



Azerbaijan



Republic

gtz

Almaniya Texniki Əməkdaşlıq
Cəmiyyəti GmbH

Ministry of Economic Development

ANALYSIS OF THE SURVEY CONDUCTED IN LANKARAN
ECONOMIC REGION ON DIFFERENT SPHERES

BAKU-2006

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I. INDUSTRY

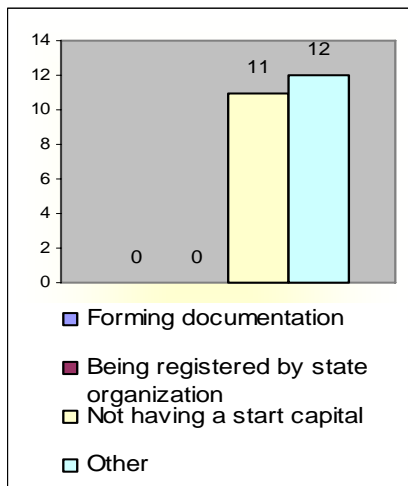
The manufacturing enterprises are primarily concerned with agriculture and processing, conserving and packing other sorts of products, which is explained by the natural environment and resource capacity of the region.

The analysis of the survey conducted in manufacturing enterprises is made along the following directions.

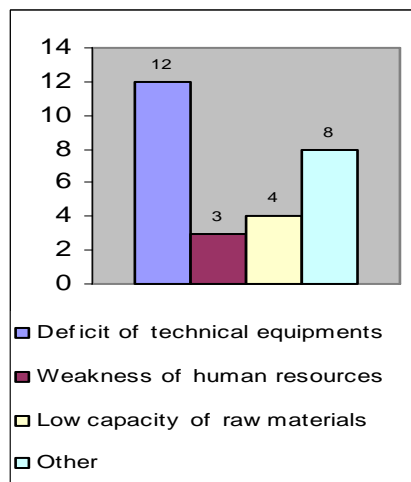
1. Financial problem

The enterprises involved in the manufacturing sphere (25 enterprises) are mainly challenged by the lack of financial resources. 12 enterprises suffer from the lack of capital at the inception of their business activities, while 8 enterprises from lack of financial sources in their current business. Besides, 12 enterprises identified the problem of lack of technical means in their daily activities and noted shortage of funds as a chief reason of it. All these show that the key problem facing entrepreneurs is shortage of funds.

What kind of problems did you fall in when you start your business?

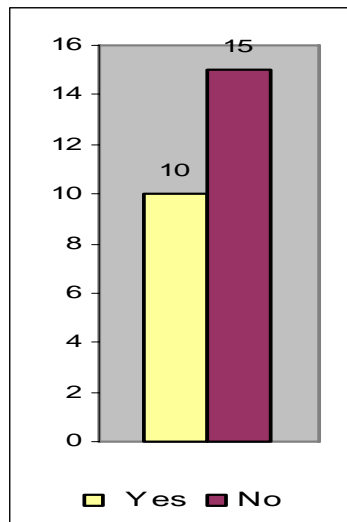


What kind of problems did you fall in your current business?

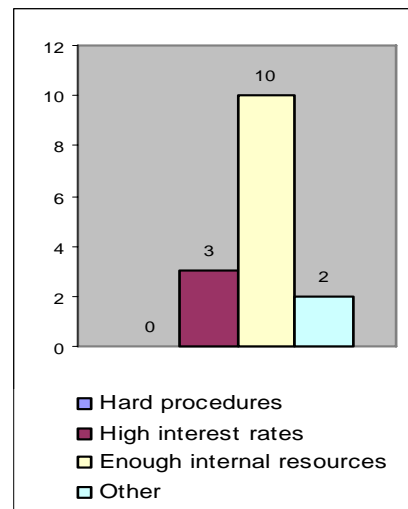


Despite the great need for financial resources by enterprises, there exists several problems fact that prevents enterprises from having access to them. Thus, 15 enterprises failed to attract funds from other sources. The complexity of the procedure of obtaining credits, existence of obstructive elements, and high interest rates are seen as main reasons of it. These are well illustrated in the chart below.

Have your organization involved any financial resources during its activity?



What was the reason?



There appears to be a point of discrepancy when the chart above and some other charts are analyzed. Thus while 2 enterprises noted that they face financial constraints in their business they still gave negative answer to the question about whether they had attracted funds from other sources or not and indicated the sufficiency of their internal resources as the reason of it. So they noted existence of financial problems in response to one question and sufficiency of the internal resources in response to the other. 5 of the enterprises feel shortage of technical equipments and two enterprises have resource deficiency and these were mainly called forth by lack of funds. Thus 9 of 10 enterprises noting adequacy of funds have the problem of financial shortage in their daily activities. It may be concluded that these enterprises have certain financial means, but they fail to use them rationally. Therefore, it is necessary to start complex surveys in these enterprises and teach them how to use funds effectively.

As seen from the above chart 9 of the enterprises have succeeded in attracting funds from other sources and 8 of them and other 7 enterprises (15 enterprises in total) are planning to attract funds in future as well. When analyzing 5 enterprises having attracted funds it was established that all of them have financial problems and 4 have the problems with lack of technical means. On the other hand, these enterprises consider it necessary to increase the salaries and enhance professional skills of their employees, which in its turn, calls forth the problem of lack of funds for increasing salaries. So it may be concluded that these enterprises either fail to use their funds rationally or

their financial means have not been enough. Having all these in view these enterprises should also be surveyed and trainings be held related to effective usage of funds.

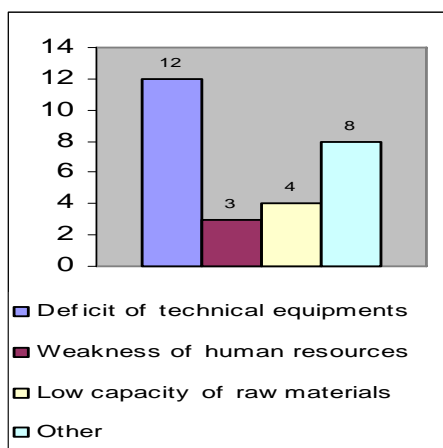
6 enterprises saying that they don't plan to attract financial resources in future currently lack technical means and have financial problems. Given the financial problems in these enterprises, it is not clear the reason why they refuse to attract financial resources in future.

The reasons of all these financial problems are either connected with the above factors or lack of access to financial resources, inadequate documentations for receiving credits, incompliance with bank requirements, existence of artificial obstructions, requests for collateral and heavy credit terms. Therefore it is necessary to hold trainings on the enumerated problems, to conduct surveys and provide consulting services.

2. The problem of shortage of working personnel and resources

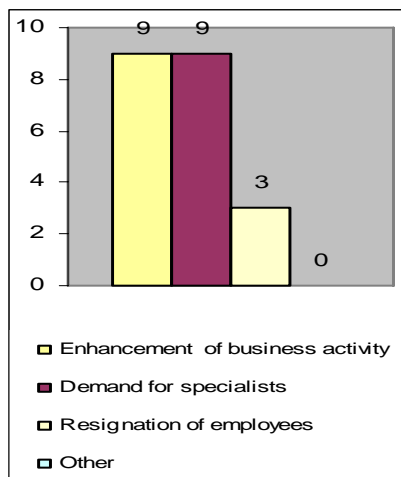
One of the problems faced by entrepreneurs is the shortage of resources. This is illustrated in the chart below.

What kind of problems do you fall in when you start your business?



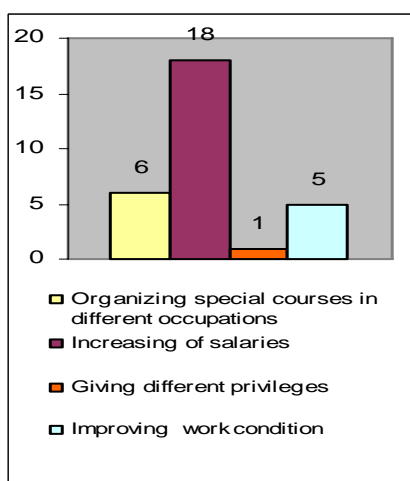
As seen from the chart 12 enterprises have inadequate technical means and 4 enterprises have problems with raw materials and resources. In another question, 11 enterprises seemed interested in conducting researches on effective organization of production, i.e. they are not satisfied with the present production process. In general, the major technical problems of the enterprises involved in production are lack of machinery, equipments and other means and their low level of technical capacity. Besides, lack of specialists in the region, who might repair the broken technical means, is also one of the major problems. As a result of this, some entrepreneurs are faced with the necessity to invite experts from other regions and production enterprises and incur additional costs.

18 of the enterprises have employed new employees, while no changes have taken place in 7 enterprises. The reasons underlying the employment by enterprises is reflected in the chart below.



But many entrepreneurs have a number of problems with working staff. Thus 2 of the enterprises and another enterprise have problems with working staff in their current activities. 7 of the enterprises noted low level of efficiency among the staff working in bookkeeping, while 9 enterprises see necessity in organizing vocational courses, which points to inefficiency of working staff. This is shown in the chart below.

Which activities do you think might increase the productivity of your employees?



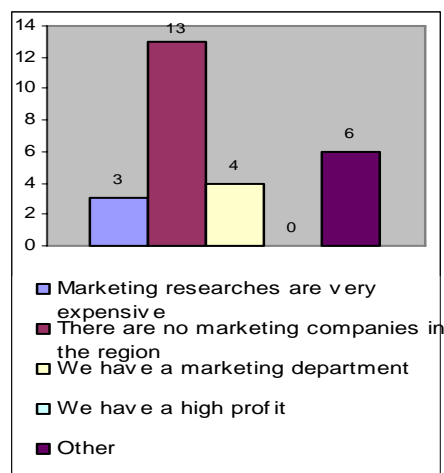
One of the problems noted by entrepreneurs is the inability of employees to operate newly brought machineries and lack of vocational courses on operating these equipments in the region is another problem aggravating the problem even more. As a result, though the enterprises can afford to deliver new technologies, they cannot find competent professionals to operate them.

One of the problems identified during the survey is the low level of working relationships between entrepreneurs and employees and administrative management methods. So, considering so many problems between entrepreneurs and employees they must be trained in the direction of management of personnel, development of administrative management methods, and establishment of business ethics and corporative relations and vocational courses have to be organized.

Still another problem of entrepreneurs is the low capacity of raw materials and resources. 5 of the entrepreneurs involved in production face with resource shortage in their current activity. Obviously, despite the fact that these enterprises are situated on the source of raw material they face with the problem of shortage of resources, while 3 of these enterprises indicated favorable natural condition (raw material and resources) as a main reason for choosing business facilities. So, these companies can use natural resources efficiently. Poor access to the sources of raw material leads to unreasonable swelling up of the prices by suppliers and thus decreases cost-effectiveness of entrepreneurs. Therefore these entrepreneurs have to be trained along the subjects of identifying sources of raw materials and utilizing them effectively.

3. The problem of marketing

Despite the fact that marketing is a key issue for the production enterprises, the level of applying marketing by these enterprises is very low. None of the enterprises have cooperation with any marketing firm in relation with market research and this is explained by the following reasons.

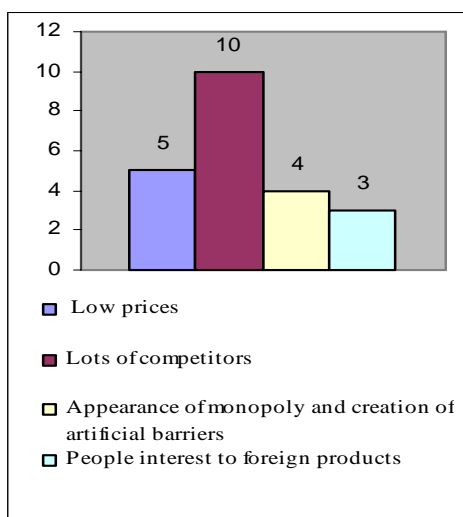


Six of the abovementioned enterprises pointed out needlessness of marketing. When analyzing it appears, 4 out of 6 enterprises have problems with cheap prices in market and intensity of competition. Besides, 2 of the enterprises see necessity in wide application of advertisement in order to raise capacity of sales and 3 enterprises in offering new services. Besides, the share of these enterprises in the market is very small, and so these enterprises are unaware of the essence of marketing. One of the 3 enterprises has problems related to cheap market prices and intensity of

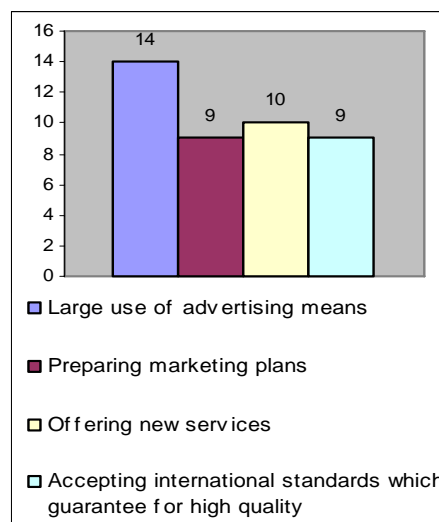
competition and this enterprise approves of the idea to apply advertisement methods. Still another enterprise thinks it appropriate to offer new services. So, despite the internal marketing departments in these enterprises, they still have certain problems related to marketing and therefore the marketing departments of these enterprises have to be given trainings too.

In general, during the sales process 4 of the enterprises complain of other enterprises, 7- the number of competitors, and 5 existence of monopoly. These enterprises suggest using wide set of advertisement network, working out special marketing plans, offering new marketing approaches.

Which problems do you encounter when you sale your product?



Which activities do you need to fulfill for increasing sales opportunity?



None of the enterprises noted the emergence of problem related to law-quality of their product in the market and it is hard to believe them. 7 of the enterprises complain of the number of competitors and 4-the problem of cheap prices. As we know one of the most effective ways of coping with the competition and abundance of goods in the market is the production of high-quality products and convincing customers in the highness of its quality. Therefore it is necessary to adopt well-known standards which might guarantee the products quality. 5 enterprises are planning to adopt international standards. So, these entrepreneurs have problems with quality and they have to be given trainings on promoting production by producing high-quality products.

One of the interesting facts emerges when the enterprises assess their shares in the regional market. 2 of the enterprises noted that they have 100% shares, i.e. that they have no competitors. But in another question those same enterprises indicated high level of competition in the market. But in another question has informed that the number of competitors in the market was very high. Consequently, they are unaware of their position in the regional market, i.e., their marketing

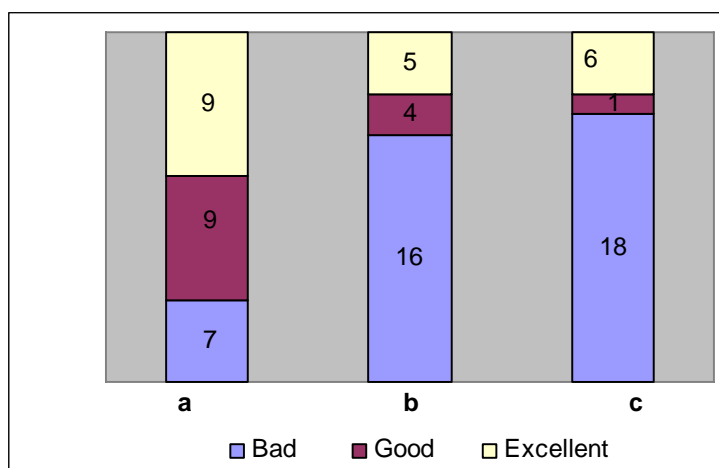
activities are very low. Another enterprise noted that other enterprises have 100% share in the market. So, this enterprise either sells its products in other regions, or can't realize them at all.

2 enterprises claiming to have over 50% shares in the regional market complain of existence of monopoly in the market, i.e., they note monopoly as a problem while themselves behave as monopolies.

It may be concluded that since enterprises face with such problems and consider it appropriate to take some marketing measures, then the low level of marketing service is related to unawareness and nonexistence of firms, which might render marketing services. Therefore, it is appropriate to hold trainings on the subjects of marketing, its methods, and promoting sales capacity by producing quality products.

4. The problem of bookkeeping

Still another problem faced by the enterprises engaged in the production sphere is connected with bookkeeping. It is clearly demonstrated in the chart below.



- a- The efficiency of the personnel working on bookkeeping.
- b- Usage of computer technologies in bookkeeping
- c- Usage of modern bookkeeping programs

The main reason of this problem is that the level of efficiency of accountant personnel falls far behind the modern requirements and there is overall unawareness of the application of computer technologies and programs in bookkeeping. The low level of the personnel in bookkeeping leads to improper design of internal financial documentation, as a result of which bank turn down these documents and they are deprived of the chance to receive credits. Therefore, it is necessary to hold trainings related to the abovementioned problems and bookkeeping courses.

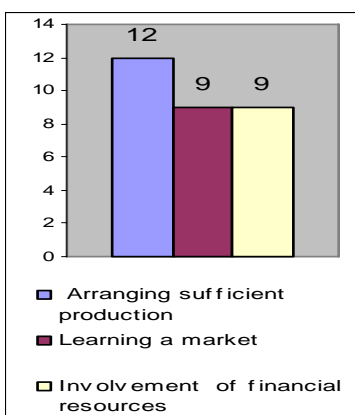
5. Providing of consultation services and conducting researches.

14 of the enterprises haven't referred to consultation services for a better organization of their activities. The following are underlined as major factors standing behind it.



As seen from the chart the major reasons for reluctance of entrepreneurs to use consultation services is the weak financial possibilities and nonexistence of firms rendering consultation services. It should be noted that 6 of the enterprises noting lack of consultation services in the region have problems with funds, resources and marketing. So despite the lack of a firm, which might render consultation service they may still avail of such service. Though 5 of the ten enterprises claimed that they have no need in consultation service and that they have sufficient financial resources, they have financial and other problems in their current activities. Therefore, they are also in need of consultation services and it should also be mentioned that these consultation services are to have practical significance and high-quality.

14 of the enterprises shoed interest in receiving services related to economic researches their spheres of interest are as shown below



The above analysis once more asserts the need of these enterprises for comprehensive researches. That is why conducting researches over the above problems faced by enterprises through Center are one of the vital issues.

II.SERVICE

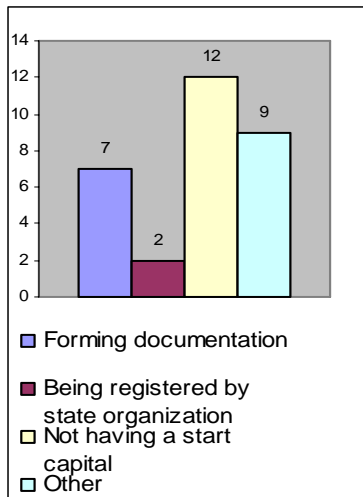
The number of enterprises surveyed in service sphere is 25 and they are as follows. The enterprises involved in service sphere mainly cover restaurants, transport-passenger, utility and repair enterprises. Wide opportunities for tourism and as location at the border with Iran resulted in the increased number of visitors to this region, service enterprises and the Auto-services repairing these transport means have dominant position in the region.

The enterprises engaged in service sphere (25 enterprises) have been analyzed along the following directions.

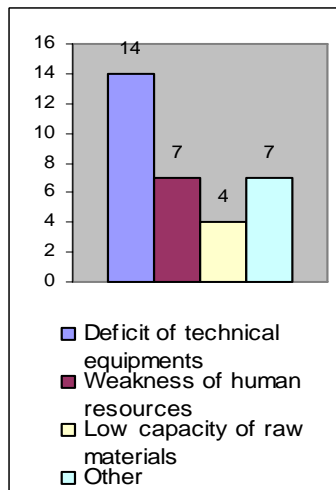
1. Financial problem

As in production sphere, the chief problem of the enterprises involved in the service sector is again shortage of funds. Notwithstanding existence of big enterprises working in this sector they have financial constraints. The chart below once again proves existence of such problem.

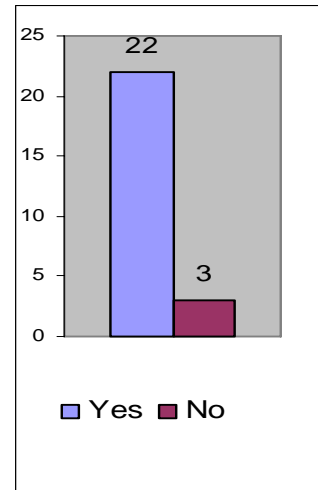
What kind of problems did you fall in when you start your business?



What kind of problems do you fall in your current business?



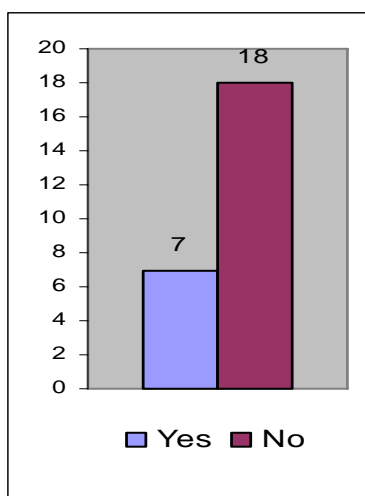
Have you planed to involve any investment in next years?



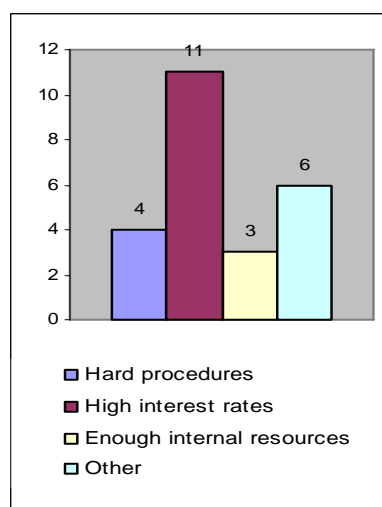
As seen from the chart 12 of the enterprises experienced lack of capital at the beginning, 14 enterprises shortage of technical means in their current activities, and 7 enterprises problems with shortage of funds. Majority of enterprises (22 enterprises) are planning to attract funds in the future. General tendency shows that the number of enterprises facing financial problems goes up.

So the number of enterprises faced with financial problems in their current activities is fewer than the initial activity and 9 enterprises noting nonexistence of financial problems before are currently facing this problem. It shows that either these enterprises can't work efficiently or need more financial means to extend their business.

Have your organization involved any financial resources during its activity?



Indicate the reasons for your inability to attract financial resources.



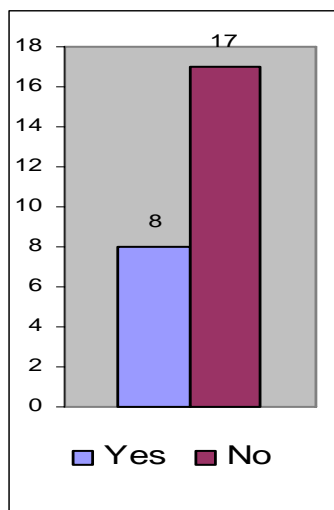
As in production enterprises, the level of efficient application of financial resources is not satisfactory. It may be clearly seen by analyzing the chart below. As in production enterprises 1 of 3 enterprises noting adequacy of funds as a reason for their avoidance to attract funds from external sources has direct financial problem. The other 1 enterprise has a problem of inadequate technical means and this indirectly brings about lack of funds. Logically, the real reason for their avoidance to attract external funds is not actually adequacy of internal resources. The actual reason may be their unawareness of the ways of attracting funds, their ineffective usage, and in general, inaccurate assessment of whether they do or don't need funds and of internal market. But obviously, as compared to production the number of such enterprises is very lower.

2 out of 3 enterprises having no intention to attract funds in future face this problem in current activity. One of these enterprises sees complexity of documentation and bureaucracy as a reason for avoidance to receiving credit. Thus lack of confidence is the reason why these enterprises avoid attract funds in the future. Some of the enterprises didn't indicate the reasons for their avoidance to attract funds at all.

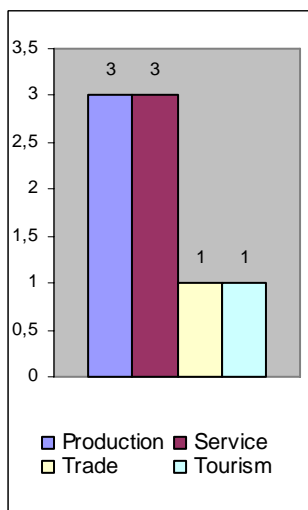
Fewer of the enterprises involved in service sector have been able to attract funds as compared to production enterprises. 4 of the 7 enterprises which have received credits have financial problems. Small number of the enterprises noting adequacy of internal funds, big number of enterprises

noting existence of financial problems and small number of persons attracting funds from external sources shows that the situation is even more serious here. Besides, unlike production 4 enterprises noted complexity of paperwork as a reason why they can't attract funds, where none of the production enterprises described it as complex. The chief problems are high interest rates and creation of bureaucracy. As seen from here, the reason of lack of funds in service sector completely differs from production enterprises. Therefore, these enterprises are to be trained on assessment of internal financial capacity and their effective usage, working out business plans, gaining access to financial resources. Comparative analysis of the following charts reveals a number of interesting facts.

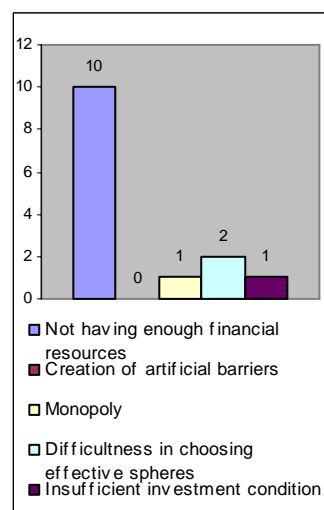
Have your company invested any projects in the region so far?



If yes, then please indicate the sphere.



If not, then show reasons.



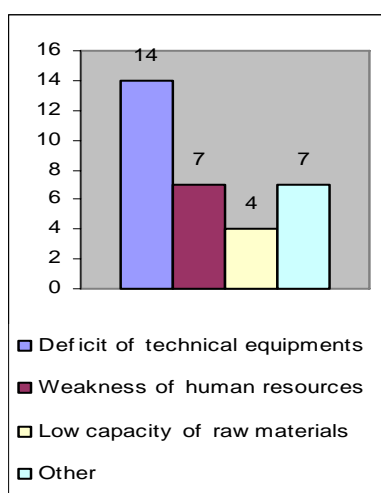
As seen in the chart 8 enterprises have realized capital investment, where only 3 of the production enterprises have done so. 3 of the enterprises having made investments have attracted funds from other sources, but they have the problems with inadequate number of technical means, and 1 suffers from shortage of funds. It appears then that these enterprises failed to effectively use the received credits. 5 other enterprises implementing capital investment have the problem related to inadequate number of technical means in their current activities. Therefore there is a need to review all aspects of their activities, identify the field where they are more efficient and hold trainings related to financial management.

5 of the enterprises not invested note existence of bureaucracy, complexities in choosing effective sphere and lack of favorable investment atmosphere. Thus if their problems are solved they may put investment in other spheres, i.e., they have reserve financial resources. But 4 of them say that they have financial problems.

In the end we may say that the financial situation of service enterprises is graver and they have to be trained and consulted on the abovementioned problems.

2. The problem of work staff and shortage of resources.

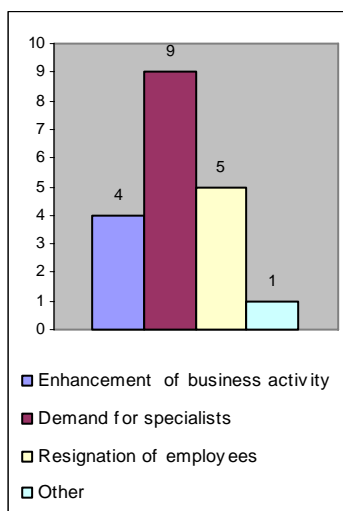
The problem of work staff is more obvious in service enterprises. Thus, effectiveness of these enterprises directly depends on the efficiency of work staff, as they work with customers and the low level of rendered by them services lead to loss of customers. Therefore unlike production enterprises they pay due attention to enhancing the capacity of their work staff and it is illustrated below.



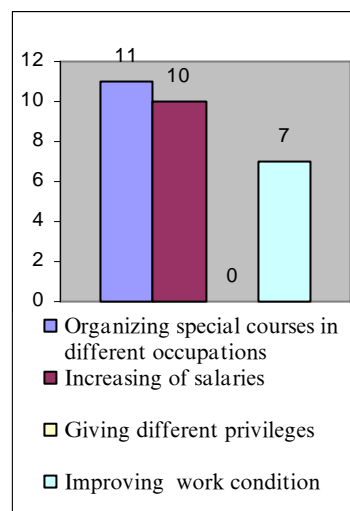
As seen from the chart 7 of those enterprises complained of weakness of human resources, while only 3 of the production enterprises noted it as a problem.

As in production, here too majority of the enterprises (16 enterprises) have recruited new employees over the last 2 years, the main reason being a need for new employees. But many of them are not satisfied with the efficiency of their employees and think it appropriate to take various measures.

The reason for recruiting new employees over the last two years



Which activities do you think might increase the productivity of your employees?



As seen from the chart, the majority of the enterprises (11 enterprises-this figure is 6 in production enterprises) consider holding vocational courses reasonable. Meanwhile, there emerges a situation when these type of enterprises have employees with only high-school education, that is lack of higher education whatsoever. For comparison, while the number of employees with high-school education is 292, it is 319 in service enterprises and the ratio of the employees with high education against the employees with higher-professional education in service sector is twice as big. This once again proves that notwithstanding the considerable impact made by the efficiency of the work staff employed in service enterprises the professional capacity of employees in such enterprises is very low.

A number of factors may be seen as the reasons standing behind it and the most obvious among them is the inadequate number of vocational courses in the region, lower material capacity of entrepreneurs and lack of interest to this question by them.

As we noted above, despite the fact that the treatment of customers by employees working in service enterprises is essential, we found out that in many instances they either neglect it or render inadequate services. That is why it is necessary to teach them rules of conduct alongside with involvement in vocational courses.

One of the problems of entrepreneurship is shortage of technical means and low capacity of existing ones. As seen from above charts 14 enterprises face with such problems in their current business. Namely, the main problem in enterprises rendering transport services is the oldness of buses and expiry of their exploitation period, oldness of repairing machinery in Auto services and lack of equipments allowing for repair of foreign brand cars and the work staff, who may operate them, exploitation of Soviet-era agriculture machinery in Agroservice (24 of 25 agricultural enterprises emphasized it as a major problem).

Service enterprises don't have any serious problems related to shortage of funds, as there is no great need for raw-materials and resources in their business. Only 4 enterprises face with the

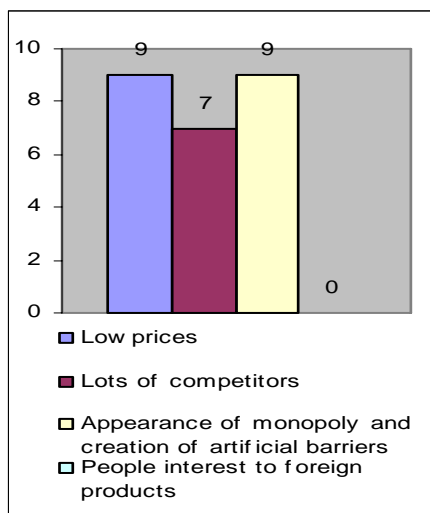
problem of raw-material and resources. And it is impossible to say exactly where they face with lack of resources most.

3. The problem of marketing

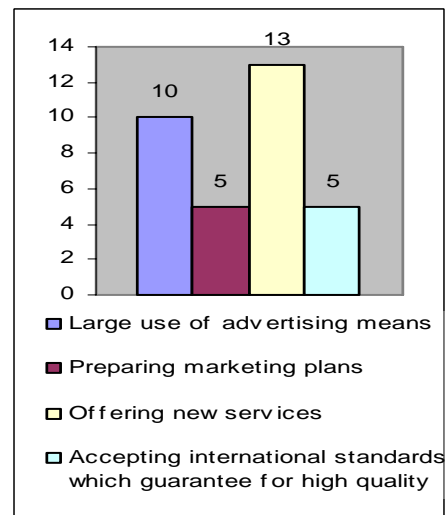
Marketing is vital for service enterprises. So these enterprises have to deeply explore the market in order to sell their products and offer attractive services based on customer taste.

As seen from the below chart 9 enterprises have the problem with cheap prices in market and 7 enterprises complain of intensity of competition. The overriding problem in production enterprises is the number of competitors, while the chief problem in service enterprises is connected with cheap prices and existence of monopoly.

Which problems do you encounter when you sell your product?



Which activities do you need to fulfill for increasing sales opportunity?



Many of the enterprises (13) think they have to offer new services in order to promote sales. Besides 10 enterprises approve of using all kinds of advertising and this mainly includes resort centers, hotels and Autoservices. 5 of the enterprises wish to adopt international standards in order to increase the level of services and it is one of the factors which give impetus to their business.

We note that none of the service enterprises have had cooperation with marketing firms and its reasons are as shown below.



As you see, the major problem is that no marketing firm is available in the region. So if there were a firm like this these enterprises might take opportunity of its services.

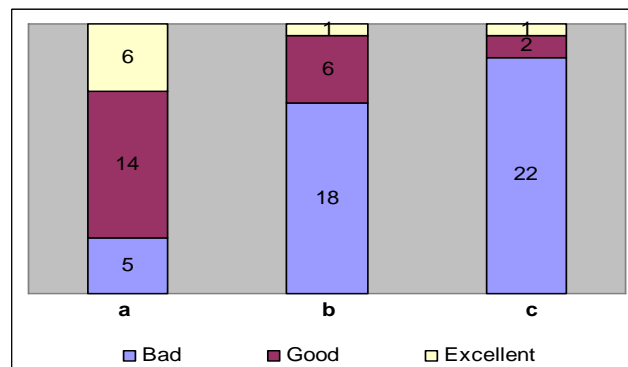
Only 2 of the service enterprises have internal marketing departments. One of this enterprises complained of intensity of competition and cheapness of prices in the market and see importance in widely using various types of advertising. So this enterprise is aware of the problems and the measures to be taken in the market, but doesn't realize them, so it inefficiently manages the marketing department.

Two of the service enterprises informed that they were monopolies in the market. So while taking stock of their shares in the market they settled it at 100%. On the other hand one of the firms complained of cheap prices, where it was actually expected that it had the capacity to artificially sour up the prices. One Hotel stressed that the number of competitors is too high, the fact that it can't adequately assess its own share in the market.

All these prove that the service enterprises have weaker awareness about the marketing and they are to be trained along the subjects of advantages of marketing and methods of organizing.

4. The problem of bookkeeping.

The situation with service enterprises in bookkeeping is better illustrated in the chart below.



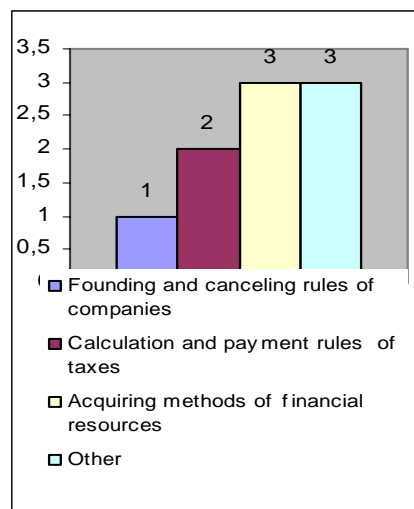
- a-The capacity of work staff employed in bookkeeping.
- b-Usage of computer technologies in bookkeeping
- c-Usage of modern bookkeeping programs

Obviously, 5 of the enterprises have accountants with very low efficiency and almost none of them have computer technologies and modern bookkeeping programs. It is quite surprising that 2 of the enterprises with so many problems connected with bookkeeping have been able to obtain credit. Though the fact that they are not using these credits effectively once again established during the analysis of other questions.

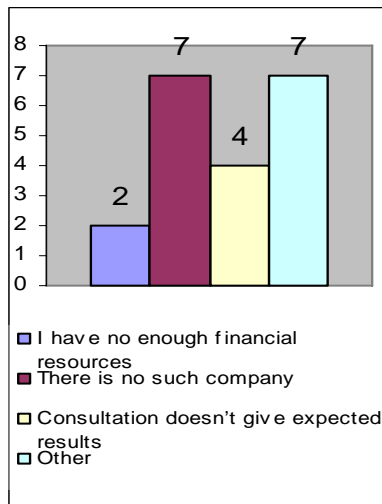
Obviously, the level of using computer technologies in bookkeeping is very low in majority of enterprises the reason of it being lack of funds and the capacity of accountants to use computers. The capacity of using bookkeeping programs in production sphere is comparatively lower.

5. Providing of consultation services and conducting researches.

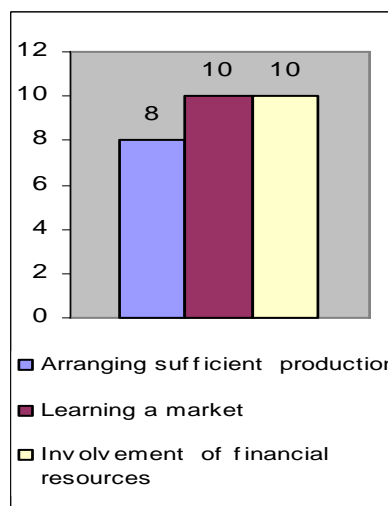
8 of the service enterprises have referred to consultation services in connection with various problems and are twice of the figure for production enterprises. The spheres, in connection with which they referred to, are as shown in the chart below.



But the majority of the enterprises having used consultation services are not satisfied with it. 17 of the enterprises, which have not referred to for consultation have pointed out the following reasons.



Unlike production enterprises, the main reason for avoidance of the service enterprises to refer to consultation services is nonexistence of consulting firm and not shortage of funds. Seven enterprises noted that they don't need consultation services at all, where as it was shown in the section of financial problems they have a number of problems in current activities.



The great majority of enterprises (20 enterprises) are interested in conducting surveys and the areas of their interests are reflected in the chart below.

III. AGRICULTURE

The number of surveyed agricultural enterprises is 26 and they are shown in the chart below.

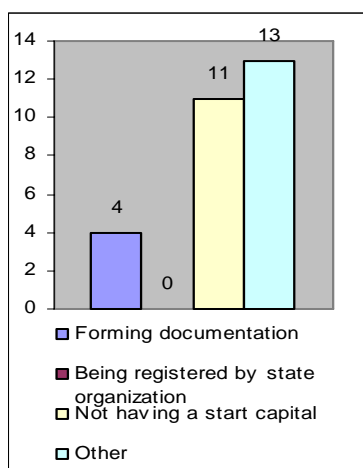
Agricultural enterprises differ from other types of enterprises. Therefore, the problems faced by them have different characters too. Such enterprises have predominance in the region and the reason for that is favorable natural condition, especially large grazing sights and arable lands in

mountainous opens wide opportunities for animal husbandry and cultivation. The location of these regions in subtropical climatic zone creates favorable conditions for cultivating subtropical plants not growing in other regions and consequently, highly profitable agricultural fields are formed. Thus, the conditions available in the region make it possible to deliver new plants and animal breeds. But there are problems before the farmers that complicate delivery of new plants and animal breeds. Having it in view we assume that it is appropriate to give comprehensive interpretation of these problems and the analyses have been conducted along the following directions.

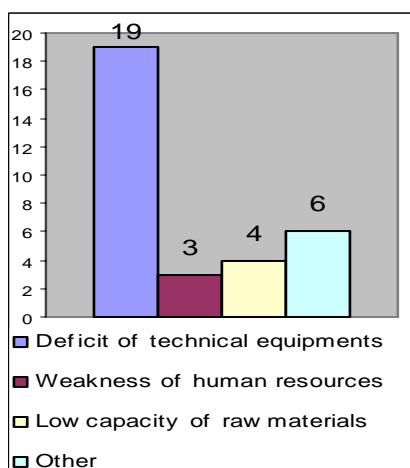
1. Financial problem

As in other spheres, the problem number one in agricultural enterprises is shortage of funds. It shows itself in the chart below.

What kind of problems did you fall in when you start your business?



What kind of problems did you fall in your current business?

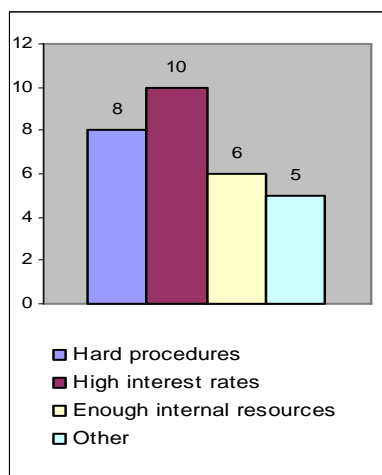


Funds in the agricultural enterprises are spent for various sorts of fodder, medical substances, payments for rent costs of agricultural machinery and administrative costs of the household

The farms have noted lack of technical means (19 enterprises) and in the other variant, lack of funds as a major problem. But, unlike other enterprises, the problem of lacking technical means may not be connected with the shortage of funds, as there are the machinery that are only rented (agricultural machinery) and don't belong to enterprises. This problem is related to external factors and has in its turn impact on farmers.

In comparison with production and service enterprises only a few (three) agricultural enterprises have been able to attract funds from external sources. 8 of the enterprises unable to attract funds related it to complexity of documentation procedures, where this figure is 4 for service and 0 for

production enterprises. It proves that lack of adequate documentation work required for receiving credits and considering it complex limits their capacity to obtain credits. This is better illustrated in the chart below.



Majority of agricultural enterprises complain of high interest rates, though during the conversations with them we were able to identify other problems too. So, the fact of generation of profits some time after the start of cultivation and cattle breeding (depending on the type of activity 3 to 8 months later) makes it necessary to grant several months term for the return of main amount.

Farmers are for the start of credit returns at least a year later under 7 to 9 percent rates, 2 years of general payment term and settling falling interest rates. Besides, they consider reasonable the acceptance of animals and cultivated areas as mortgages, and require taking into account seasonal changes. That the credits are not given under these terms and their lack of necessary knowledge about documentation discourages the farmers from it. As in other enterprises, here also 6 enterprises note that they have no need in credits and 5 enterprises complain of bureaucracy.

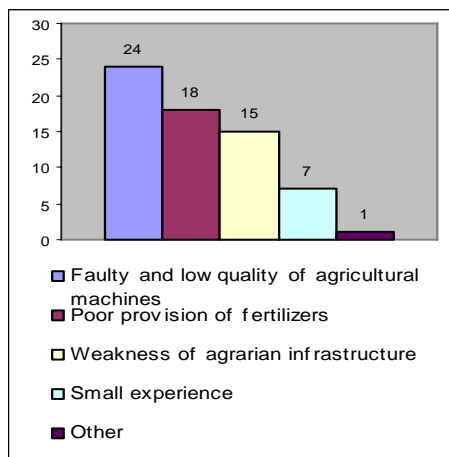
Despite all these pessimism 20 farmers are hopeful about attracting funds in the future and indicate eased credit terms and transparency as a basis for it.

2. The problem of poor technical provision and weak infrastructure.

The noted problems are critical for farming economies, as their success is directly dependent on the mentioned issues, even in the event when they have necessary funds. The first among these problems is lack of agricultural machinery and technical equipments. Majority of farming economies have no necessary machinery and equipments and they have to attract them from external sources. In this case there emerges a situation when the number of such machineries and equipments (tractors, batching machines, machines cutting grass and cereals, machines sowing seeds and fertilizers) is very low. Consequently, a queue is formed waiting to use such machinery,

which in its turn, delays timely harvesting of the crop. Still another problem is low capacity of the machinery as they are remnants of the Soviet era. This problem is illustrated in the chart below.

Which problems do you face in agrarian sphere?



As seen above, 24 out of 26 enterprises noted lack of agricultural machinery and the low capacity of the existing ones. Eventually, low quality of the technical means brings about loss of the crop and quite reasonably, farmers get dissatisfied with such situation.

The main reason for lack of agricultural machinery in the region is that there are just a few numbers of Agroservices in the region and the ones under operation are of low capacity. But as the farmers themselves said some physical and legal entities have brought new brands of machinery to the region. Yet there appears another problem and it is lack of persons having necessary qualifications to operate and repair those machines. Therefore, some large farms are under necessity to buy new agricultural machinery.

Attracting agricultural machinery from external sources leads to unreasonable increase of expenditures so that cost-effectiveness of the crop reaches the minimum level. For example, from sowing to reaping crop, a number of machinery are used and it makes up 30-40 percent of total costs. If we were to add other costs and cheap prices, we would see that the income is very low. 100% increase of diesel fuel recently enables us to say that the renting fee for using these machines will double soon. It implies that the situation would become even worse.

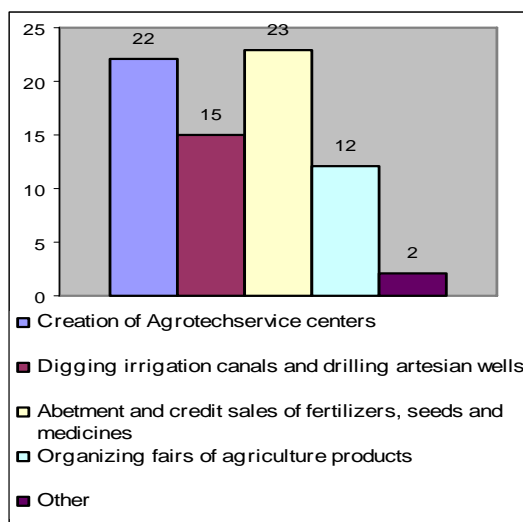
Still another problem in agriculture is the fact that the soil and the plants sowed there are not supplied with necessary fertilizers and medicals. According to what the farmers said almost majority of the farmers exploit the land over several years without laying aside and introduce no fertilizers. As a result, the level of aridity of the soil weakens as the quality of the crop planted there. This negatively influences the rivers and subtropical plants having significance for the region and the republic at large.

This problem first of all, related to the entrepreneurs themselves, as they are reluctant to spend extra money by introducing fertilizers and medicals to the lands they are exploiting. This poses a danger both for them and the public. Therefore, these farmers have to be trained on the methods of exploiting lands and given consultations.

The main problem of the farmers engaged in cattle breeding is the inadequate number of veterinarians and shortage of medicals. In spite of the project implemented by Mercy Corps International in the region connected with strengthening the network between farmers and veterinarians and some achievements gained there still are a series of problems. One of the main problems is a poor level of linkage to farmers. It is recommended to set up a consulting firm in each region and ensure obtaining of these consulting services by farmers in order to get out of this situation. As for the medicals, lack of drugstores in some regions (Lerik) leads to retail sales, which causes increase of prices. Therefore, such centers must be opened and centralized sales be ensured.

A third problem of farmers is inadequate agrarian infrastructure. The main problem here is a poor water supply system that makes renders timely irrigation of the lands impossible. As a result, the obtained harvest rapidly decreases. Besides, the roughness of the roads leading to cultivated lands in some regions demands additional expenditures. Some entrepreneurs have problems storing their crops in storehouses and this causes lowered quality of the crops stored seasonally.

The farmers see the following ways of problem resolution for the abovementioned matters.

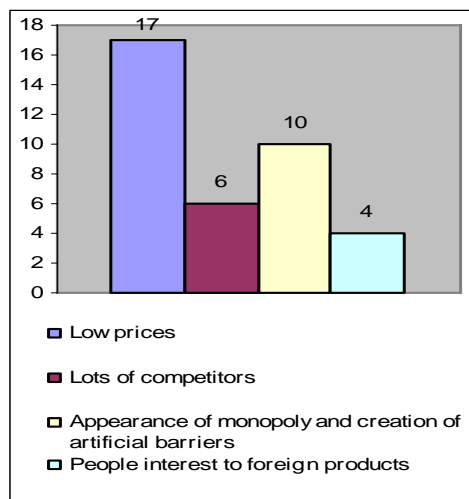


Alongside with the ways of solution we should also mention that the farmers in agrarian sphere have to be trained in this sphere

3. The problem of marketing

The main problem in connection with marketing in agricultural enterprises is low sales prices of the products and generally, complexities in the sales of the products. But smaller economies don't

realize at all that it is a marketing problem. Therefore, whenever encountered with any problem related to sales of products the owners of private economies acting as physical entities assume that it is impossible to solve them. This in turn leads to emergence of another problem. Thus, in the event when an enterprise gathers an abundant crop and has good sales, other people change their cultivated lands and start planting that same crop next year, i.e., there is a general tendency towards that crop. As a result, next year the crop becomes so high that farmers cannot sell their products. It shows that as key to their choosing lands, the physical and legal entities take for granted the achievements made by others in any type of the crop that year and conducts no marketing research related to choosing favorable crop. This usually occurs in the activities of small farms and physical entities. But relatively bigger farms carry out some marketing researches. In general, the agricultural enterprises have indicated the main problems below.

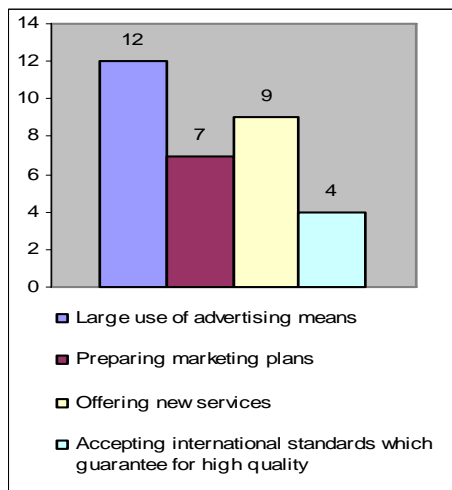


As you see, the number of agricultural enterprises noting cheapness of prices is twice as big as the enterprises in the service sector and 3 to 4 times bigger than production enterprises.

As we know the buying and sale transaction of majority of agricultural products cultivated in mass are done in the enterprises themselves, i.e., the farmers sell them on spot without the need to go to the market. In such case, there arise many problems, the main problem being 2-3 times higher sales prices in the market than in farms. For instance, the farmers from Lerik noted that the price of the milk is very low and they related to the fact that there are only a few milk-processing plants in the region. This situation makes it difficult to sell milk and they are forced to sell it at a cheaper price. In the same way, a few numbers of shops processing fruits and vegetables leaves the farmers growing them in a helpless situation and they have to opt for retail sales. Yet it might be erroneous to view the problem only within this context, as these farmers can conduct marketing research and find out the processing plants in other regions and sell their products through linkages to them. Besides, they have the opportunity to ensure constant sales jointly with retail sales centers

functioning in the markets. Therefore, those farmers have to be trained in the methods of organizing sales.

Various agricultural enterprises connected with the solution of the noted problems think it appropriate to take various measures and it is illustrated in the chart below.



As you can see, many of the enterprises find broad usage of advertisement and offering new services as a key to get out of this situation.

Only one of the agricultural enterprises has applied to marketing company. The rest of the enterprises haven't used this service and the reason of it is as shown below.

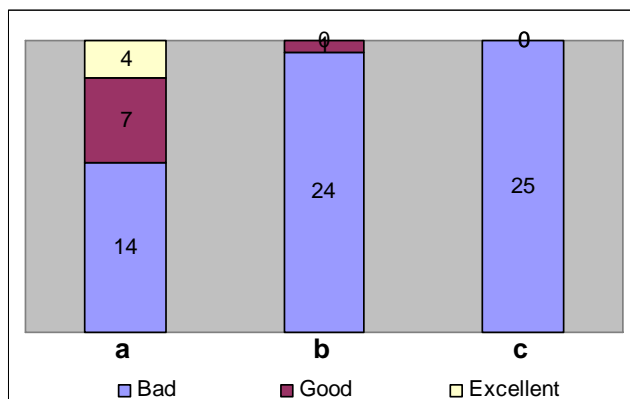


Only one of the agricultural enterprises has internal marketing department and according to our analysis this is a relatively big enterprise (it has 30 employees). Yet this enterprise has the problem with cheap prices and intense competition and finds it appropriate to broadly use means of advertising.

When analyzing the enterprises noting that they have no need in marketing it appeared that some of them are really in a situation when no marketing can help them.

4. The problem of bookkeeping

The situation with bookkeeping in agricultural enterprises is unutterably unbearable and it is manifested in the following chart.



a-Capacity of the employees in bookkeeping

b-Usage of computer technologies in bookkeeping

c-Usage of modern bookkeeping programs

As you can see the capacity of employees employed in the field of bookkeeping in 14 enterprises is very bad and this figure is twice as bigger than in production enterprises and 2.8 than in service enterprises. Usage of computer technologies in 24 out of 26 enterprises is in a bad state and the number of such enterprises is 18, and 16 in service enterprises. Usage of modern bookkeeping programs is almost nonexistent. The conducted analysis revealed that the situation in one farm is even graver as compared to other enterprises. Despite the fact that the accountants in community enterprises are skilled enough the state of usage of computer technologies and modern bookkeeping methods is in a bad state. This proves that although the enterprise is big it doesn't pay due attention to it. All these show that the agricultural enterprises are to be trained in this sphere.

6. Providing of consultation services and conducting researches.

There is a great need for giving consultations to agricultural enterprises in agrarian sector, as they have a lot of problems directly related with the activity itself and the sale of product obtained. Therefore consultation service for such enterprises may be divided into two: first, planting of agricultural products, and sales of the products.

8 of the farming economies have benefited from consultation services, 5 of them obtaining information about agrarian problems. 18 enterprises not using consultation service have shown its reasons in the chart below.



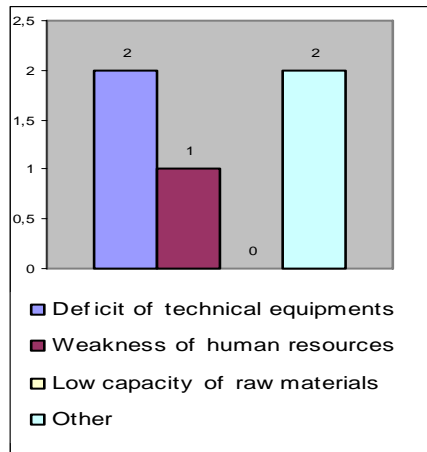
As may be seen from the chart the overriding option is lack of a firm rendering consultation service, this was specifically emphasized by farmers during the survey: rules of planting and fertilizing cereals, planting various vegetables and ways of fighting against harmful insects, planting subtropical and other types of plants, breeding small and big animals and rules of taking prophylactic measures, bringing up poultry birds and rules of health protection. But the analysis above proves once again the fact that consultation service has to be rendered alongside with gathering, storing, delivery and sale of crops, bookkeeping, marketing and management, building linkages to financial resources.

IV. TRADE

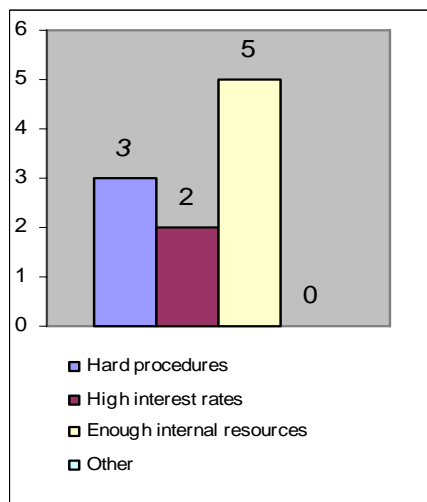
The number of surveyed trade enterprises is 8 and consists of the following. As seen from the chart the majority of the trade enterprises function as physical entities. The problems encountered by this kind of enterprises are different, as these enterprises are not directly involved in either production or processing industry and play the role of suppliers. The analysis of trade enterprises have been conducted along the following directions.

1. The financial problem

Many of the entrepreneurs involved in commerce realize the sales of consumer goods and their main problem is the shortage of funds for repairing trade facilities, modern equipment and most of all for the purchase of consumer goods. These enterprises have indicated the problems encountered in the chart below.



Two of the enterprises noted inadequate number of technical means, two noted financial problem in the other variant. It is interesting that relatively bigger enterprises suffer from financial problem. None of the trade enterprises have been able to attract funds from other resources until now and indicated its reasons as follows.



As seen here the main reason is sufficiency of the resources and complexity of documentation. Here again there are some enterprises noting sufficiency of internal resources, indicated the need for finance in the other variant. Another reason for failure of the trade centers to attract funds is the avoidance of the banks to issue credits for such type of business.

As we noted, unlike other types of enterprises the trade enterprises haven't been able to take credits, on the other hand all the enterprises are planning to take credits. But if none of these enterprises have been able to take credits how they can do it in the future. This clearly proves their need for enlightenment.

Taking into account that there are no problems in other directions in trade enterprises we don't consider it appropriate to give their broad analysis. But it is possible to note a number of issues.

There is no problem whatsoever related to work staff and therefore they overlook this matter. But many of the enterprises complain of low salaries and noted the need for additional funds.

The main problems of the trade enterprises is the number of the competitors and it makes them to sell their goods by charging the price a little higher and as a result the profit gained goes down. Then the best strategy is to increase the assortment of the products and there are not enough funds to do that.

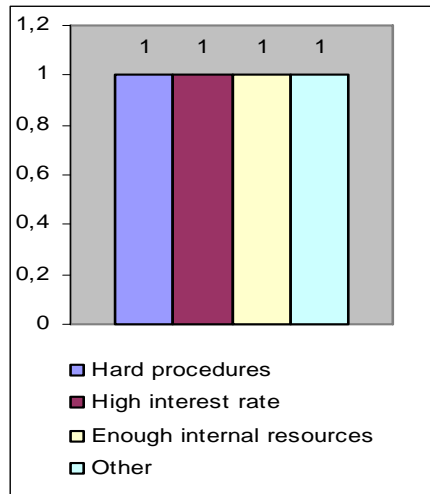
V. TOURISM

As we know the region has a very favorable condition for the development of tourism. The green mountains, specific historical-cultural traditions, fresh air and mainly, relatively cool climate in summer in the region stimulates flow of tourist here. The tendency observed over the last few years proves it once again. Yet the potential of the region has not fully used and tourism enterprises have still a lot of problems.

1. The financial problem

As in other enterprises the major problem in the tourist enterprises is the shortage of funds. The technical state and design, and the quality of the services play crucial role in attracting clients. But lack of necessary funds makes it impossible to create normal condition for holiday-making. In this connection, two enterprises have noted lack of technical means, and two noted financial problems. Unlike other enterprises the tourist centers have identified the types of financial problems they have. For example, the managers of One café said that the beautiful natural landscape draws many tourists here. Yet the wood cottages (two cottages) make it impossible to host guests. Therefore, there is a need for capital in order to build new cottages. Besides, they plan to lay a bridge over the river to add to the beauty of the café. One firm has taken credit from the National Fund of Assistance to Entrepreneurship, but still they express their need in funds for completing the incomplete buildings and building new cottages.

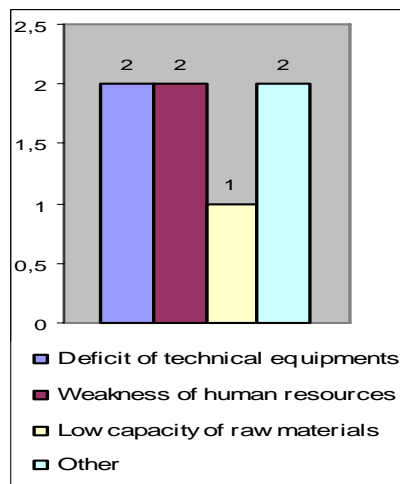
3 of the tourist enterprises could attract funds from other sources. The enterprises, which have failed to attract funds related to various reasons.



One of the enterprises indicated refusal to accept the immovable property as a mortgage as a reason for it.

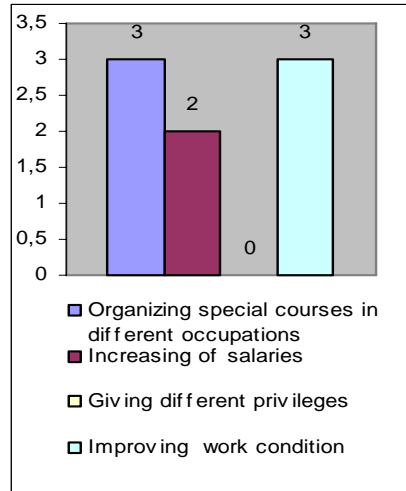
2. The problem with work staff and power

The problems faced by tourist centers are the following.



As may be seen from the chart two of the enterprises have the problems with technical means. The other two enterprises have noted the problem of work force potential. One firm noted their need for waiters and an accountant or that the ones they employed had low efficiency.

3 of the enterprises have taken on new employees over the last two years and its chief reason is their need to expand their business and emergence of need in new employees. For example, Masalli hot water resort has taken on 30 new employees in connection with commissioning of a new hotel. In general, the employers think it is necessary to take the following measures to enhance the productivity.



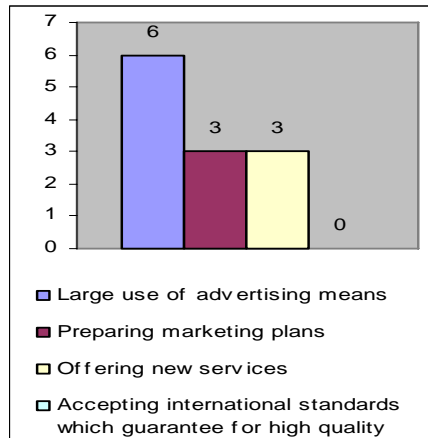
It should also be mentioned that one of the enterprises has provided for enhancing the vocational capacity of its employees in Antalya. Yet it still considers it necessary to organize further vocational courses. Then it appears that probably the vocational course abroad hasn't yielded the expected result.

Unlike other types of enterprises some tourist facilities also noted shortage of electrical power. For example, one cafe and one firm complained of poor electricity supply and said that they supply the electricity with the help of power generator, which leads to unreasonable expenditures.

3. The problem of marketing

Conduction of marketing researches is very important factor for tourist companies. Because this kind of companies work directly in relationships with costumers and costumer focus activity is very important for them. Therefore they have to follow costumers' needs and approaches through marketing.

Only three of tourist enterprises have problems connected with sales in the market. Two of them complain of cheapness of the expected services and one of them complains of the problem of monopoly. It is interesting to note that none of such type of enterprises has encountered the problem connected with the high number of competitors, where the majority of enterprises of the same type complained namely of this problem. So, the number of enterprises functioning in this market is not at the level of creating competitive atmosphere and it enables the enterprises to strengthen their positions in the market. But that there are a few numbers of competitors creates favorable condition for exercise of monopoly by enterprises and they don't show enough interest in the market. Despite of this the enterprises approve of taking the following measures for increasing the volume of sales.



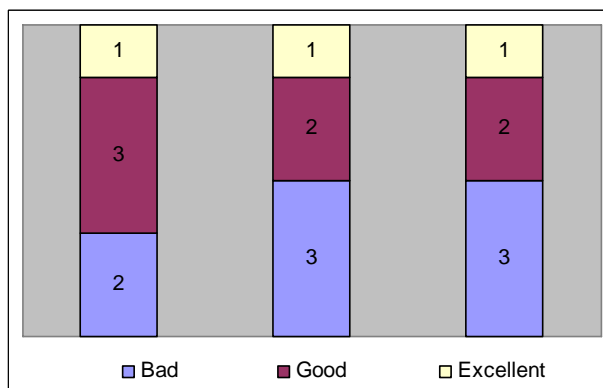
The tourist enterprises have built linkages to tourist enterprises as compared to the measures counted above and doing so they prefer to attract clients by way of establishing direct linkages to tourist centers and this practice has a broad application in the region.

Only one of the enterprises has used marketing service until now and is fully satisfied with the level of rendered service. The rest of the enterprises explain reluctance to apply for this service by the inexistence of enterprises that might render marketing services.

In general majority of tourist enterprises realize the importance of marketing, but are not ready to spend money. Therefore they have to be enlightened in this direction.

4. Bookkeeping

When considering the situation with bookkeeping we may see that the overall situation is satisfactory as compared to other enterprises.



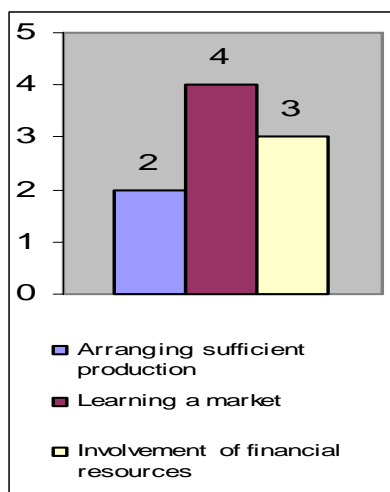
- a-The capacity of employees working in bookkeeping.
- b-Usage of computer technologies in bookkeeping
- c-Usage of modern bookkeeping programs

Only one company described the situation as satisfactory in all three variants. There are certain problems in remaining enterprises.

5. Providing of consultation services and conducting researches.

Tourist enterprises are interested in obtaining consultation services. The reason for lack of it up to now may be related to nonexistence of such firms in the region. But one firm expressed its doubt about such service.

Many of tourist enterprises are interested in conducting researches and the following spheres are interesting for them.



Besides the ones indicated in the chart the enterprises are also interested in studying the spheres of tourism and their prospects in the region.

In the end we may note that these enterprises are in great need for informative assistance. Therefore, all the enterprises have to be trained along the common problems. But while rendering consultation services it is necessary to take into account all the sphere-specific problems enumerated above and services have to be given and researches be conducted.