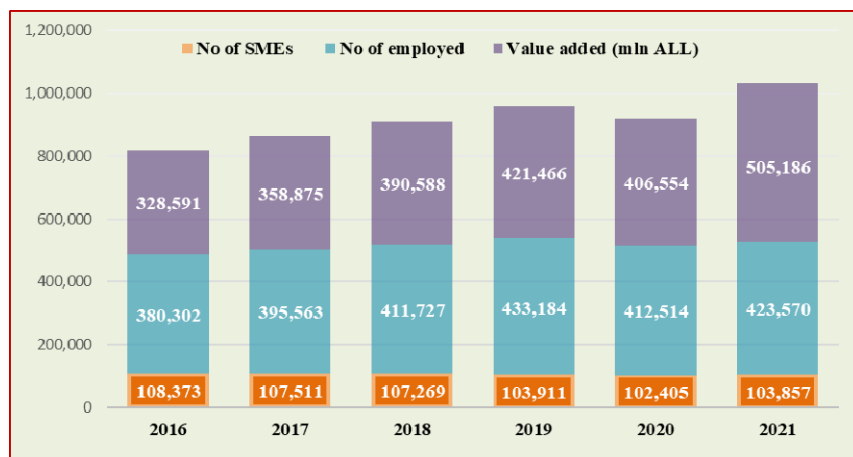
- a) The percentage of SMEs is 99.8%, the same as the EU;
- b) The percentage of employees for this group of enterprises is 81.6% in Albania, from 64.4% in the EU;
- c) The added value realized by SMEs in Albania is 76.1%, from 51.8% in the EU.



**Figure 2. Data for enterprises by size, 2021**

Source: Authors' composition based on data from INSAT, 2023

Referring to the above data, it is noted that about 93.3% of the total enterprises for the year 2021 in Albania are micro, 5.4% small, 1.2% medium and 0.2% large enterprises. Small and medium-sized enterprises (SMEs) account for about 99.8% of the total number of enterprises in 2021.



**Figure 3. Data for number of enterprises, number of employed and value added (mln ALL), 2016-2021**

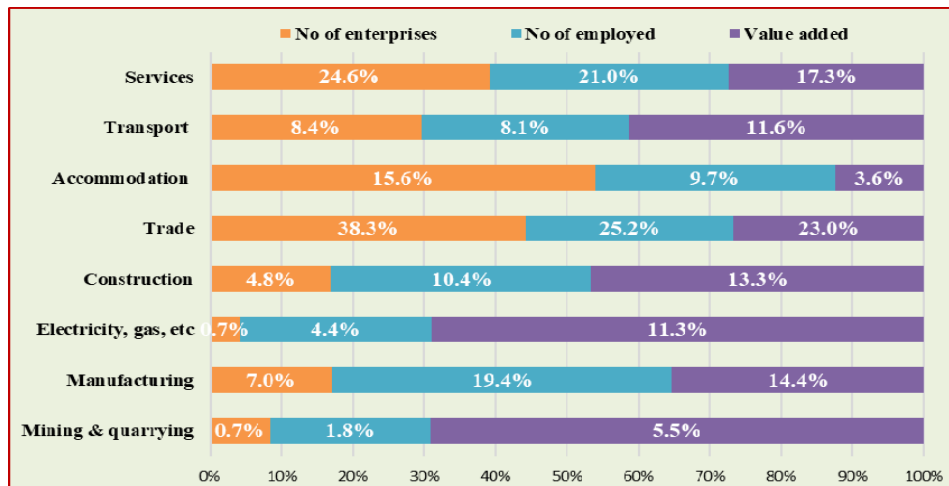
Source: Authors' composition based on data from INSAT, 2023

Referring to the data, no of SMEs for 2016 was 108,373 while for 2021 it is 103,857, no of employed for 2016 was 380,302 while for 2021 it is 423,570 and value added for 2016 was 328,591 million ALL while for 2021 it is 505,186 million ALL.

**Table 3. Data for number of SMEs, number of employed and value added by economic activity, 2021**

No	Economic Activity	No of enterprises	No of employed	Value added (mln ALL)
1	Mining & quarrying	691	9,355	32,995
2	Manufacturing	7,288	100,669	102,425
3	Electricity, gas, etc	720	22,822	47,839
4	Construction	5,035	53,874	91,024
5	Trade	39,798	130,679	151,090
6	Accommodation	16,216	50,354	30,595
7	Transport	8,691	42,302	76,532
8	Services	25,593	109,184	131,717
*	<b>Total</b>	<b>104,031</b>	<b>519,240</b>	<b>664,217</b>

Source: Authors' composition based on data from INSAT, 2023



**Figure 4. Data in % for no of SMEs, no of employed and value added by economic activity, 2021**

Source: Authors' composition based on data from INSAT, 2023

In the structure of small and medium-sized enterprises (SMEs) according to economic activity for 2021, the largest number of enterprises are concentrated in the trade, services, accommodation and manufacturing sectors.

Referring to the data on the number of employees for SMEs according to economic activity for 2021, the largest number of employed are in the trade, services, manufacturing and construction sectors.

Regarding the added value for SMEs according to the economic activity for 2021, it shows that the trade, services, manufacturing and construction sectors have the highest percentage of this indicator.

Referring to the analysis of the above data, the SME sector is considered as one of the most important sectors for the Albanian economy, contributing to economic growth, the number of employed and the reduction of the poverty level.

Small and medium-sized enterprises have priority, with large businesses deriving from their business characteristics. There is a constant debate among experts about what can now be considered the main sectors in the economy that can serve as generators of economic growth in the country. Small and medium enterprises are considered a source of innovation because they are flexible, dynamic and sensitive to changes in market demand by offering new products and services, being an important factor for economic growth in the country.

The main challenges for increasing the competitiveness and productivity of SMEs, in the conditions of the globalization of the economy, are the improvement of the investment climate, financing of their activities, diversification of products and services, costs related to their creation, financial risk, management skills and implementation of new and innovative technologies.

Financing is one of the main obstacles that SMEs face and that has a significant impact on their performance. As is known, it has a low level of attractiveness by financial institutions in terms of financing for small and medium enterprises. There are several obstacles related to the financing of SMEs such as lack of collateral and guarantees to meet the requirements of banks to finance their activities, high interest rates, long administrative procedures, costs and financial risks associated with these businesses, positive experience in lending, poor financial knowledge and skills, etc.

In the current conditions, when traditional sources of financing are not widely accessible for Albanian micro and medium enterprises, new approaches can be considered suitable to improve access to finance. In recent years, leasing companies and microfinance institutions have provided funding sources for small and medium enterprises, whose access to financing from the banking sector is limited. This is related to competitive interest rates, simpler administrative procedures, and lower fees and commissions.

Stronger development of the non-banking sector can support financial inclusion as well as access to finance for SMEs. Government support will be important to make this initiative a success on a national scale. To increase access to financing for SMEs, in recent years have been taken measures, mainly through the introduction of credit guarantee schemes for SMEs.

The support programs to facilitate access to finance for SMEs in Albania are offered by EBRD's Albania Agribusiness Support Facility, funded by the Government of Albania; the Albanian-Italian Programme for the Development of Albanian SMEs; and the European Fund for Southeast Europe. However, active measures will have to be taken by the Government and the respective responsible institutions to support easier access to finance for SMEs and new enterprises in Albania. This is the reason why the competition of SMEs affects the competition of the national economy. Their development and performance, within the global economy, is a real challenge.

The strategic priorities for the development of this sector are; harmonizing with the sector strategies that have impact on the SME sector; ensuring transparency of decision-making, actions and measures taken which affect the business environment; identification of competitive advantages and entrepreneurial management skills; ensuring the fair competitiveness and supporting the integration of SMEs in the global market.

The government in Albania has continued to implement reforms under a whole-of-government approach and has made progress both in increasing the availability of digital government services and in directing them to better suit the needs of users. Albania has simplified one-stop company registration and licensing (National Business Center, QKB) through digital services, which speeds up the process, increases transparency and reduces administrative burden and costs for SMEs.

With the approval of the new Business Development and Investment Strategy (2021-2027), Albania increases support for SMEs, especially in improving the business environment, but also in adapting services support services to SMEs' needs. This strategy, is led by the Albanian Investment and Development Agency (AIDA) in coordination with all relevant government and external stakeholders. Through this strategy, it provides a strong strategic framework for providing public and private support services for SMEs. Also through Albania's Digital Agenda (2015-2020) and Business and Investment Development Strategy (2021-2027), the government has made progress in strengthening its strategic framework for promoting e-commerce practices among SMEs and the general public. Significant progress has been made in the area of public procurement by increasingly aligning its regulatory framework with EU requirements.

Albania has made considerable progress in supporting SME internationalisation. By developing export support services, the government has advanced in creating an enabling environment that enhances competitiveness and innovation. Increase financial support for SMEs to encourage investment in innovation and research

For the SME sector, the sustainable development of their activity should be considered an important part of the long transition of the economy and society towards the country's EU membership. It is important that the Albanian government draft strategies that will help businesses to consolidate their activities.

This vision should focus on:

- continuous improvement of business and investment climate, reduction of administrative barriers and financial costs;
- increasing access to financing of the SME sector by financial and non-financial institutions, providing financial support grants, and extension of credit guarantee schemes;
- increasing the institutional capacities of institutions responsible for the development and implementation of policies in support of SMEs;
- increasing the competitiveness of SMEs in the regional and global market, through diversification of products and services, investment and implementation of new technologies;
- increasing support to stimulate e-commerce practices among SMEs and promoting new support programs for the internationalization of the SME sector globally;
- creating a conducive business environment for SME digitalisation and e-commerce adoption;
- development and design of strategies for the prevention of insolvency of SMEs, including a comprehensive early warning system;
- strengthening professional capacities, through the management of human resources, training and other supporting programs;
- increasing support for innovation and knowledge transfer to SMEs through the collaboration of public agencies, business associations, research centers and academia.

### **Conclusion**

The purpose of this study was to identify factors that influence the growth and development of small and medium enterprises (SMEs) in Albania. This research work aims to contribute to the economic literature by analyzing the main challenges faced by small and medium-sized enterprises.

Considering the analyzed data, we conclude that small and medium enterprises (SMEs) constitute about 99.8% of the total number of enterprises in the country for the year 2021. Small and medium-sized enterprises (SMEs) play an important role in the economic development of most economies worldwide, especially in developing countries.

SMEs have a significant impact on economic development, contributing to economic growth, job creation, technological innovation, increased competitiveness, and poverty reduction. Small and medium enterprises operate in the agriculture, services, trade, transport, accommodation and manufacturing sectors.

Globalization of the economy, increased competition and changes in the external environment require the SME sector in Albania to become more competitive. The development of the SME sector faces several problems related to the financing of their activity, diversification of products and services, increased productivity, low research and development costs, high levels of exposure to risk, human resources management and implementation of new and innovative technologies.

The main components that influence the consolidation of the SME sector are increased access to financing, the use of new technologies and information, a friendly business environment, better infrastructure, the development of human resources capacity, management skills, etc.

In recent years in Albania, a series of institutional reforms have been undertaken by the government in cooperation with international institutions to support the development of SMEs. Some of the reforms that have improved the climate and development of SMEs are: business registration, permits and licenses, e-government, ICT support, provision of schemes and financial support, training, growth of e-commerce, etc. All these reforms have brought concrete results in improving the business climate.

Policymakers need to go beyond basic measures to improve access to finance and enhance the institutional support that would allow small and medium enterprises and local economies to

thrive independently. Public agencies should prioritize comprehensive financing schemes that support SME development. Another issue that can affect the performance of SMEs is the growth of entrepreneurial and managerial skills of owners and managers that help consolidate businesses, and provide greater employment opportunities.

Government and other non-governmental agencies should support the organization of regular training programs for potential and actual SME entrepreneurs, where they should be educated on how to plan, organize, manage and control their businesses.

Increasing cooperation between government agencies, universities, research centers and the SME sector in the direction of exchange and transfer of knowledge, innovation and technological developments. Governments should also promote the use of technology and innovation to stimulate SMEs' performance by encouraging increased investments in R&D.

Updating teaching curricula and study programs in vocational schools and universities, to provide knowledge and managerial skills with a focus on practical entrepreneurship.

Diversification of products and services offered by small and medium enterprises increases competitiveness in the market, through the implementation of new and innovative technologies.

Promotion of small and medium-sized enterprises in the rural sector, agribusiness, as well as in the tourism sector would constitute a high development potential for this sector.

The future challenges must be addressed in supporting SMEs to develop skills, knowledge and sustainability initiatives to be competitive in national and global markets.

**Funding:** This research received no external funding.

**Acknowledgments:** The views expressed in this research paper are those of authors in their personal capacity. We would like to thank the Editorial Board and reviewers for their valuable contribution to this study.

**Conflicts of Interest:** The authors declare that no potential conflicts of interest in publishing this work. Furthermore, the authors have witnessed ethical issues such as plagiarism, informed consent, misconduct, data fabrication, double publication or submission, and redundancy.

## References

- Aghelie, A. (2017). Exploring Drivers and Barriers to Sustainability Green Business Practices within Small Medium Sized Enterprises: Primary Findings. *International Journal of Business and Economic Development*, 5(1), 41-48. [https://ijbed.org/cdn/article\\_file/content\\_26562\\_17-03-27-10-42-33.pdf](https://ijbed.org/cdn/article_file/content_26562_17-03-27-10-42-33.pdf).
- Ahmedova, S. (2015). Factors for Increasing the Competitiveness of Small and Medium-Sizes Enterprises (SMEs) in Bulgaria. *Procedia-Social and Behavioral Sciences*, 195, 1104-1112. doi: 10.1016/j.sbspro.2015.06.155.
- Asai, Y. (2019). Why do small and medium enterprises (SMEs) demand property liability insurance? *Journal of Banking & Finance*, 106, 298-304. <https://doi.org/10.1016/j.jbankfin.2019.07.012>.
- Ates, A., Garengo, P., Cocca, P. & Bititci, U. (2013). The development of SME managerial practice for effective performance management. *Journal of Small Business and Enterprise Development*, Vol. 20 No. 1, pp. 28-54. <https://doi.org/10.1108/14626001311298402>.
- Ayyagari, M., Demircug-Kunt, A., & Maksimovic, V. (2014). Who creates jobs in developing countries? *Small Business Economics*, 43, 75-99. <https://link.springer.com/article/10.1007/s11187-014-9549-5>.
- Bank of Albania. (2023). Annual Reports. [https://www.bankofalbania.org/Botime/Botime\\_Periodike/Raporti\\_Vjeter](https://www.bankofalbania.org/Botime/Botime_Periodike/Raporti_Vjeter).
- Binek, D. & Al-Muhannadi, K. (2020). Small and medium-sized enterprises within the circular economy: challenges and opportunities. *Hungarian Agricultural Engineering*, 37, 5-13. DOI: 10.17676/HAE.2020.37.5.
- Endris, E., & Kassegn, A. (2022). The role of micro, small and medium enterprises (MSMEs) to the sustainable development of sub-Saharan Africa and its challenges: a systematic review of evidence from Ethiopia. *Journal of Innovation and Entrepreneurship*, (2022),11:20. <https://doi.org/10.1186/s13731-022-00221-8>.
- Elhassan, O (2019). Obstacles and Problems Facing the Financing of Small and Medium Enterprises in KSA. *Journal of Finance and Accounting*. Vol. 7(5), 168-183. doi: 10.11648/j.jfa.20190705.16.
- European Investment Bank. (2016). Assessment of financing needs of SMEs in the Western Balkans countries. Synthesis Report. [https://www.eib.org/attachments/efs/assessment\\_of\\_financing\\_needs\\_of\\_smes\\_in\\_the\\_western\\_balkans\\_synthesis\\_en.pdf](https://www.eib.org/attachments/efs/assessment_of_financing_needs_of_smes_in_the_western_balkans_synthesis_en.pdf).
- Fiseha, G. G. & Oyelana, A. A. (2015). An Assessment of the Roles of Small and Medium Enterprises (SMEs) in the Local Economic Development (LED) in South Africa. *Journal of Economics*, 6(3), pp. 280-290. <https://doi.org/10.1080/09765239.2015.11917617>.
- Gherghina, C. Stefan., Botezatu, A. M., Hosszu, A., and Simionescu, N. L., (2020). Small and Medium-Sized Enterprises (SMEs): The Engine of Economic Growth through Investments and Innovation. *Sustainability* 2020, 12, 347, 1-22. doi:10.3390/su12010347.

- Govori, A. (2013). Factors affecting the growth and development of SMEs: Experiences from Kosovo. *Mediterranean Journal of Social Sciences*, Vol 4(9), 701-708. <https://doi.org/10.5901/mjss.2013.v4n9p701>.
- Hansjörg, H., & Zeynep M. N. (2018). The Role of Small and Medium-sized Enterprises in Development. What Can be Learned from the German Experience? *Global Labour University Working Paper*, 53, 1-55. <http://hdl.handle.net/10419/189840>.
- IFC. (2017). MSME finance gap: Assessment of the shortfalls and opportunities in financing micro, small and medium enterprises in emerging markets. Washington, DC. <http://hdl.handle.net/10986/28881>.
- ILO. (2015). Small and medium-sized enterprises and decent and productive employment creation (Report IV, Issue). [https://www.ilo.org/wcmsp5/groups/public/-ed\\_norm/-relconf/documents/meetingdocument/wcms\\_358294.pdf](https://www.ilo.org/wcmsp5/groups/public/-ed_norm/-relconf/documents/meetingdocument/wcms_358294.pdf).
- INSTAT. (2023). INSTAT Online Database. Available at: <http://databaza.instat.gov.al/>; <https://www.instat.gov.al/al/statistika/>; <https://www.instat.gov.al/al/publikime/publikime-sipas-temave/>.
- Karadag, H. (2016). The role of SMEs and entrepreneurship on economic growth in emerging economies within the post-crisis era: an analysis from Turkey. *Journal of Small Business and Entrepreneurship Development*, Vol. 4(1), 22-31. <https://doi.org/10.15640/jsbed.v4n1a3>.
- Khan, M. A. (2022). Barriers constraining the growth of and potential solutions for emerging entrepreneurial SMEs. *Asia Pacific Journal of Innovation and Entrepreneurship*, Vol. 16(1), 38-50. DOI 10.1108/APJIE-01-2022-0002.
- Khan, M.A. & Burki, M. (2020). Determinants of small and medium enterprises with the interaction effect of managerial activities. *International Journal of Research in Business and Social Science* (2147- 4478), Vol. 9(4), 153-160. doi:10.20525/ijrbs.v9i4.750.
- Kubičková, L., Morávková, M., Tuzová, M. & Nečas, I. (2017). The role of small and medium-sized enterprises in the development of rural areas. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, Vol. 65(6), 1987-1996. DOI: 10.11118/actaun201765061987.
- Kurniawati, A.; Sunaryo, I.; Wiratmadja, I.I.; Irianto, D. (2022). Sustainability-Oriented Open Innovation: A Small and Medium-Sized Enterprises Perspective. *Journal of Open Innovation: Technology, Market, and Complexity*, 8(69). <https://doi.org/10.3390/joitmc8020069>.
- Myslimi, G., & Kaçani, K. (2016). Impact of SMEs in economic growth in Albania. *European Journal of Sustainable Development*, 5(3), 151-158. Doi: 10.14207/ejsd.2016.v5n3p151.
- Ndiaye, N., Razak, LA, Nagayev, R. & Ng, A. (2018). Demystifying small and medium enterprises' (SMEs) performance in emerging and developing economies. *Borsa Istanbul Review*, 18 (4), 269-281. <https://doi.org/10.1016/j.bir.2018.04.003>
- OECD. (2022). SME Policy Index: Western Balkans and Turkey 2022. Assessing the Implementation of the Small Business Act for Europe, SME Policy Index, OECD Publishing, Paris, <https://doi.org/10.1787/b47d15f0-en>.
- OECD. (2022). Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard. OECD Publishing, Paris. <https://doi.org/10.1787/57046df4-en>.
- Republic of Albania (2022), Law No. 43/2022, "For the development of micro, small and medium-sized enterprises".
- Sarwar, Z., Khan, M.A., Yang, Z., Khan, A., Haseeb, M. & Sarwar, A. (2021). An investigation of entrepreneurial SMEs' network capability and social capital to accomplish innovativeness: a dynamic capability perspective. *SAGE Open*, Vol. 11(3), 1-14. <https://doi.org/10.1177/21582440211036089>.
- Sidik, I. G. (2012). Conceptual Framework of Factors Affecting SME Development: Mediating Factors on the Relationship of Entrepreneur Traits and SME Performance. *Procedia Economics and Finance*, 4, 373-383. doi: 10.1016/S2212-5671(12)00351-6.
- Taiwo, M., Ayodeji, A., & Yusuf, B. (2012). Impact of Small and Medium Enterprises on Economic Growth and Development. *American Journal of Business and Management*, 1(1), 18-22. DOI: <https://doi.org/10.11634/21679606170644>.
- Tomorri, I., Keco, R., & Kapaj., I. (2018). The role of SME\_s in the development of the Albanian economy". *International Scientific Conference. "Actual scientific research"*, Rome, Italy, 2018, 55-62. ISBN 978-88-89655-13-2. <https://conferenții.com/files/archive/2018-11.pdf>.
- Ur Rehman, N., Çela, A., Morina, F. & Sulçaj Gura, K. (2019). Barriers to growth of SMEs in Western Balkan countries. *Journal of Management Development*, Vol. 38 (1), 2-24. <https://doi.org/10.1108/JMD-09-2018-0273>.
- Wang, Y. (2016). What are the biggest obstacles to growth of SMEs in developing countries? e An empirical evidence from an enterprise survey. *Borsa Istanbul Review*, 16(3), 167-176. <https://doi.org/10.1016/j.bir.2016.06.001>.
- Wellalage, N.H., & Fernandez, V. (2019). Innovation and SME finance: Evidence from developing countries. *International Review of Financial Analysis*, 66. 101370. <https://doi.org/10.1016/j.irfa.2019.06.009>.
- World Bank. (2020). Small and medium enterprises (SMEs) finance. <https://www.worldbank.org/en/topic/smefinance>



*Aims & Scope (Economics)*

*Article*

## **ANALYSIS OF FINANCIAL REPORTS ON REVENUES AND EXPENDITURES OF MULTI-PROFILE HOSPITALS IN THE REPUBLIC OF KAZAKHSTAN: REORGANIZATION OUTCOMES, INFLUENCE OF ECONOMIC FACTORS, AND KEY FINDINGS**

**Kudaibergenova M.K.,**

DBA research scholar at Al-Farabi Kazakh National University (Almaty);  
JSC “Center for Medical Technologies and Information Systems” of the Medical Center of the  
Administration of the President of the Republic of Kazakhstan, Astana  
<https://orcid.org/0009-0008-7061-2674>

**Asanova D.K.,**

PhD, DBA Al-Farabi Kazakh National University, Almaty, Kazakhstan  
<https://orcid.org/0009-0001-4582-1190>

**Zaluchenova O.M.,**

Ph.D., research professor at Turan University, Almaty, Kazakhstan  
<https://orcid.org/0000-0003-3161-6767>

*Received: 14 October 2023; Accepted: 18 October 2023; Published: 25 October 2023*

**Abstract.** This article analyzes the impact of restructuring on the profitability of multi-profile hospitals in Kazakhstan. By examining financial reports from 2018 to 2021, changes in profitability indicators before and after reorganization were identified. The results indicate the complex nature of the influence of reforms and economic factors on the financial stability of hospitals.

**Keywords:** restructuring, profitability, multi-profile hospitals, financial indicators, Kazakhstan, economic efficiency.

**Citation:** Kudaibergenova M.K.; Asanova D.K.; Zaluchenova O.M. (2023). ANALYSIS OF FINANCIAL REPORTS ON REVENUES AND EXPENDITURES OF MULTI-PROFILE HOSPITALS IN THE REPUBLIC OF KAZAKHSTAN: REORGANIZATION OUTCOMES, INFLUENCE OF ECONOMIC FACTORS, AND KEY FINDINGS. *Conferencii*, (7) 2. [http://doi.org/10.51586/Conferencii\\_7\\_2\\_2023](http://doi.org/10.51586/Conferencii_7_2_2023)

### **Introduction**

The healthcare system remains a pivotal component of the social structure in any country. Amidst ongoing changes, rapid technological advancements, and societal demands, the effectiveness and sustainability of medical institutions have become increasingly relevant. Within this dynamic sphere, the reorganization of multi-profile hospitals plays a significant role in ensuring optimal quality of medical services and resource management.

The purpose of this study is to conduct a comprehensive analysis of financial reports from seven multi-profile hospitals in Kazakhstan for the period spanning from 2018 to 2021. Special emphasis is placed on the impact of reorganization on the profitability and efficiency of these medical institutions. During the analysis, data from four reorganized hospitals were compared with data from three non-reorganized ones, allowing for the identification of trends and differences in their financial performance.

One of the significant characteristics of modern healthcare systems is the pursuit of optimizing and enhancing service quality through the reorganization of medical institutions. Four out of the seven investigated hospitals underwent reorganization, either through merging specialized clinics or affiliating them with urban hospital networks. Such a step implies synergistic benefits, improved efficiency, and resource optimization. In turn, three non-reorganized hospitals served as baseline entities for conducting comparative analysis.

During the research process, open sources providing access to hospitals' financial reports were utilized. The analysis methodology involved comparing revenue and expenditure indicators, evaluating expenditure structure, and identifying changes in profitability indicators.

Ultimately, this study aims to comprehend how the reorganization of multi-profile hospitals has influenced their financial stability and effectiveness. The analysis results will enable conclusions to be drawn regarding the practical changes in hospitals' operations linked to reorganization and the lessons that can be drawn for the further development of the healthcare system.

### **Literature Review**

Optimizing the financial management of multi-profile hospitals formed through consolidation is a pertinent topic within the healthcare realm. Financial aspects play a pivotal role in ensuring the effective and profitable operation of medical institutions, particularly amid reforms and reorganizations. Escalating healthcare costs, driven by population growth, demographic shifts, and advancements in medical technology, necessitate a focus on cost analysis and management. This is because cost information underpins decisions regarding resource allocation and efficiency at systemic and organizational levels for providers, purchasers, and regulatory bodies worldwide (Dong et al., Cylus et al.)

Financial reports of multi-profile hospitals serve as a crucial tool, aiding leadership in making informed decisions to enhance hospital efficiency and profitability. Healthcare in most countries is a tightly regulated sector, and this regulation directly impacts cost determinations—how costs are computed, including the very calculation process, and related concepts, such as the cost object under analysis. For instance, the implementation of Diagnosis-Related Groups (DRGs) as a basis for hospital payment rendered DRGs a primary cost object in the emergency care sector, thus influencing cost calculation and medical practice (Chapman et al.) Financial analysis facilitates the evaluation of revenue and expenditure structures, as well as the identification of trends in the financial state of institutions. Reports may also encompass resource distribution information among medical specialties and divisions, aiding the identification of areas warranting additional attention and resources.

The influence of state-initiated reforms and reorganizations on the operations of multi-profile hospitals is a complex and multifaceted process. Experience from OECD countries demonstrates that hospital consolidation through merging specialized clinics or affiliating with extensive medical networks can lead to synergistic effects and improved coordination of medical services (Maria et al). Such reorganizations help avoid resource duplication and optimize equipment and personnel utilization.

Positive outcomes have been achieved through the implementation of recommendations in financial management for multi-profile hospitals. For instance, optimizing expenditure structures and prioritizing funding for highly effective medical directions have led to increased profitability and service quality (Carlos A.). Authors are motivated to explore various working models of financial protection, such as those where risk-averse individuals care for their health while placing significant value on protection against the financial consequences of rare yet costly events (Smith et al).

Within the context of OECD countries, where healthcare expertise and advanced practices hold significant importance, analyzing financial reports of multi-profile hospitals and their optimization become pivotal aspects in achieving efficiency and sustainability of medical institutions.

In the context of ensuring the realization of recommendations for economic efficiency in the healthcare sector, the development of a typology of constraints acting as barriers to the successful implementation of these recommendations is relevant. In the work by Hauck K. et al., six main categories of constraints are examined, encompassing the structure of the healthcare system, costs of implementing changes, systemic interactions between interventions, uncertainty in cost and benefit evaluations, weak management, and political limitations. Each of these categories is analyzed in terms of possible methods and approaches to consider these constraints from the



perspective of economic efficiency principles, thereby facilitating more effective decision-making by leadership and relevant stakeholders (Katharina Hauck et al).

**Methods**

To achieve the goal of investigating the impact of reorganization and reforms on the efficiency and profitability of multi-profile hospitals, a specific methodological approach was developed. This section provides a detailed description of this methodology, including the selection of hospitals, data sources, analysis procedures, and result evaluation.

*Selection of Medical Organizations and Data Sources*

In this study, financial reports of seven multi-profile hospitals for the period from 2018 to 2021 were analyzed. The primary data for analysis were publicly available financial indicators, such as revenues, expenses, and hospital profits.

The sampled hospitals were divided into two groups:

1. Reorganized hospitals (4): This group consisted of three hospitals in Astana and one regional hospital in North Kazakhstan region. These hospitals underwent restructuring through the merging of specialized clinics or affiliating with city or regional hospitals.

2. Non-restructured hospitals (3): This group included two hospitals in Almaty and one hospital in Shymkent that did not undergo any reorganizations.

*Analysis Procedures and Result Evaluation*

To assess the impact of reorganization and reforms on the profitability of hospitals, the following three criteria were chosen: gross profit margin, operating profit margin, and net profit margin.

Data collection and analysis were carried out using data processing software (Excel) and statistical analysis tools. The analysis results are presented in Tables 1 and 2, which include profitability indicators for each of the studied hospitals.

**Table 1. Comparative table of profitability of multidisciplinary hospitals before and after reorganization**

Name of the hospital	Before the reorganization	After the reorganization
	Gross profit margin	
Multidisciplinary city hospital No. 1 of Astana	7,38	1,45
Multidisciplinary city hospital No. 3 of Astana	32,99	2,11
Multidisciplinary Medical Center of Astana	18,25	-8,67
Regional hospital of North Kazakhstan region	10,19	-7,93
	Operating profit margin	
Multidisciplinary city hospital No. 1 of Astana	0,16	11,74
Multidisciplinary city hospital No. 3 of Astana	-20,83	-4,71
Multidisciplinary Medical Center of Astana	-3,71	-9,46
Regional hospital of North Kazakhstan region	0,00	-11,03
	Net profit margin	
Multidisciplinary city hospital No. 1 of Astana	0,16	0,01
Multidisciplinary city hospital No. 3 of Astana	4,70	0,02
Multidisciplinary Medical Center of Astana	17,10	-5,53
Regional hospital of North Kazakhstan region	0,00	0,03

*Note: Profitability ratios are calculated using data from hospital financial statements. For calculations “Before the reorganization”, the data of financial statements for 2018 and 2019 were used, “after the reorganization” - for 2021.*

**Table 2. Comparative table of profitability of multidisciplinary hospitals (non-restructured)**

Name of the hospital	Ratio
Gross profit margin	
Central City Hospital of the Administration of the President of the Republic of Kazakhstan	10,0
City Clinical Hospital №5 of Almaty city	-5,3
City hospital No. 1 of Shymkent city	48,6
Operating profit margin	
Central City Hospital of the Administration of the President of the Republic of Kazakhstan	8,4
City Clinical Hospital №5 of Almaty city	-7,4
City hospital No. 1 of Shymkent city	2,1
Net profit margin	
Central City Hospital of the Administration of the President of the Republic of Kazakhstan	10,0
City Clinical Hospital №5 of Almaty city	4,7
City hospital No. 1 of Shymkent city	0,3
<i>Note: Profitability figures are calculated using 2021 hospital financial statements.</i>	

## Results

During the analysis of income and expenditure reports of seven multi-profile hospitals over a period of 3 to 4 years, several noteworthy observations were made. The first significant observation is the absence of substantial changes in income and expenditure indicators both before and after hospital restructuring or reorganization. This suggests that reforms or structural changes within organizations may take longer to manifest significant impacts on financial outcomes.

The multi-profile hospitals were divided into two groups: reorganized and non-reorganized, aiming to study the effects of restructuring and reforms on the efficiency and profitability of medical institutions.

### 1. Reorganized Hospitals

Preliminary analysis of financial reports from 4 reorganized hospitals prior to the restructuring period revealed that the gross profit margin ranged from 7% to 33%, while the operating profit margin was either zero or negative. Only 2 hospitals in Astana exhibited positive net profit margins. However, the analysis of financial reports for 2021, post-reorganization, demonstrated a significant deterioration in profitability indicators. For gross profit margin, 2 out of 4 hospitals recorded negative values. Operating profit margin turned positive for only one hospital in Astana. Net profit margin also decreased, resulting in negative values for one of the hospitals in Astana.

### 2. Non-Restructured Hospitals

For the group of 3 non-reorganized hospitals, the analysis was conducted based on financial reports from the year 2021, as there was no need to compare profitability indicators before and after reorganization. Results showed mixed values for gross and operating profit margins. However, net profit margin remained positive, ranging from 0.3% to 10% (Table 2).

These findings highlight the complexity of assessing the effects of reforms and reorganization on hospital profitability. The absence of immediate significant changes suggests that such transformations might require more time for their impact to fully materialize. Furthermore, the diverse outcomes observed among the reorganized and non-reorganized hospitals underscore the multifaceted nature of financial management in healthcare institutions.

### Contextual Factors

It is important to note that the obtained results require careful interpretation, considering a number of significant factors that influence them. In particular, the following factors should be considered:

- The economic instability in the Republic of Kazakhstan over the last 8-10 years, characterized by heightened volatility of the national currency (KZTenge) due to a series of devaluations (Figure 1).

- High inflation levels (Figure 2) have exerted a significant impact on healthcare financing and the annual tariff revision procedure.

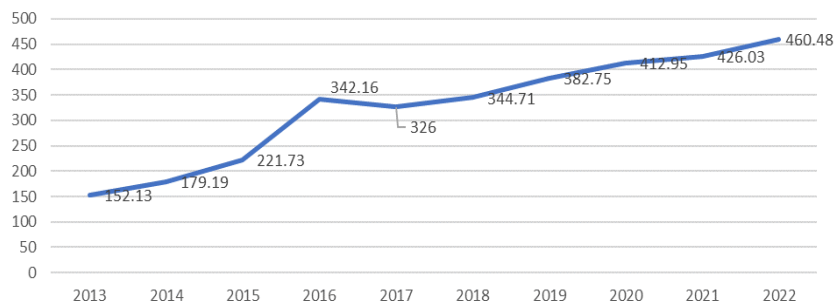
- The disproportionate increase in tariffs for medical services within the Guaranteed Volume of Free Medical Care (GVFMC) and the Compulsory Social Health Insurance (CSHI) system. In general, tariffs increased by 24% from 2018 to 2023, while the inflation rate for just the previous year (2022) was over 20%. A comparative table of tariffs for specific medical services provided in hospital settings is presented in Table 3. The table highlights the most common nosologies – non-communicable diseases and socially significant illnesses that bear the primary burden of morbidity and mortality.

These contextual factors contribute to the understanding that the observed changes in hospital profitability and financial outcomes might be influenced by a range of economic and regulatory circumstances. The interplay between economic fluctuations, inflation, and healthcare financing policies underscores the complexity of evaluating the direct effects of hospital reorganization and reforms on financial indicators.

**Table 3. Comparison of 2018 and 2023 tariffs for medical services provided within the GVFMC and CSHI for NCDs and CVD**

	Name according to ICD-9/10	ICD-9/10 code	round-the-clock hospital, tariff adult, tenge	
			2018	2023
1	Heart failure	-	289 645,67	384 056,84
2	Angina pectoris	-	167 289,06	221 817,60
3	Insulin dependent diabetes mellitus with coma	E10.0	155 083,05	205 632,99
4	Chronic obstructive pulmonary disease with acute respiratory infection of the lower respiratory tract	J44.0	116 377,15	154 310,74
5	Chronic viral hepatitis B with delta agent	B18.0	442 171,39	586 298,92
6	Tuberculosis of the lungs, confirmed bacterioscopically with or without culture growth	A15.0	75 286,87	99 826,93
7	Rheumatic mitral valve insufficiency	I05.1	118 650,33	157 324,88
<b>Surgical interventions for neoplasms (tumor): tariffs</b>				
1	Local excision of the colon	45.4	299 751,46	397 456,64
2	Lung segment resection	32.3	547 973,29	726 587,37

These factors, including the impact of the COVID-19 pandemic, can significantly influence hospital financial indicators. Therefore, it is essential to consider the contextual factors when interpreting the obtained results.



**Figure 1. Volatility of the national currency (KZTenge) during the period 2013-2022**

Source: National bank of Kazakhstan reports (2013-2022)



**Figure 2. Annual Inflation in Kazakhstan (2013-2022)**

*Source: National bank of Kazakhstan reports (2013-2022)*

The analysis of the results has revealed that the reorganization and reforms had varying impacts on the profitability of multi-profile hospitals. The changes in financial indicators are influenced by complexities associated with external economic factors and the impact of the pandemic. For a more accurate assessment of the impact of reorganization, a deeper analysis considering all influencing factors on the financial status of multi-profile hospitals is necessary.

## Discussion

### *Assumptions:*

Based on the results obtained, several factors can be assumed to have contributed to the lack of significant changes in income and expenditure reports:

1) **Need for Extended Time for Effects to Manifest:** It is possible that changes in the structure and organization of hospitals require more time for adaptation and full realization of these changes, which may reflect in financial indicators.

2) **Volatility of Local Currency and Inflation:** In the conditions of high volatility of the local currency (Tenge) and the impact of annual corrections on inflation, assessing annual increases in income and expenditure may be challenging, resulting in less noticeable changes in the reports.

3) **Insufficient Tariffs for Medical Services:** The discrepancy between the increase in tariffs and inflation indicates that the growth in expenses for medical services does not align with the overall price dynamics. This phenomenon points to resource deficits provided by the healthcare system.

4) **Limitations of Report Structure and Format:** The existing structure and format of reports may not provide a detailed breakdown of income and expenses, making it difficult to evaluate changes over a specific period.

## Conclusion

The analysis of income and expenditure reports of multi-profile hospitals did not reveal significant changes in financial indicators both before and after restructuring or renaming. Despite this, assumptions made based on the results lead to the conclusion that more time is needed for the effects of reforms to manifest, the volatility of the local currency needs consideration, and there might be room for optimization of report structure and format for a more precise analysis of changes in the hospitals' financial position.

An important aspect highlighting the underfunding of the healthcare system is the disproportionate increase in tariffs for medical services in accordance with the annual inflation rate over the past five years. Despite a 24% increase in tariffs, the inflation rate over a similar period reached about 45%. Such a mismatch between tariff increases and inflation indicates that the growth in expenses for medical services does not align with the overall price dynamics. This phenomenon points to resource deficits provided by the healthcare system and may exert additional pressure on the financial position of medical institutions, hindering their ability to provide quality medical services and operate efficiently.

**Funding: Please:** This research received no external funding.

**Conflicts of Interest:** The authors declare no conflict of interest.

## References

- Dong G.N. (2015). Performing well in financial management and quality of care: evidence from hospital process measures for treatment of cardiovascular disease. Dong, BMC Health Services Research. <https://doi.org/10.1186/s12913-015-0690-x>.
- Cylus J., Papanicolas I, Smith P.C. (2016). Health system efficiency. How to make measurement matter for policy and management. World Health Organization 2016 (acting as the host organization for, and secretariat of, the European Observatory on Health Systems and Policies). Christopher S. Chapman et al. Chapter 4, p. 75-98.
- Chapman C.S., Kern A., Laguecir A. (2014). Costing practices in healthcare. Accounting Horizons, 28(2):353–364. <http://dx.doi.org/10.2308/acch-50713>
- Maria M. Hofmarcher, Howard Oxley, Elena Rusticelli. (2007). Health Working Papers. OECD Health working paper no. 30. Improved health system performance through better care coordination. <https://doi.org/10.1787/18152015>
- Carlos Avila. (2021). Implementing health financing policies to overhaul the healthcare delivery system in Ukraine. Hosp Manag Health Policy 2021; 5:7. <http://dx.doi.org/10.21037/jhmhp-20-97>.
- Smith, Peter C. (2013). Incorporating financial protection into decision rules for publicly financed healthcare treatments. Health economics 22, no. 2 (2013): 180-193. <https://doi.org/10.1002/hec.2774>
- Katharina Hauck K., Thomas R., Smith Peter C. (2016). Departures from Cost-Effectiveness Recommendations: The Impact of Health System Constraints on Priority Setting. Health Systems&Reform, 2(1):61-70. <https://doi.org/10.1080/23288604.2015.1124170>



© 2023 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC-BY) license (<http://creativecommons.org/licenses/by/4.0/>).

**Conferencii**  
**Volume 7, 2023**

**INTERNATIONAL AND INTERDISCIPLINARY CONFERENCE:  
SUSTAINABLE DEVELOPMENT, TECHNOLOGY AND INNOVATION**

**23-24 October, 2023**  
**London, United Kingdom**

© 2023 The Authors.

Published by  
The European Academy of Sciences Ltd,  
71-75 Shelton Street, London, United Kingdom

This is an open access journal and all published articles are licensed  
under a Creative Commons Attribution 4.0 International License.