

**Czech University of Life Sciences Prague**

**Faculty of Economics and Management**

**Department of Economics**



**Bachelor Thesis**

**Factors conditioning the development of entrepreneurship in  
Kazakhstan**

**Zhuldyz Zhumagulova**

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# CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

## BACHELOR THESIS ASSIGNMENT

Zhuldyz Zhumagulova

Business Administration

Thesis title

### **Factors conditioning the development of entrepreneurship in Kazakhstan**

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#### **Objectives of thesis**

Objectives of thesis

The main purpose of this topic is to analyze the driving forces of entrepreneurship in Kazakhstan in 2015-2020.

Specific objectives:

to provide answers to the following questions:

1. What factors affect starting a business and the decision on its location in a given country?
2. What differences in the approach to entrepreneurship are noticeable in post-socialist countries and countries with a developed market economy?
3. What are the factors that strengthen the decision to start a business in Kazakhstan to the greatest extent, and what are the obstacles to establishing your own business in this country?
4. What recommendations, based on the analysis of the collected and tested materials, should be formulated in order to improve the conditions for stimulating the creation of new companies in Kazakhstan

#### **Methodology**

The information in this bachelor thesis will be collected from relevant and published scientific articles, periodicals, and papers in English and relevant languages and analyzing what can be learned through the collection of data. The used internet databases are Web of Science, Science Direct, Google Scholar... etc. In addition, relevant and published books related to the topic will be studied. The bachelor thesis will be relying on previously collected data and information that came from the own experience of the author in the region.

## The proposed extent of the thesis

30-40 pages

## Keywords

Kazakhstan, entrepreneurship, business

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## Recommended information sources

- 1) Zhamilya Sh. Kydyrova, Katira B. Satymbekov, Galymzhan E. Kerimbek, et al. Entrepreneurship Development and Business Climate of Kazakhstan, INTERNATIONAL JOURNAL OF ENVIRONMENTAL & SCIENCE EDUCATION 2016, VOL. 11, NO. 14, 6381 – 6394
- 2) Zagira Sundetovna TOKBERGENOVA; Orynkyz Kopbosinovna DJOLDASOVA et al. The history of formation and development of entrepreneurship in the Republic of Kazakhstan, Espacios ISSN 0798 1015, Vol. 39 (Number 18) Year 2018 • Page 19
- 3) Tongxin Yu, Nadeem Khalid and Umair Ahmed, Factors Influencing Entrepreneurial Intention among Foreigners in Kazakhstan, Sustainability 2021, 13, 7066.  
<https://doi.org/10.3390/su13137066>
- 4) Bauyrzhan Yessengeldin, Diana Sitenko, Aissulu Ramashova, Development of Human Potential in the Innovation Economy of Kazakhstan, Public Policy and Administration Vol 14, No 2 (2015) > Yessengeldin, ISSN online 2029-2872 / ISSN print 1648-2603
- 5) Chen, C. J., & Huang, J. W. Strategic human resource practices and innovation performance – The mediating role of knowledge management capacity. Journal of Business Research, 2009, #62(1), 104-114. Economic activity of the population of Kazakhstan // Statistical Yearbook. Agency on Statistics of the Republic of Kazakhstan. – Astana, 2014. – 188 p. DOI: <https://doi.org/10.13165/VPA-15-14-2-04>

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## **Declaration**

I declare that I have worked on my bachelor thesis titled "Factors conditioning the development of entrepreneurship in Kazakhstan" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the bachelor thesis, I declare that the thesis does not break any copyrights.

In Prague on 30.11.2023

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## **Acknowledgement**

I would like to thank doc. Ing. Vladimír Krepl and all other people, for their advice and support during my work.

# **Factors conditioning the development of entrepreneurship in Kazakhstan**

## **Abstract**

The developed study will allow a deeper understanding of the relationship between the registration of new enterprises and the regulatory environment. In modern theories of economic development, an important place is occupied by the so-called entrepreneurial model of economic development, the essence of which is that new small and medium-sized enterprises have a huge potential to improve the state of the economy. Thus, this study is aimed at expanding knowledge about the issue under study in Kazakhstan and contributing to the identification of mechanisms that determine the need for entrepreneurial activity in this country.

The rational use of methods of state support for small and medium-sized businesses is an essential tool in the process of implementing the economic policy of the state. The need for state support is associated with solving the tasks of achieving a high level of economic development, stabilizing production, and forming an effective structure of the economy. Therefore, there is a need to study the problems of state support for the development of small and medium-sized businesses in the context of industrial and innovative development of the economy of Kazakhstan, considering its features. Thus, the relevance of the research topic is due to the increasing importance of state support for small and medium-sized businesses.

The main purpose of the study is to analyse the driving forces of entrepreneurship in Kazakhstan.

**Keywords:** Kazakhstan, entrepreneurship, business, support, conditions , government.

# Faktory ovlivňující rozvoj podnikání v Kazachstánu

## Abstrakt

Vypracovaná studie umožní hlubší pochopení vztahu mezi registrací nových podniků a regulačním prostředím. V moderních teoriích ekonomického rozvoje zaujímá důležité místo takzvaný podnikatelský model hospodářského rozvoje, jehož podstatou je, že nové malé a střední podniky mají obrovský potenciál zlepšit stav ekonomiky. Tato studie je tedy zaměřena na rozšíření znalostí o studované problematice v Kazachstánu a přispění k identifikaci mechanismů, které určují potřebu podnikatelské činnosti v této zemi.

Racionální využívání metod státní podpory pro malé a střední podniky je základním nástrojem v procesu provádění hospodářské politiky státu. Potřeba státní podpory je spojena s řešením úkolů dosažení vysoké úrovně hospodářského rozvoje, stabilizace výroby a vytvoření efektivní struktury ekonomiky. Proto je třeba studovat problémy státní podpory rozvoje malých a středních podniků v kontextu průmyslového a inovativního rozvoje ekonomiky Kazachstánu s přihlédnutím k jeho vlastnostem. Význam výzkumného tématu je tedy dán rostoucím významem státní podpory pro malé a střední podniky.

Hlavním účelem studie je analyzovat hnací síly podnikání v Kazachstánu

**Klíčová slova:** Kazachstán, podnikání, podnikání, podpora, podmínky, vláda.

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## List of abbreviations

<b>SME</b>	Small and Medium-sized Enterprises
<b>GDP</b>	Gross Domestic Product
<b>FDI</b>	Foreign Direct Investment

## Introduction

Entrepreneurship is an important to economic development. The concept of entrepreneurship is a complex phenomenon. Broadly, it relates to the entrepreneur, his/her vision of a business and its implementation. Entrepreneurship refers to a process of action an entrepreneur (person) and it is a creative and innovative response to the business environment. It promotes capital formation and creates wealth, and it has the thrill of risk, change, challenge, and growth. Entrepreneurship extends beyond a conventional business and economic perspective. The positive impact of entrepreneurial firms is seen throughout the economy and the society. Entrepreneurial firms create jobs, contribute to economic growth they reshape the business ecosystem, create an environment where they play a major role in introducing innovations, commercializing new technologies, opening new market, and creating value by combining resources in exciting new ways.<sup>1</sup>

A country from Central Asia - Kazakhstan was selected for the study. The designed analysis will be a good opportunity to analyze the driving forces behind entrepreneurship and the directions of its development. The examination will cover several aspects and determinants of starting and running a business. The analysis will focus on economic as well as regulatory factors. The study will cover both administrative regulations and conditions, as well as access to capital, and finally the specificity of organizational and legal forms in which economic activity is undertaken and carried out in Kazakhstan. The study will therefore be multifaceted and will explain what factors determine the setting up and running of activities in Kazakhstan. The designed research will allow a deeper understanding of the relationship between new business registration and the regulatory environment. In modern theories of economic development, the so - called entrepreneurial model of economic development occupies an important place, the essence of which is that new small and medium - sized enterprises have a huge potential for improving the state of the economy.<sup>2</sup>

Therefore, this study aims to broaden the knowledge of the issue under study in Kazakhstan and to contribute to the identification of the mechanisms that determine whether

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<sup>1</sup> Vardhaman M., *Entrepreneurship & Small-Scale Businesses*, “Yogendra Goyal”, 2017, pp. 16-17.

<sup>2</sup> Sabden O., *Small Entrepreneurship*, Institute of Economics RK, Almaty 2011, pp. 15-20.

to undertake business activity in this country. Kazakhstan business is becoming one of the main factors of the country's competitiveness. The problems of increasing the competitiveness of the economy are largely associated with the improvement of organizational and economic mechanisms and forms of functioning of the system of the national economy. In this aspect, the development of small and medium-sized businesses plays a special role, which is an important stimulating factor in the economic and innovative development of the world economy. Small and medium-sized businesses mobilize production and financial resources of economic entities and the population, contributes to the diversification of economic sectors, and solves the problems of a social market economy.<sup>3</sup> Individual entrepreneurship is becoming more and more widespread, contributes to an increase in employment of the population, an increase in the volume and quality of domestic production. The development of small and medium-sized businesses in developed foreign countries is progressing at a faster pace and they have accumulated a lot of advanced experience. The experience of developing small and medium-sized businesses in foreign countries shows that this subject of economic relations plays a special role in the country's economy, which contributes to increasing competitiveness, introducing new technologies and improving the economic and social efficiency of production. It should be noted that the development of small and medium-sized businesses in Kazakhstan is taking place in difficult and not always favorable conditions. Therefore, in the process of improving the economic policy of the state, it is necessary to establish a balance of interests of the state and business, to ensure optimal conditions for entrepreneurial activity, to increase the competitiveness of small and medium-sized businesses. The significance of the results of this study increases with the implementation of the concept of Kazakhstan's entry into the 30 most developed countries of the world.<sup>4</sup> The concept of innovative development of the Republic of Kazakhstan until 2020,<sup>5</sup> the President's message to the people of Kazakhstan "Kazakhstan Way 2050": common goal, common interests, common future.<sup>6</sup>

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<sup>3</sup> Buribayeva G., Makazhanov B., Ospanov A., Kerimbekov A., Imashev B., Report on the state of development of small and medium-sized businesses in Kazakhstan and its regions, JSC Entrepreneurship Development Fund Damu, Almaty 2020, p. 108.

<sup>4</sup> inform.kz, 19.05.21.

<sup>5</sup> Buribayeva G., Makazhanov B., Ospanov A., Kerimbekov A., Imashev B., Report on the state..., op. cit., p. 108.

<sup>6</sup> www.damu.kz, 19.05.21.

## **Objectives and Methodology**

### **1.1 Objectives**

The designed research will allow a deeper understanding of the relationship between new business registration and the regulatory environment. In modern theories of economic development, the so - called entrepreneurial model of economic development occupies an important place, the essence of which is that new small and medium - sized enterprises have a huge potential for improving the state of the economy.<sup>7</sup>

Therefore, this study aims to broaden the knowledge of the issue under study in Kazakhstan and to contribute to the identification of the mechanisms that determine whether to undertake business activity in this country. Rational use of methods of state support for small and medium-sized businesses is a significantly important tool in the process of implementing the state's economic policy. The need for state support is associated with solving problems to achieve a high level of economic development, stabilize production, and form an effective structure of the economy. Therefore, there is a need to study the problems of state support for the development of small and medium-sized businesses in the context of industrial and innovative development of the economy of Kazakhstan, considering its features. Thus, the relevance of the research topic is due to the increasing importance of state support for small and medium-sized businesses.

The main purpose of the study is to analyze the driving forces of entrepreneurship in Kazakhstan between 2015 and 2020. The purpose and logic of the research led to the formulation and consistent solutions of the following main tasks:

- 1) to explore the theoretical foundations of business and methods of state support for the businesses;
- 2) to analyze the current state and development trends of entrepreneurship in Kazakhstan;
- 3) analysis of the national experience of state support for the development of businesses;

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<sup>7</sup> Sabden O., Small Entrepreneurship, Institute of Economics RK, Almaty 2011, pp. 15-20.



- 4) to identify the main ways on how to develop small and medium-sized businesses in Kazakhstan.

Thesis consists of an introduction, three chapters, and conclusion. The introduction justifies the relevance of the topic of research; the purpose and objectives of the thesis were formulated. In the first chapter, was contained a systematic material of the theory about the entrepreneurship, provides an overview of factors explaining the development of entrepreneurship. The second chapter describes the conditions for establishing and running a business in Kazakhstan and economic and financial factors determining. The third chapter describes the dynamics of entrepreneurship in Kazakhstan in terms of the legal and economic environment.

## **1.2 Methodology**

The information in this bachelor thesis will be collected from relevant and published scientific articles, periodicals, and papers in English and relevant languages and analyzing what can be learned through the collection of data. The used internet databases are Web of Science, Science Direct, Google Scholar...etc. In addition, relevant and published books related to the topic will be studied. The bachelor thesis will be relying on previously collected data and information that came from the own experience of the author in the region.

# Literature Review

## 1.3 Entrepreneurship and its determinants

### 1.3.1 Entrepreneurship in terms of definition

Entrepreneurship should be considered as activity created by one or more investors, operate in geographically limited areas, and have a limited market share, managed by the founders who make all major strategic decisions. The nature of management is flexible, lack of formalism in decision-making. There is a high interchangeability of workers, both in the sphere of management and in the sphere of production. Small business successfully occupies its market niche in those areas of activity where it operates more efficiently than large business. Small business is the basis for the functioning of small and medium-sized cities, which makes it possible for their residents to find work near their place of residence. The development of specialization and cooperation draws small enterprises into the sphere of influence of large associations.<sup>8</sup>

Large enterprises more and more often attract highly specialized small firms that produce individual parts and assemblies for them. Analysing foreign and domestic experience in the development of this sector, one can point out the following advantages of entrepreneurship:

- faster adaptation to local economic conditions;
- great independence of actions of small businesses, flexibility, and efficiency in decision-making;
- relatively low costs in the implementation of activities, especially management costs;
- a great opportunity for an individual to realize his ideas, to show his abilities;
- lower need for initial capital and the ability to quickly introduce changes in products and production process in response to the requirements of local markets;
- relatively higher turnover of equity capital.<sup>9</sup>

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<sup>8</sup> The Small Business Innovation Development Act of 1982 – P.L 102-567, and 1992. P.L. 102-564.

<sup>9</sup> The Small Business Innovation Development Act of 1982 – P.L 102-567, and 1992. P.L. 102-564.

At the same time, practice shows certain disadvantages of small business, among which the most significant can be distinguished:

- a higher level of risk, therefore, a high degree of volatility in the market position;
- dependence on large companies;
- deficiencies in managing your own business;
- increased sensitivity to changes in business conditions;
- difficulties in borrowing additional funds;
- uncertainty and caution of business partners when concluding agreements (contracts).<sup>10</sup>

Improving the mechanism for implementing government programs to support business, studying the problems of business development, plays an important role in the process of increasing the efficiency of the functioning and competitiveness of the national economy, since in modern conditions, sustainable development of the economy largely depends on the level of business development. The main factors of production are natural, labor and production resources.<sup>11</sup>

In the scientific literature, the concept of "business" is defined as a system of doing business, creating necessary and in demand products, the main direction of the market economy, a source of satisfaction of human needs, even a way of life.<sup>12</sup> A. Hosking defines business as "(...) activities carried out by individuals, enterprises, organizations for the extraction of natural benefits, production, purchase or sale of goods and services in exchange for other goods, services or money with the mutual benefit of interested persons or organizations".<sup>13</sup> Thus, business, being a systemic basis and a condition for the rational organization of production, covers the processes of creating and promoting goods, including technologies for planning, management, marketing and other factors of production. Business today has a very capacious and multifaceted concept that defies unambiguous definition. Therefore, economic science is not limited to brief definitions, but seeks to reveal its essence

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<sup>10</sup> Dzhulaeva A., Business organization, Kazakh University, Almaty 2012, p. 232.

<sup>11</sup> Ibidem, p. 232.

<sup>12</sup> [https://data.worldbank.org/indicator/IC.BUS.NREG?locations=KZ&most\\_recent\\_year\\_desc=false](https://data.worldbank.org/indicator/IC.BUS.NREG?locations=KZ&most_recent_year_desc=false), 08.01.21.

<sup>13</sup> The Small Business Innovation Development Act of 1982 – P.L 102-567, and 1992. P.L. 102-564.

as an economic category, properties and characteristics. It is known that business is primarily associated with activities, the purpose of which is to make a profit, without which the existence of a business becomes meaningless. It should be borne in mind that here we are talking not only about the personal benefit of an individual entrepreneur. According to J. Schumpeter, the entrepreneurial spirit and activity of business participants is the driving force of production, activating and increasing the natural, labor and production factors of business.<sup>14</sup> He noted that entrepreneurship is like the implementation of new combinations in production or circulation, or the introduction of various innovations. By this concept he understood "(...) the implementation of a new benefit unknown to the consumer or the creation of its new quality, the introduction of new technology, the development of new sales markets and sources of raw materials. It should be noted that the concept of "business" in modern economics and economic science is widely used along with the concept of "entrepreneurship".<sup>15</sup>

A significant contribution to the theory of entrepreneurship was made by the classic of political economy A. Smith. In his main work "Investigation of the nature and causes of the wealth of peoples" (1776), he paid considerable attention to the characteristics of the entrepreneur. An entrepreneur, according to A. Smith, being the owner of capital, for the sake of implementing a certain commercial idea and making a profit, takes risks, since capital investments in this or that business always contain an element of risk. It should be noted that A. Smith was against government interference in the affairs of competition and profitability since the market is self-regulating.<sup>16</sup>

Thus, the essence of entrepreneurship lies in the totality of economic relations arising between the subjects of a market economy, arising for the purpose of making a profit and regulating legal norms. The form of organizing the economic activity of a person as an organizer of production, an entrepreneur is business. In turn, business is an organizational form of entrepreneurship, which is characterized by organizational and production innovation, proactive search and finding new and more effective ways to use factors of

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<sup>14</sup> <https://stat.gov.kz/>, 20.05.21.

<sup>15</sup> The Small Business Innovation Development Act of 1982 – P.L 102-567, and 1992. P.L. 102-564.

<sup>16</sup> *Ibidem*, p. 232.

production to profitable profit results. Business manifests itself as a process of interaction between diverse subjects that have objective differences in their content, which are largely determined by their economic interests. Consequently, business or entrepreneurship is an independent, proactive activity of individual citizens or their groups, aimed at obtaining economic benefits, i.e., income or profit. Business entities manifest themselves in various organizational and legal forms, which are reflected in their classification according to the following criteria: form of ownership, legal status, purpose of activity, scale of production, organizational form.

### **1.3.2 Factors explaining the development of entrepreneurship**

The factors influencing entrepreneurial activity are formed in a special entrepreneurial environment, which can be both favourable and not favourable for carrying out entrepreneurial activity. The entrepreneurial environment is understood as the presence of conditions and factors that affect business entities, entrepreneurial activity and require managerial decisions to eliminate or adapt them. The business environment is simply a set of factors, a complex set of interacting mutually influencing objective and subjective factors that can either positively or negatively affect the activities of business entities. E.A. Arustamov divides factors that influence entrepreneurial activity into two groups: factors of the microenvironment (internal forces of the enterprise, as well as external ones directly related to the enterprise: suppliers, competitors, intermediaries, etc.). From the point of view of factors influencing the entrepreneurial activity of the region, it will be useful to classify the factors of the macroenvironment by E.A. Arustamova. Here he distinguishes the following factors: socio-demographic, economic, cultural, and educational factors, the level of development and technology, natural and economic factors, political and legal factors and the information environment. One of the first authors of textbooks on entrepreneurship A.V. Busygin called the environment of entrepreneurship "the socio-economic situation, which includes economic freedom, the entrepreneurial corps, the dominance of the market type of economic relations, the possibility of forming entrepreneurial capital and using the necessary resources".<sup>17</sup>

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<sup>17</sup> Asenov A., Tulenbekova A., On the prospects for the development of small and medium-sized businesses in Kazakhstan, "Problems of the modern economy", No. 4/2016, pp. 25-47.

Galinskaya N.N. highlights the objective and subjective factors of the business environment as geographical location, natural resources, population, level of development and characteristics of the region, production, non-production and infrastructural spheres. Subjective factors, in turn, are subject to management and regulation and are themselves the result of administrative authorities. E.N. Tumilevich considering the factors and forms of development of small business in the region, the following factors are distinguished:

- basic, i.e., those that directly affect the possibility of the existence of an entrepreneur: laws, taxation, resources;
- relevant, which support the size of the entrepreneur and his condition: special state infrastructure, market infrastructure, social support for entrepreneurs;
- internal, which affect the indicators of the company's success and largely depend on the human factor: psychological and professional readiness for entrepreneurial activity, the environment of entrepreneurship<sup>18</sup>.

Author of the thesis proposes to divide the integrated set of all factors that form the business environment into factors of entrepreneurial potential and factors of the business climate. To present the author's classification of factors affecting entrepreneurial activity, entrepreneurial potential will be understood as the totality of all available opportunities for starting, continuing, and developing entrepreneurial activity. Thus, the following factors can be classified as a set of factors of the entrepreneurial potential:

- 1) natural resource;
- 2) human;
- 3) financial;
- 4) informational;
- 5) scientific and technical.<sup>19</sup>
- 6)

The second group of factors influencing the entrepreneurial activity refers to the factors of the business climate. In essence, these factors are a condition for realizing entrepreneurial potential. These factors include the following:

- 1) economic conditions (economic situation);

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<sup>18</sup> <http://www.science-education.ru/ru/article/viewid=16832>, 29.06.21.

<sup>19</sup> Ibidem, pp. 25-47.

- 2) state support for entrepreneurship (consulting, financial, scientific, and technical, etc.);
- 3) socio-cultural factor;
- 4) regulatory framework;
- 5) scientific and technical factor.<sup>20</sup>

It should be noted that the above classification is able to distinguish factors from the point of view of their management and, if used correctly, can facilitate the decision-making process in the field of regulation of entrepreneurial activity.

### **1.3.3 Diversification of entrepreneurship as a derivative of entrepreneurial traditions in Kazakhstan.**

Today, Kazakhstan, as an autonomous state, is creating global relations, taking a stab at significance on the planet business field, which causes it to turn into a more European state in issues of manners than an Asian one. Family ties, whom you know and who knows you, assume a critical part. Simultaneously, the business local area of Kazakhstan is a somewhat restricted circle of individuals, so everybody knows one another, in the most pessimistic scenario, after two handshakes, frequently - through one. From one perspective, this is acceptable - you can without much of a stretch make requests about any individual and discover who you are managing, then again, it is awful, because it safeguards the local area and confines the progression of "new blood", makes it hard for skilled however not exceptionally associated beginners.

Organizations in Western Europe are more inclined to long gauges. In Kazakhstan, it is feasible to implement projects that have no analogs in different nations in a brief timeframe. Numerous business lines, which are typically hoarded by the state, are made together with Western or Russian accomplices. In Kazakhstan, it is permitted to utilize just two types of business association - individual business venture and association for a lawful element or a part of a firm<sup>21</sup>.

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<sup>20</sup> Mohamed E., Ongdash A., Problems of industrial ..., op. cit., pp. 12-13.

<sup>21</sup> <https://forbes.kz> 29.06.21

The improvement of independent venture in Kazakhstan today is important to many. Tragically, barely any individuals realize where to begin beginning a business and what it will take to do this. A significant factor is that for inhabitants of the actual republic and for residents of different states, these conditions, and the technique for enlisting their business are unique. This postulation presents two different ways: one of them is focused on residents of Kazakhstan, the other at outsiders. To start with, we note that the enactment of Kazakhstan applies to all urban areas. That is, the enrolment of a business in Almaty, Astana, Shymkent is done similarly. There is no principal distinction. The fundamental standards of state support for private ventures are:

- priority of private venture improvement in the Republic of Kazakhstan;
- the intricacy of state support for private companies;
- availability of the foundation for supporting independent ventures and the actions being taken for every private company;
- international participation in the field of help and advancement of independent venture.
- State backing and improvement of independent venture is completed by:
  - providing monetary help;
  - organization of an organization of private company support focuses;
  - organization of business hatchery exercises;
  - transfer to private companies in trust the executives or rent of state-claimed objects that have not been utilized for over one year<sup>22</sup>.

Unwarranted exchange to private ventures in the responsibility for claimed articles and land plots they possess, rented, or endowed for the association of creation exercises and the improvement of the ser-bad habit area to the populace following a year from the date of the finish of the agreement, if the conditions specified by them are satisfied in the way dictated by the public authority Kazakhstan. These conditions don't matter to private ventures occupied with exchange and delegate exercises. Independent venture support focuses are made to include the populace in private entrepreneurship, to make new private venture elements.

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<sup>22</sup> <https://forbes.kz> 29.06.21



Among the economically active population from among the leading regions, one-thirds of the population know firsthand about the specifics of doing business. Thus, more than 60% of population have close acquaintances who have started their own business over the past two years. It should be noted, however, that social connections are of great importance when starting a business. The positive experience of friends and relatives increases the interest of future entrepreneurs in starting their own business. Even though future entrepreneurs from among the leading regions highly value their abilities and have a clear idea of the specifics of starting their own business, they are less inclined to take risks.

Only one third of the people from Almaty, Karaganda and Aktobe regions are ready to take risks and start their own business. Remaining 65% is deterred from starting a business by fear of failure in their entrepreneurial endeavors. The highest level of fear of failure among the population was found in the South Kazakhstan and Aktobe regions (83.5% and 78.9%, respectively).<sup>23</sup>

The status of an entrepreneur is regarded quite high in the leading regions, which is a positive factor contributing to an increase in entrepreneurial activity among the able-bodied population. In the leading regions, entrepreneurship is viewed by the majority as a desirable career choice (73%), successful business owners have a high social status and are respected (83%), stories of successful business are widely covered in media sources (88%). Here I would like to note that the future entrepreneurs of the leading regions do not rate highly the “entry” conditions for creating a business. Thus, only one third of the people believe that favorable conditions have been created in Kazakhstan for starting their own business.<sup>24</sup>

Half of the prospective entrepreneurs taking real steps to launch their own business. At the same time, future entrepreneurs of the Aktobe region work most actively in this direction, where during the year three quarters of all future entrepreneurs worked to launch their own business. According to the analysis made by author, future entrepreneurs of the leading regions will be involved in the production of existing goods and services. Thus, about 60% of future entrepreneurs believe that their products and services already have similar

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<sup>23</sup> <https://akmola.atameken.kz> 29.06.21.

<sup>24</sup> <https://akmola.atameken.kz> 29.06.21.

analogues on the market, and only 10% of respondents are confident in the uniqueness of their business. At the same time, all future entrepreneurs plan to work with existing technologies. More than half of them will use technologies that have been on the market for more than five years.<sup>25</sup>

The future entrepreneurs of the leading regions consider their own region and / or border regions to be a sales market for products and services. More than 80% of them expect to sell their goods and / or services within the country, not abroad. This indicates that future entrepreneurs from the leading regions are not focused on the international market, which can be considered as indirect evidence of a low assessment of the competitiveness of future business. Future entrepreneurs from Karaganda, Aktobe, South Kazakhstan and Almaty regions, despite a certain limited / narrow sales market, as well as the possibility of entering the EAEU market.<sup>26</sup>

Analysis of the social status of potential entrepreneurs shows that employees of private companies and persons with full-time and stable jobs show a greater interest in entrepreneurial activity (58% and 71%, respectively). While in the group with a low level of entrepreneurial intentions, the self-employed population and persons employed in the private sector are in the lead (53.3% and 66.7%, respectively). It is noteworthy that people working in the private sector show a greater interest in entrepreneurship in the context of all three groups, which may indicate that with a personal acquaintance with the specifics of doing business, or with experience in doing business, the desire to start a business increase.<sup>27</sup>

Even though in the structure of employment in the group of leading regions there is a high proportion of people with regular earnings and a place of work, “necessity” is the driving factor in starting a business. So, only 24% of citizens of studied country want to start their own business because of the opportunities that are opening, as well as the desire for self-realization and getting benefits from doing business. The remaining 76% are people who see entrepreneurship as an alternative to the lack of better conditions at the current place of

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<sup>25</sup> <https://akmola.atameken.kz> 29.06.21.

<sup>26</sup> <https://akmola.atameken.kz> 29.06.21.

<sup>27</sup> <https://akmola.atameken.kz> 29.06.21.

work, or no job at all. Every third potential entrepreneur in the leading regions chooses entrepreneurship due to the lack of other opportunities to generate income. Thus, entrepreneurship in the leading regions for most potential entrepreneurs, creating their own business is not a deliberate choice, but a consequence of the lack of other opportunities for earning income.<sup>28</sup>

## **1.4 Conditions for establishing and running a business in Kazakhstan.**

### **1.4.1 Regulatory environment for business**

Today, one of the main components of the economic policy of states has become state support for entrepreneurship. The world experience of the national economy development system shows that the level of development of small and medium-sized businesses affects the formation of a competitive environment in various sectors of the economy, contributes to filling the market with domestic goods and services.<sup>29</sup> In developed countries, the large involvement of the population in the field of small and medium-sized businesses defines it as the basis for the development of the economy in order to solve the most important problems of society.<sup>30</sup>

The main tool in the process of implementing the economic policy of the state is the rational use of methods of state support for small and medium-sized businesses. The need for state support for SMEs is associated with solving the problems of bringing the economy to a high level of development, stabilizing production, optimizing the distribution of income and expenses between different groups of the population, forming an effective structure of production, rationalizing government spending.<sup>31</sup> Direct methods of regulating SMEs

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<sup>28</sup> <https://akmola.atameken.kz> 29.06.21.

<sup>29</sup> Alshanskaya A., Development of Small and Medium-sized Businesses in the Service Sector of Kazakhstan: Current State and Key Problems, Kazakhstan's Institute for Strategic Studies, Nur-Sultan 2019, pp. 5-35.

<sup>30</sup> Asenov A., Tulenbekova A. On the prospects for the development of small and medium-sized businesses in Kazakhstan, "Problems of the modern economy", No. 4/2016, pp. 25-47.

<sup>31</sup> Ibidem, pp. 5-35.

include regulatory legal acts, directive measures of macroeconomic plans and target programs, government orders, a pricing system, a quota solution, a policy of income and expenditure, licensing and limits.<sup>32</sup> Legal and regulatory methods apply to state regulation of organizational and legal forms of small and medium-sized businesses. In accordance with the Constitution of the Republic of Kazakhstan, organizations, depending on the forms of ownership, can be state, private, public or organizations with a mixed form of ownership.<sup>33</sup> Legal entities are subject to state registration with an authorized state body in the manner determined by the law of the Republic of Kazakhstan "On state registration of legal entities and record registration of branches and representative offices" of 17.04.1995. No. 2198.<sup>34</sup> State registration data are included in the Unified State Register of Legal Entities, open for public inspection. A legal entity is created from the date of making a corresponding entry in the Unified State Register of Legal Entities.<sup>35</sup> Legal support for small and medium-sized businesses in Kazakhstan is provided in three main areas:

- development of laws regulating the development of small and medium-sized businesses;
- representation and protection of the interests of small and medium-sized businesses in court;
- simplification of business start-up procedures.<sup>36</sup>

Licensing is one of the most effective methods and regulation by the state of certain types of activities associated with a potential threat to life, public health, and state security. The licensing process is regulated by the Law "On Licensing",<sup>37</sup> the Civil Code of the Republic of Kazakhstan, The Law of the Republic of Kazakhstan "On Amendments to Some

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<sup>32</sup> Ibidem, pp. 5-35.

<sup>33</sup> The law of the Republic of Kazakhstan "On state registration of legal entities and record registration of branches and representative offices" of 17.04.1995. No. 2198.

<sup>34</sup> The law of the Republic of Kazakhstan "On state registration of legal entities and record registration of branches and representative offices" of 17.04.1995. No. 2198.

<sup>35</sup> <https://www.akorda.kz/>, 25.05.21.

<sup>36</sup> Asenov A., Tulenbekova A., On the prospects for ..., op. cit., pp. 25-47.

<sup>37</sup> <https://www.akorda.kz/>, 25.05.21.

Legislative Acts" on the improvement of the licensing system and other Government decrees which approved the provisions on licensing certain types of activities.<sup>38</sup>

Methods of indirect support regulate the behavior of market entities not directly, but indirectly, through the creation of a certain economic environment that forces them to act in the desired state direction.<sup>39</sup>

Financial support from government for small and medium-sized businesses covers the following areas:

- co-financing from the state budget and company funds;
- financing from the state budget through the creation of development institutions by the state and funds to support small and medium-sized businesses;
- concessional lending;
- guarantee lending;
- venture lending.<sup>40</sup>
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The most important tool for the impact of the tax system on business development are benefits, which can be regional and selective. Forms of tax incentives are: tax credits, reduced rates, deferred payment, specifics of determining the tax base.<sup>41</sup>

Methods of administrative support for SMEs, which are based on the strength of state power, can be divided into groups: prohibition, permission and coercion.<sup>42</sup> For example, a state can prohibit the construction of industrial enterprises in a city, transit through its territory of goods and vehicles of other states, import or export of any goods. A permit is a consent given in writing or orally by a subject of management with the corresponding right.

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<sup>38</sup> <https://www.akorda.kz/>, 25.05.21.

<sup>39</sup> Ibidem, pp. 5-35.

<sup>40</sup> Buribayeva G., Makazhanov B., Ospanov A., Kerimbekov A., Imashev B., Report on the state..., op. cit., pp. 108-110.

<sup>41</sup> [https://data.worldbank.org/indicator/IC.BUS.NREG?locations=PL&most\\_recent\\_year\\_desc=false](https://data.worldbank.org/indicator/IC.BUS.NREG?locations=PL&most_recent_year_desc=false), 08.01.21.

<sup>42</sup> Akylbaeva A., Ensuring innovative economic growth of small business, Economics and Statistics, No. 4/2016, pp. 45-48.

The form of permission can be licensing of various types of economic activities, import or export of several goods.<sup>43</sup>

#### **1.4.2 Economic and financial factors determining the establishment of companies in Kazakhstan**

For the sustainable development of the national economy of Kazakhstan, special attention is paid to state support for small and medium-sized businesses. This is because the solution to the problems of employment of the population, the provision of the domestic market with domestic goods and the formation of a competitive environment in the economy largely depend on the level of development of SMEs. In Kazakhstan, a legislative and regulatory framework has been formed for the development of small and medium-sized businesses. The main principles of state support for SMEs in the country are:

- the priority of the development SMEs businesses in the Republic of Kazakhstan;
- the complexity of state support for SMEs;
- the availability of the infrastructure for supporting SMEs and the measures being taken for SMEs;
- international cooperation in the field of support and development of SMEs.<sup>44</sup>

Support and development of SMEs is carried out by:

- providing financial support;
- organization of a network of SME support centres;
- organization of business incubators' activities;
- transfer to SMEs in trust management or lease of state-owned objects that have not been used for more than one year;
- gratuitous transfer to SMEs in the ownership of objects leased or trust management for the organization of the activities and development of the service sector to the population after a year from the date of the conclusion of the contract if the conditions stipulated

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<sup>43</sup> [https://data.worldbank.org/indicator/IC.BUS.NREG?locations=PL&most\\_recent\\_year\\_desc=false](https://data.worldbank.org/indicator/IC.BUS.NREG?locations=PL&most_recent_year_desc=false), 08.01.21.

<sup>44</sup> <https://www.akorda.kz/>, 25.05.21.

by it are fulfilled in the manner established by the government of the Republic of Kazakhstan.<sup>45</sup>

In Kazakhstan, organizations providing business support include state and state-initiated organizations, non-governmental organizations, international and foreign, commercial organizations. Monetary help for business elements is done by:

- purchase of a reliable volume of merchandise (works, administrations);
- organization of loaning through second level supplies;
- issuance of state awards for the association and execution of socially huge favorable to projects in the areas of the economy;
- provision of credits to the detriment of monetary assets;
- subsidizing the financing cost on credits gave by monetary organizations, private companies;
- partial ensuring of advances to personal business substances;
- leasing.<sup>46</sup> 45 Asenov A., Tulenbekova A., On the prospects for ..., op. cit., pp. 25-47.

State support to animate the arrangement and advancement of SMEs in Kazakhstan, just as the effective utilization of state reserves designated to help little and medium-sized organizations, is brought out through the Damu Entrepreneurship Development Fund JSC. Since September 2006 JSC "FRP" Damu "has been working as a component of JSC" Fund for Sustainable Development "Kazyna", and since October 2008 - as a piece of JSC "Public Welfare Fund "Samruk - Kazyna".<sup>47</sup> As per the Decree of the President of the Republic of Kazakhstan dated May 22, 2013 No. 571 "On certain actions to optimize the administration arrangement of advancement foundations, monetary associations and the improvement of the public economy", 100% of the portions of the Damu reserve were moved to the National Management Holding Baiterek JSC".<sup>48</sup> To grow the entrance of SMEs to special credit assets, Damu FRP JSC has fostered the accompanying monetary instruments to help SMEs.

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<sup>45</sup> Akylbaeva A., Ensuring innovative ..., op. cit., pp. 45-49.

<sup>46</sup> Asenov A., Tulenbekova A., On the prospects for ..., op. cit., pp. 25-47.

<sup>47</sup> Buribayeva G., Makazhanov B., Ospanov A., Kerimbekov A., Imashev B., Report on the state..., op. cit., p. 108..

<sup>48</sup> Aytahanov K., Entrepreneurship is the leading force of the economy, Kazakhstanskaya Pravda, 2014, pp. 20.

- The program of direct loaning to SMEs and the association for the preparing of agricultural items and food creation "Damu-Koldau". The objective of the program is to advance the subjective improvement of SMEs and fortify their part during the time spent broadening the economy of the Republic of Kazakhstan;
- Development of diversifying. The objective of the program is to give venture backing to SMEs that do their exercises by copying the fruitful model of public and foreign business endeavors;<sup>49</sup>
- SME Loan Guarantee Program. The objective of the program is to help SMEs by giving fractional certifications to the satisfaction of their commitments to STBs, to grow and ensure their equivalent admittance to credit assets;
- Program of contingent situation in renting organizations. The objective of the program is to guarantee the chance of extending and modernizing the proper resources of SMEs in need areas of the economy through concessional financing of renting exchanges;<sup>50</sup>
- Subsidizing the loan cost in the areas with the cooperation of assets from neighborhood executive bodies. The objective of the program is to expand the effectiveness of the execution of regional programs for help and advancement of SMEs by diminishing their expenses of paying interest gathered on bank advances;
- Securitization of arrangement of credits to SMEs under the assurance of JSC "FRP" Damu". The objective of the program is to draw in financing by giving resource supported protections with the point of further expanding the volume of loaning to SMEs.<sup>51</sup> Ibidem, p. 20.
- JSC "FRP" Damu "is a public foundation, the primary administrator and integrator of measures to help business in Kazakhstan, fit for offering SMEs a wide scope of both financial and non-monetary help instruments.
- Business preparing program "Business Advisor". The primary component for the execution of the program is the association of the arrangement of momentary

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<sup>49</sup> Abalkin L., Notes on Entrepreneurship, "Progress", Almaty 2008, p. 228.

<sup>50</sup> Ibidem, p. 20.

<sup>51</sup> Ibidem, p. 20.



preparing and schooling ser-indecencies to the populace with innovative drive and thickly populated authoritative regional units of Kazakhstan;

- Programs "Damu-Komek". The program intends to help business visionaries and individuals with dis-capacities by bringing issues to light of their concerns and the assets they need (monetary assistance, property, counseling support, different administrations);<sup>52</sup>
- Creation of particular monetary foundations. A significant errand is to establish an institutional business climate for SMEs, associations, and backing solid market rivalry be-tween them. One of these monetary associations can be STBs with the investment of the express, the principal specialization of which will loan and functional administrations for independent ventures.<sup>53</sup>
- Alongside this, JSC "FRP Damu "is making a specific microfinance bank, since it is miniature money that is one of the best instruments for keeping up with ideal conditions for the advancement of independent venture, animating enterprising drive of residents, and advancing independent work of the jobless. It is additionally conceivable to make a specific figuring organization and an organization that gives renting administrations.

By the goal of the public authority of the Republic of Kazakhstan dated November 6, 2007, No. 1039, Damu IDF JSC is the administrator for the administration of public assets under the Program of Conditional Placement of Funds in Second Tier Banks (STB) for ensuing loaning to SMEs. Toward the finish of 2007, interestingly, 48.8 billion tenge were distributed from the conservative spending plan to seven Kazakhstan banks (STBs) as per the arrangement of need activities to guarantee the soundness of the country's financial turn of events. In 2012, the complete volume of advances given by STBs too little and medium-sized organizations added up to 690.0 billion tenge, or 8.4% lower contrasted with 2009. Simultaneously, in 2012, there is an increment in the volume of financing by banks from their own assets, and in 2011 there was a reliance of the volume of loaning to SMEs by banks on the assets of the Damu Fund. An increment in the volume of loaning by banks to SMEs to the detriment of their own assets prompted a diminishing in the portion of money related

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<sup>52</sup> Ibidem., p. 20.

<sup>53</sup> Asenov A., Tulenbekova A., On the prospects for ..., op. cit., pp. 25-47.

assets of the Damu Fund to 22.0%. This, thusly, made it conceivable to accomplish the impact of keeping up with the liquidity of second-level banks, as predicted, and consequently the Government of the Republic of Kazakhstan dispatched the adjustment programs (first and third tranches) and "Damu - Regions" during the execution of adjustment programs. Subsequently, in 2013, the arrangement of supporting business visionary boat shifted its direction towards post-emergency advancement and advancing manageable development of the business area. To this end, the "Business Road Map - 2020" Program was embraced under which the "Damu" Fund finances loan costs on advances to business visionaries, and furthermore gives business people guarantees to banks when they get advances. In 2013, the Damu Fund finished up 135 endowment arrangements, 3 assurance arrangements, inside the structure of the arrangements closed, an arrangement of 91.9 billion tenge was covered.<sup>54</sup>

In 2020, the volume of STB advances to personal business elements added up to 1050.0 billion tenge, or 32% more contrasted with 2019. Simultaneously, an expansion in the volume of loaning is related with the reestablished liquidity and an increment in the volume of own assets of second-level banks.<sup>55</sup>

In 2019, the volume of advances gave by second-level banks to personal business substances added up to 890 billion tenge, or 18% less contrasted with 2018. This is because of a decline in the development pace of house-hold stores in public cash: throughout the year, the portion of family stores in tenge diminished from 61% to 56% (separately, the portion of stores in unfamiliar money diminished from 39% to 44%). Simultaneously, 92% of private companies are financed in tenge, while in the general construction of advances to the economy; the portion of advances in public money is 86%.<sup>56</sup> Hence, having guaranteed the brief conveyance of against emergency assets to SMEs, the Damu Fund contributed not exclusively to the rebuilding of enterprising activity, yet in addition to an expansion in the volume of fluid assets of second-level banks for additional loaning to the economy.<sup>57</sup>

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<sup>54</sup> 53 Ibidem, pp. 25-47.

<sup>55</sup> Aytahanov K., Entrepreneurship is ..., op. cit., p. 20.

<sup>56</sup> Abalkin L., Notes on ..., op. cit., p. 228.

<sup>57</sup> Buribayeva G., Makazhanov B., Ospanov A., Kerimbekov A., Imashev B., Report on the state..., op. cit., pp. 108-111.

As a rule, through interest in the projects of the "Damu" reserve, personal business elements received advances for 281 billion tenge in 2020. In the aggregate sum of advances gave by STBs for entrepreneurial purposes, the portion of advances gave to members in the projects of the Damu Fund for 2019-2020 diminished from 9% to 8%. This is because of the limit of the portion of projects of the "Damu" reserve by business people of need areas of the economy, which do exclude exchange and development, which get around half of STB advances.<sup>58</sup> In 2020, the Damu Fund apportioned 43,339 million tenge for loaning to SMEs, of which 600 million tenge were assets from nearby chief groups of the South Kazakhstan and Akmola districts and 22,739 million tenge were own assets of the Damu Fund. 15,039 million tenge or 64% of the complete distributed assets were allotted for the execution of the "Damu Regions 3" Pro-gram. 8,300 million tenge or 35.6% of the all-out assigned assets were distributed for the execution of projects for financing renting exchanges of SMEs, financing of private business (hereinafter - SPE) in the city of Zhanaozen, provincial financing of SMEs. It ought to be noticed that to build the accessibility of financing for SMEs, financing of private business (hereinafter - SPE) in the city of Zhanaozen, provincial financing of SMEs. It ought to be noticed that to build the accessibility of financing for SMEs, the Damu Fund, inside the system of its projects, accommodates restricting conditions at the most extreme compensation rate. For 2017-2020, the weighted normal rate for the projects of the Damu Fund slowly diminished from 14.5% to 11%. Consequently, the execution of projects of the Damu Fund assumed a significant part in the general market decrease in financing costs on credits to SMEs, as indicated by the National Bank of the Republic of Kazakhstan, the weighted normal loaning rate to SMEs diminished by 3.6%.<sup>59</sup>

It ought to be noticed that for business people of need ventures (fabricating industry, trade arranged enterprises), the Damu Fund gives a compensation pace of 8% inside the structure of loaning supportive of grams through STBs, and through the DKB-2020 program it sponsors 7-8% of the compensation rate permitting business visionaries to reimburse close to 6-7% all alone. As can be seen from the information in Table 1, in the construction of the volume of loaning to second-level banks in the sectoral breakdown, the biggest offer is

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<sup>58</sup> Asenov A., Tulenbekova A., On the prospects for ..., op. cit., pp. 25-47.

<sup>59</sup> Ibidem, pp. 108-111.

involved in terms of professional career (from 41.0 to 52.9%). Notwithstanding, the genuine area of the economy is still insufficiently financed. The portion of financing of the horticultural area of the economy is diminishing. Alongside this, the dissemination of monetary assets by areas of the economy is unevenly dispersed, which negatively influences the development, reestablishment, and modernization of fixed resources of SMEs. The

biggest used assets for the working such is to deal changing support,

Industries	Years		
	2017	2018	2019
Industry	18,0	10,9	11,0
Agriculture	6,0	4,7	4,8
Trade	41,0	52,9	51,3
Construction	18,0	7,3	5,3
Transport and com.	4,0	4,3	24,0
Services	-	16,1	3,4
Other industries	24,0	-	-

measure of is allotted renewal of capital. In manner, it important with state

considering the need spaces of financial improvement to complete their further enhancement.<sup>60</sup>

Collaborating with nearby leader bodies, the Damu Fund through the organization of territorial branches carries out a bunch of projects focused on the advancement of business venture, considering provincial priorities. Territorial projects incorporate eight projects of restrictive assignment of assets of second-level banks.<sup>61</sup>

**Table 1, Share of financing volumes in the context of Kazakhstan economy sectors, %**

Source: Fund, 2021

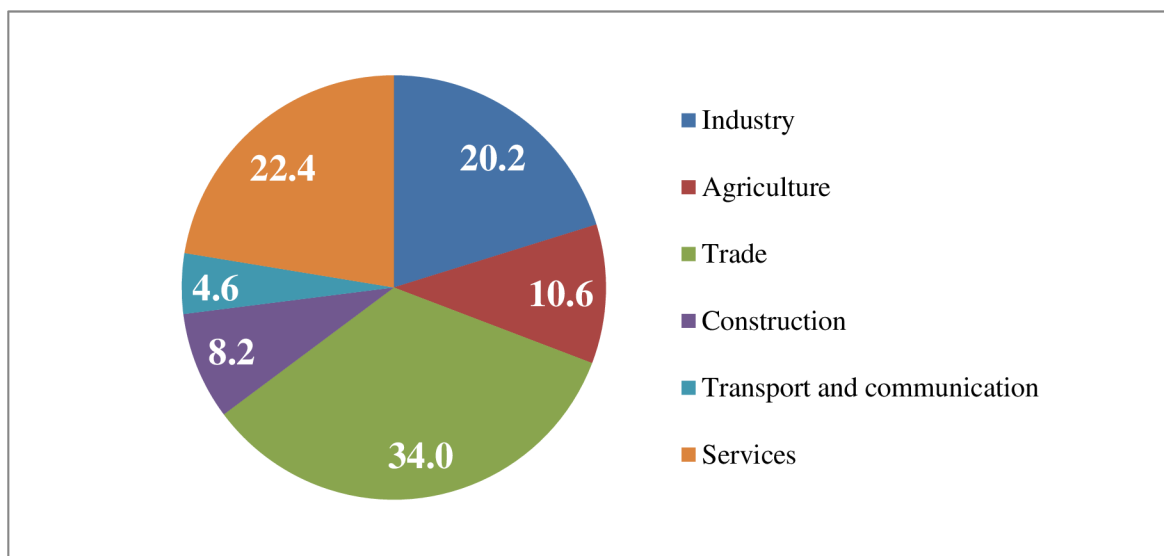
In the local setting, under the above programs, the biggest sums were given in Pavlodar re-gion - 6.9 billion tenge (203 borrowers), Kostanay district - 6.9 billion tenge (93 borrowers). The little est advance sums are seen in Almaty - 1.3 billion tenge (8 borrowers), Nur-Sultan - 1.7 billion tenge (25 borrowers).<sup>62</sup>

<sup>60</sup> [https://www.healyconsultants.com/kazakhstan-company-registration/setup-llc/\\_08.01.21](https://www.healyconsultants.com/kazakhstan-company-registration/setup-llc/_08.01.21).

<sup>61</sup> Asenov A., Tulenbekova A., On the prospects for ..., op. cit., pp. 25-47.

<sup>62</sup> Ibidem, p. 108.

**Figure 1, Share of loans issued to SMEs by industry in 2020, %.**



Source: Fund, 202

In the sectorial context, according to these programs, the largest number of loans was issued for projects in the field of trade - the total amount of financing for projects in this sector amounted to 34% of the total amount of disbursed funds. Loans in the service sector account for 22.4%, in industry - 20.2%, in agriculture - 10.6%, in construction - 8.2%, and in the field of transport and communications, their share is 4.6 %.<sup>63</sup>

**Table 2, Registered and operating small and medium-sized businesses by region.**

	Registered	Active
Republic of Kazakhstan	2 097 519	1 904 656
Abay	56 918	52 144
Akmola	61 185	56 473
Aktobe	93 028	85 694
Almaty	131 785	122 867
Atyrau	71 309	65 396
West kazakhstan	60 644	55 488
Dzhambyl	111 205	98 266

<sup>63</sup> <https://www.akorda.kz/>, 25.05.21.

Zhetisu	61 353	55 844
Karaganda	106 880	96 316
Kostanay	66 626	62 870
Kyzylorda	73 686	69 503
Mangystau	84 918	78 999
Pavlodar	59 591	53 117
North Kazakhstan	36 923	33 895
Turkestan	199 393	196 031
Ulytau	19 432	18 224
East Kazakhstan	69 814	63 144
Astana	239 311	212 402
Almaty	364 139	309 947
Shymkent	129 379	118 036

Source: Akorda, 2021

Analysis of the program of mass coverage of SMEs by regions of the country shows an even and effective distribution of the fund's financial support for the development of small and medium-sized businesses. Therefore, the analysis of the aggregate results of programs for mass coverage of SMEs was carried out, which includes seven programs for conditional allocation of funds of STBs on the issue of financial support for entrepreneurs, implemented as part of the stabilization of the financial and economic system of the state in the regional context.

#### **1.4.3 The specificity of a post-socialist country and its impact on business location decisions**

Historical development has formed relatively stable and rather diverse types of relations between the state and business. Currently, the problems of relations between the state and business have moved to one of the leading places in political processes, business has rightfully become an independent subject of not only economic and social, but also political life, which has led to an important political problem of reconciling the interests of the state, business, and people in the post-Soviet space. Even though politics and economics are closely interconnected, complement each other, and cannot exist and function effectively

without each other, these are independent self-organizing spheres of social life, the functional interdependence of which is determined both by the nature of historical time and by the personified characteristics of economic actors. The fluctuations in the potential of influence of the business elite took place in the post-Soviet countries with the strongest amplitude, depending on the configuration of institutional and political factors.<sup>64</sup>

Post-Soviet countries, a region east of the Caspian Sea that includes Uzbekistan, Kazakhstan, Tajikistan, Kyrgyzstan, and Turkmenistan, has significant potential to become an attractive investment destination. Its main advantages are macroeconomic stability and relatively cheap and large labor force. Current demographic and economic trends have created a growing domestic market in the region, with a turnover of \$ 150 billion according to BCG in 2017. Most of the Central Asian countries have implemented large-scale reforms that have improved the overall investment climate in the region. Compared to other emerging economies, Central Asia is receiving less attention from potential investors so far. Its potential in attracting foreign direct investment (FDI) is estimated at up to \$ 170 billion, including \$ 40-70 billion in non-resource sectors, over the next 10 years.<sup>65</sup>

Historically, investments in Central Asia have been concentrated in the extractive sector, and investment potential is still there. At the same time, fluctuations in commodity prices, the readiness of the countries of the region to diversify their economies and the measures taken to improve the investment climate create opportunities for attracting investments in other promising sectors. This applies, for example, to the processing of agricultural products, the petrochemical industry and tourism. Since gaining independence in 1991, the states of Central Asia have followed different paths and developed unevenly. For these reasons, it is difficult for investors to perceive the region. The countries included in it differ in the level of development, investment climate, and regulatory environment. Although, until recently, economic cooperation within the region was limited, today the Central Asian countries are actively developing bilateral relations, laying the foundation for larger-scale interaction. The basis for increased cooperation has developed thanks to sustained institutional improvements, significant economic growth, and the liberalizing

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<sup>64</sup> Vardhaman M., *Entrepreneurship ...*, op. cit., pp. 16-17.

<sup>65</sup> <https://primeminister.kz/>, 25.05.21.

influence of the younger generation. Over the years of Independence in Kazakhstan, a lot has been done in the investment field. During the first decades of sovereignty, the republic actively accepted offers from foreign investors to invest in new promising projects. During its formative years, Kazakhstan needed external support, and it was the inflow of foreign investment that could contribute to the systematic development of the country's economy and, even to some extent, become a growth driver. Today Kazakhstan offers new opportunities and huge potential for profitable investment. Our republic occupies a strategically important location, has a favourable business environment, protection of investors' rights and investment incentives.

How much investment has been attracted to Kazakhstan in 28 years? Today, country can confidently choose investors from a decent line of those wishing to work in the Kazakh state. During the period of Kazakhstan's independence, \$ 330 billion of foreign investment has been attracted from more than 120 countries. The bulk of investments - more than 50% - falls on the countries of the European Union, on the United States of America - 15% of foreign direct investment, about 5% are investments from Great Britain and China. It should be noted that every year the economy of Kazakhstan is becoming more competitive and attractive for investors. At the end of October this year 16.8 thousand companies with foreign capital operate in the country, which is 18.1% more than in the same period a year earlier (14.3 thousand companies). This year, Kazakhstan entered the top 55 countries in the global competitiveness rating, moving up 4 lines.<sup>66</sup>

Compared to the same period last year, the amount of investment increased by 8.1%. The three most attractive industries also include manufacturing, wholesale and retail trade. These three industries have a significant impact on the economic development of Kazakhstan. So, in January-September of this year, the country's economy grew by 4.3% compared to the corresponding period a year earlier, and the main contribution was made precisely by the mining industry (+ 3.1% per year), as well as the processing sector (+3.5 % per year) and trade (+ 7.6% per year). Transport and warehousing (\$ 642 million, + 49.2% per year) and construction (\$ 463.2 million, + 45.1% per year) also entered the TOP-5 industries in terms of inflows of foreign direct investment. Promising industries include

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<sup>66</sup> <https://primeminister.kz/>, 25.05.21.



information and communication technology (ICT), tourism and finance. This group consists of industries in which investors may be interested in the long term. Positive results in these areas are already being observed. Thus, in 2018, the gross inflow of foreign direct investment in the field of information and communications increased by 27.8%, to \$ 185 million. And at the end of the first half of 2019, the inflow of FDI reached \$ 142.5 million, an increase of 14.7% over the year. Supporting ICT projects helps businesses compete successfully in a high-tech global economy. Meanwhile, the gross inflow of FDI in financial and insurance activities in 2018 increased more than 3 times, to \$ 1.3 billion.<sup>67</sup> By 2027, the number of announced projects in priority sectors with the participation of foreign investors should reach 124, for a total amount of \$ 5 billion. The growth of investments in fixed assets in the manufacturing industry, in turn, from 2020 to 2027 should be 109.8% per year.<sup>68</sup>

In the World Bank's Doing Business 2020 rating, Kazakhstan ranked 25th among 190 countries. Our country is among the top ten in the world for such indicators as the protection of the rights of minority investors and the observance of contracts. Recent reforms have made it much easier to register a business. Without the diversification of the economy of Kazakhstan in innovative spheres of activity and the development of private entrepreneurial initiative in the form of small and medium-sized businesses, it is impossible to achieve the structural reforms that are declared in the country's development program until 2020 and which the turbulent state of the world economy calls for.<sup>69</sup>

Nowadays, Kazakhstan, involved in the global financial crisis, has the opportunity on its crest not only to reduce the high level of monopolization and raw materials orientation of its economy, but also to begin its diversification by taking the following steps:

- to form its own independent financial system, using an effective toolkit of methods of economic and mathematical modeling;
- based on the results of continuous monitoring of the activities of enterprises in the real sector of the economy, orient "long" loans to the production (innovation) sphere;

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<sup>67</sup> <https://primeminister.kz/>, 25.05.21.

<sup>68</sup> <https://primeminister.kz/>, 25.05.21.

<sup>69</sup> Ibidem, p. 108.

- to contribute to the creation of a real market competitive business environment for the development of innovative areas of activity, and, above all, by promoting the development of small and medium-size businesses.<sup>70</sup>

An important role in promoting investment potential and specific projects is also played by investment events, which are collected by the management of large companies. This is an effective platform for establishing business ties and informing about investment opportunities, at the same time, meticulous work is carried out with investors on the fields of such events, target investors are studied in advance, factors influencing decision-making, and possible partners from the Kazakh side are selected. Following the results of 11 months of 2019, within the framework of 10 events held, in total, agreements were reached on the implementation of more than 30 investment projects totaling \$ 2 billion and about 40 thousand jobs will be created on the projects.

Meanwhile, currently there are 13 special economic zones and 24 industrial zones in Kazakhstan, which exempt investors from various types of tax and customs duties. SEZs provide a plot of land, access to established infrastructure. In case of concluding an investment contract with the Investment Committee of the Ministry of Foreign Affairs of the Republic of Kazakhstan, investors can receive such investment preferences as exemption from customs duties on imported equipment and raw materials, in-kind grants, tax incentives. In addition, the launch of the Astana International Financial Center (AIFC) in the capital of Kazakhstan is an important initiative to ensure the rule of law and protect the rights of investors. The AIFC Court and the International Arbitration Center (separate and independent from the judicial system of the Republic of Kazakhstan) is a judicial system of English law operating according to the highest international standards for the resolution of civil and commercial disputes in the AIFC. The center is a financial hub for companies and investors from Central Asia, the republics of the Caucasus, the EAEU, the Middle East, Western China, Mongolia and Europe. AIFC participants are provided with tax incentives for up to 50 years, simplified currency, visa and labor regimes. It is the only center in the region whose work is based on English law. Today, the AIFC has every opportunity to become a regional center for the development of green, Islamic and innovative financial

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<sup>70</sup> Ibidem, p. 108.

instruments. In order to increase the competitiveness of the national economy and stimulate the investment activity of the Republic of Kazakhstan, a Direct Investment Fund was created, which will allow the implementation of large investment projects with the participation of investors on the principle of co-investment.<sup>71</sup>

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<sup>71</sup> <https://primeminister.kz/>, 25.05.21.

## **Practical Part**

### **1.5 Research on entrepreneurship in Kazakhstan**

#### **1.5.1 Characteristics of research methodology and data sources for research**

One of the main goals of scientific activity is to obtain accurate comprehensive scientific knowledge about the surrounding world and its constituent elements. This is a special kind of knowledge, which, according to modern views of scientists, is characterized, by the possibility of comparison with some objective reality. The need for scientific knowledge arises when there is a lack of ideas about the object in the framework of everyday thinking and everyday knowledge. At the same time, based on comparison with reality, specific systems of scientific knowledge are assessed as complete, true, adequate, objective, accurate, etc.<sup>72</sup>

In the thesis, two levels of scientific research were distinguished: theoretical and empirical. Theoretical research is focused on a comprehensive study and knowledge of objective reality to identify connections and generalizations common to a given subject area, which form the basis for the development of the theory. Empirical research is aimed at the object, at the specific study of processes and phenomena with the aim of the facts of science and their generalizations.<sup>73</sup>

Methodology as a way of studying any reality is multivariate and multidimensional, and as well as approaches to scientific research was classified using various criteria. It is popular to divide methodologies into three levels of generality:

- overall;
- general;
- private.<sup>74</sup>

Philosophy formulates general principles used in an explicit or implicit form in the implementation of the research process, including in economics and management. In management, the philosophical principle of practical feasibility was widely used: "(...)

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<sup>72</sup> Vardhaman M., *Entrepreneurship ...*, op. cit., 2017, pp. 16-17.

<sup>73</sup> Ibidem, pp. 16-17.

<sup>74</sup> Ibidem, pp. 16-17.

everything that is theoretically possible and not prohibited by the laws of nature is practically feasible".<sup>75</sup> This principle underlies research aimed at managing economic processes and phenomena by purposefully influencing them. The general methodology focused on applications across multiple sciences. Examples of these methodologies include statistical, historical, and other methodologies.

The choice of methodology, as well as the definition of the problem, is a kind of "art", which must be mastered from the first steps of research activity. Successes in this direction was based on intuition, formed under the influence of:

- knowledge of discipline and skills to work in various directions;
- fundamental knowledge not only in the field of their discipline, but also in other related disciplines
- analysis of modern scientific periodicals;
- knowledge of the circle of authors working on the problem under study, and an objective assessment of the results of their research.<sup>76</sup>

The methodological basis of the theoretical research was the Laws of the Republic of Kazakhstan, regulatory documents of the government, Messages to the people of the President of the Republic of Kazakhstan, statistical data of the Statistics Committee, scientific works of foreign and domestic scientists in the field of the research topic, scientific journals, statistical reports, bulletins and reports of scientific research works. The methodological basis of the empirical research is the systemic method, abstract logical sequence, economic and statistical, empirical, comparative-indicative and graphical method, induction and deduction, rating, ranking.

Ways to increase efficiency of small and medium-sized businesses in conditions of innovative development of Kazakhstan's economy are proposed. Presented scientific novelty and main results:

1. The theoretical aspects of the effectiveness of small and medium-sized businesses in the Republic of Kazakhstan and the world have been systematized:
  - the nature and significance of the scientific category of the effectiveness of small and medium-sized businesses are analyzed using historical and logical analysis;

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<sup>75</sup> Ibidem, pp. 16-17.

<sup>76</sup> Ibidem, pp. 16-17.

- identified and classified industry and regional factors affecting the efficiency of SMEs;
  - the classical method for determining the economic category is given the author's interpretation of the effectiveness of SMEs, reflecting the development of small and medium-sized businesses as a full-fledged economic category, characterizing the continuous development of production, with the highest innovative share, the most economically profitable, satisfying social needs at the expense of minimum production, human and financial costs.<sup>77</sup>
2. Trends in the development of Kazakhstan SMEs in the context of innovative development of the economy and the current state of the institutional and market infrastructure have been analyzed:
- in the context of innovative development of the country's economy, when analyzing the current state of development of SMEs, it was determined that SMEs in Kazakhstan are inclined to engage in trade;
  - substantiated the reasons for the low development and low activity of innovative business among SMEs;
  - analysis of the state of the market infrastructure, affecting the current efficiency and innovation of SMEs in the context of innovative development of the economy, showed the lack of support for the market infrastructure, the uncertainty of the expected results.
  - when analyzing the regulatory legal acts concerning the current business, the low efficiency of the SME economy in the context of innovative development, the inconsistency with the requirements of a modernized market economy in the modern innovative path of development were proved.<sup>78</sup>
3. An assessment of the effectiveness of SMEs in Kazakhstan and its regions was carried out based on the author's methodology for assessing the effectiveness of SMEs:
- as a result of the synthesis of studies on assessing the effectiveness of SMEs of domestic, Russian and foreign scientists, a methodology for a comparative and

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<sup>77</sup> Ibidem, p. 108.

<sup>78</sup> Ibidem, p. 108.

indicative assessment of the effectiveness of SMEs in the innovative development of the economy of the Republic of Kazakhstan is presented;

- using the author's methodology for assessing the effectiveness of SMEs, the level of efficiency of SMEs in the Republic of Kazakhstan and its regions was determined, while the assessment of the results was justified, and a territorial map was drawn up for the regions.<sup>79</sup>

4. Ways of improving economic and organizational mechanisms for increasing the efficiency of SMEs are recommended:

- presented a scheme of regulatory, economic and infrastructural, innovative mechanisms to improve the efficiency of SMEs;
- in order to support innovative business entities, tax incentives and holidays were offered;
- the author's map of creation of specialized business alliances is proposed based on the assessment of the level of efficiency and innovative development of SMEs in the Republic of Kazakhstan and its regions.<sup>80</sup>

5. The main directions of increasing the efficiency of SMEs in the context of innovative development of the Kazakhstani economy are proposed:

- a strategic map for the development of SMEs until 2025 has been developed, which sets strategic goals, strategy blocks and determines the main directions for the development of SMEs;
- as a result of the effective implementation of the measures proposed in the study, a scheme of the socio-economic impact of the development of small and medium-sized businesses in Kazakhstan for 2025 was developed;
- recommendations were established to improve the efficiency of SMEs in the context of innovative development of the economy of the Republic of Kazakhstan.

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The results and conclusions obtained in the dissertation can be used for further theoretical and applied research in the field of improving the efficiency of SMEs in the context of innovative development of the economy. The research results can be used by

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<sup>79</sup> Ibidem, p. 108.

<sup>80</sup> Ibidem, pp. 108-109.

government bodies, organizations, and funds to improve the efficiency of SMEs. The theoretical and practical material presented in the work is recommended for use in the development of lectures and seminars in theoretical and applied disciplines, the subject of which is related to entrepreneurship and innovative business. The theoretical and practical material presented in the work is recommended for use in the development of lectures and seminars in theoretical and applied disciplines, the subject of which is related to entrepreneurship and innovative business. The results of evaluating the effectiveness of SMEs and practical recommendations obtained in the dissertation research can be used in the development of a sound and effective state policy on the problems of increasing the efficiency of SMEs in the context of innovative development of the economy.

### **1.5.2 The dynamics of entrepreneurship in Kazakhstan in terms of the legal and economic environment**

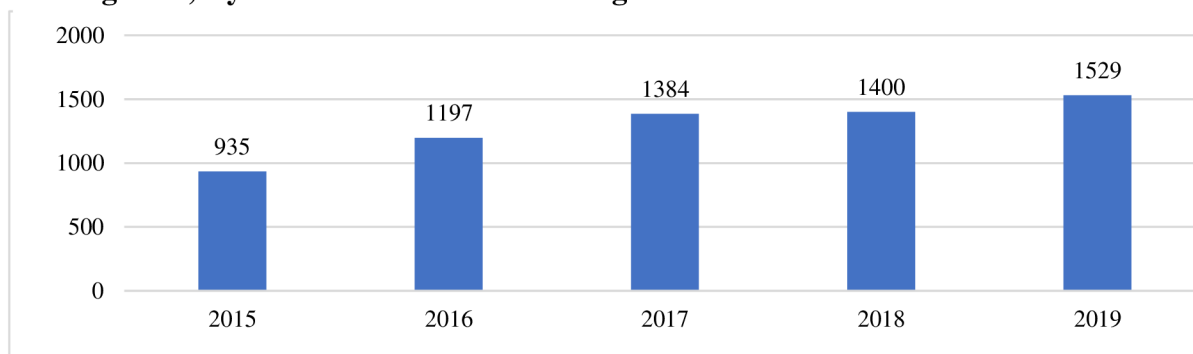
The arrangement and improvement of little and medium-sized organizations is one of the markers of fruitful financial change. The advancement of little and medium-sized organizations influences the economic situations, enacts the rebuilding of areas of the public economy and assists with streamlining the seriousness of social issues in open life. The need of the state's monetary approach from the primary long periods of financial changes has been the establishment of private company. The arrangement and advancement of little and medium-sized organizations in Kazakhstan happens in troublesome and not generally positive financial states of the change to a market economy. In any case, beginning around 2000, the adjustment of the financial circumstance in Kazakhstan emphatically affects the advancement of little and medium-sized organizations. Simultaneously, the extent of individual business visionaries in certain districts of the republic is a lot of below the public normal. This pattern in the advancement of SMEs is related with the reinforcing of the state strategy for the further improvement of business venture through the enhancement of the duty framework, decrease of authoritative boundaries, the arrangement of direct monetary and non-monetary help, and so forth as far as "The simplicity position of working together", Kazakhstan positions 49th among the nations of the world as indicated by the World Bank's Doing Business Report. Simultaneously, as far as such boundaries as "Enlistment of endeavors", "Enrollment of property" and "Tax assessment", Kazakhstan takes 25th, 28th



and seventeenth spots, separately. It ought to be noticed that in the course of recent years, Kazakhstan's position has consistently expanded, changing from 80(2016) to 49(2020).<sup>81</sup>

In the construction of worker (rancher) endeavours of The Republic, the biggest offer is involved by the South Kazakhstan district - 39.3% and the Almaty locale - 26.1%. Simultaneously, the biggest offer is involved by the Atyrau area - 0.9% and the Mangistau district - 0.6%.<sup>82</sup>

**Figure 2, Dynamics of the number of registered SMEs**



Source: National Statistical Office, 2021

As indicated by the Agency of the Republic of Kazakhstan on Statistics, as of January 1, 2019, 1,529,215 little and medium-sized organizations were enlisted. 247,745 legitimate substances (16.2%), 1,086,460 individual business people (71.0%) and 195,070 laborer (rancher) undertakings (12.8%) work in SMEs. Thusly, one of the significant pointers portraying the degree of improvement of little and medium-sized organizations is effectively working SMEs (Table 3).

**Table 3, Number of active SMEs in Kazakhstan (2019), units**

Republic, regions	Total	Including				Total, as a percentage of the previous year, (%)
		Legal entity small businesses	Legal entity medium-sized businesses	Individual entrepreneurs	Peasant (farm) households	
<b>Akmola</b>	869					
	539	68 913	4 357	637 686	158 583	106,9
<b>Aktobe</b>	33 817	2 606	237	27 556	3 418	105,3
<b>Almaty</b>	37 413	4 013	207	28 896	4 297	102,8

<sup>81</sup> <https://stat.gov.kz/>, 15.05.21.

<sup>82</sup> Vardhaman M., Entrepreneurship ..., op. cit., pp. 15-17.

<b>Atyrau</b>	96 485	2 934	264	48 511	44 776	96,1
<b>West Kazakhstan</b>	32 073	2 517	157	27 867	1 532	101,4
<b>Dzhambul</b>	29 265	2 093	130	23 402	3 640	103,4
<b>Karaganda</b>	41 937	1 615	104	24 858	15 360	108,6
<b>Kostanay</b>	62 371	5 435	344	51 618	4 974	108,9
<b>Kyzylorda</b>	43 882	3 386	278	35 319	4 899	105,3
<b>Mangystau</b>	25 888	2 247	141	22 066	1 434	112,9
<b>Turkestan</b>	31 621	2 642	159	27 987	833	110,1
<b>Pavlodar</b>	126 223	5 255	272	65 351	55 345	112,6
<b>North Kazakhstan</b>	32 318	3 184	178	26 012	2 944	105,3
<b>East Kazakhstan</b>	25 248	2 090	230	20 047	2 881	104,7
<b>Astana city</b>	74 178	4 832	296	56 816	12 234	102,2
<b>Almaty city</b>	56 058	7 065	381	48 607	5	107,1
<b>Akmola</b>	120 762	16 999	979	102 773	11	116,3

Source: National Statistical Office, 2021

Contrasted with 2018, in 2019 the quantity of dynamic SMEs expanded by 6.9%. Simultaneously, in the construction of SMEs, the portion of dynamic individual business people added up to 73.3%, laborer (rancher) undertakings is 18.2%, legitimate elements of little and medium-sized organizations are 8.4%.<sup>83</sup> In the pioneering action of monetary elements, an extraordinary job is played by recognizing them by types of proprietorships and their size (Table 4).

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<sup>83</sup> <https://stat.gov.kz/>, 15.05.21.

**Table 4, Number of registered business entities by type of ownership and size of activity (2019), units**

Indicators	Total	State	Private	Including by ownership		Full foreign participation
				With state participation (without foreign participation)	Joint ventures (w foreign participation)	
<b>2019</b>						
<b>The Republic of Kazakhstan</b>	<b>338 981</b>	<b>27 637</b>	<b>293 239</b>	<b>996</b>	<b>10 346</b>	<b>18 105</b>
<b>Small</b>	<b>322 121</b>	<b>18 416</b>	<b>286 237</b>	<b>690</b>	<b>9893</b>	<b>17 468</b>
<b>Average</b>	<b>14 427</b>	<b>8 250</b>	<b>5 688</b>	<b>203</b>	<b>319</b>	<b>489</b>
<b>Large</b>	<b>2 433</b>	<b>971</b>	<b>1 314</b>	<b>103</b>	<b>134</b>	<b>148</b>
<b>2023</b>						
<b>The Republic of Kazakhstan</b>	<b>510 797</b>	<b>25 585</b>	<b>440 980</b>	<b>380</b>	<b>11 111</b>	<b>44 232</b>
<b>Small</b>	<b>501 657</b>	<b>20 860</b>	<b>437 061</b>	<b>299</b>	<b>10 833</b>	<b>43 736</b>
<b>Average</b>	<b>6 647</b>	<b>3581</b>	<b>2 772</b>	<b>32</b>	<b>169</b>	<b>294</b>
<b>Large</b>	<b>2 493</b>	<b>1 144</b>	<b>1 147</b>	<b>47</b>	<b>109</b>	<b>202</b>

Source: National Statistical Office, 2021

During the analyzed period, number of active small and medium-sized businesses by type of economic activity have been increased (Table 5). The decrease in the number of SMEs in the field of agriculture, forestry, and fisheries by 9.0% is associated with the consolidation of small rural producers due to their concentration and cooperation in a larger agricultural formation.

**Table 5, The number, and structure of active small and medium-sized businesses by type of economic activity**

Indicators	2023		2019	
	Total	%	Total	%
The Republic of Kazakhstan	510797	100,0%	871 497	100,0%
Agriculture, forestry and fisheries	20392	2%	169 328	19,4%
Industry	21797	4%	23 740	2,7%
Mining industry	5118	1%	568	0,1%
Manufacturing industry	25789	5%	22 170	2,5%
Electricity, gas, steam and air conditioning	1878	0%	161	0,02%
Water supply; sewerage system, control over the collection and distribution of	2763	1%	841	0,1%
Construction	68470	13%	21686	2,5%
Wholesale and retail trade	142632	28%	379823	43,6%
Transport and storage	20623	4%	54063	6,2%
Information and communication	16552	3%	8762	1,0%
Accommodation and catering services	9781	2%	20599	2,4%
Financial and insurance activities	7991	2%	551	0,06%
Real estate operations	23649	5%	52487	6,0%
Professional, scientific and technical activities	34121	7%	19501	2,2%
Administrative and support activities	24456	5%	22455	2,6%
Education	28496	6%	4672	0,5%

Health care and social services	10223	2%	4851	0,6%
Arts, entertainment and recreation	7599	1%	4677	0,5%
Provision of other types of services	50659	10%	84250	9,7%

Source: National Statistical Office, 2021

In the structure of active SMEs of the country by type of economic activity, the largest share is occupied by trade agriculture from 43.6 to 45.6%, forestry and fisheries - 19.4 and 22.2%. It should not be forgotten that in Kazakhstan there is a tendency to increase the number of employed people in small and medium-sized businesses. The sectoral structure of the employed population in SMEs largely characterizes the role of the economic entities of the country in solving the socio-economic problem of ensuring employment of the population of the republic. In turn, this indicator depends on the number of active SMEs in certain sectors of the economy. Consequently, the growth of the number of existing SMEs adequately solves the issues of employment of the population in the republic. As can be seen from Table 6, in 2019, the number of employed people in small and medium-sized businesses amounted to 2635.6 thousand people compared to 2427.1 thousand people in 2017 or increased by 8.6%. Trade (27.8-29.5%), agriculture, forestry and fisheries (17.1-22.1%), industry (10.3-10.4%) and construction (7.9-9.1%) occupy the largest share in the structure of the employed population in small and medium-sized businesses of the republic by type of employment.<sup>84</sup>

The trade sector occupying the largest share in the structure of SMEs (over 40%) produces about 23.0% of SME products in the country. A similar situation is typical for agricultural entities, which occupying 19.4 - 22.0% of the total number of SMEs in Kazakhstan produces 10.0 - 12.0% of small and medium-sized businesses in the country. At the same time, in the spheres of trade and agriculture there are large reserves for their further development and an increase in the volume of production.<sup>85</sup>

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<sup>84</sup> Ibidem, pp. 108-109.

<sup>85</sup> Ibidem, pp. 108-109.

Interacting with local executive bodies, the Damu Fund through the network of regional branches implements a set of programs aimed at the development of entrepreneurship, considering regional priorities. Regional programs include eight conditional allocation programs for second-tier banks. In the regional context, under the above programs, the largest amounts were issued in Pavlodar region - 6.9 billion tenge (203 borrowers) and Kostanay region - 6.9 billion tenge (93 borrowers). The smallest loan amounts are observed in Almaty - 1.3 billion tenge (8 borrowers), Astana - 1.7 billion tenge (25 borrowers).

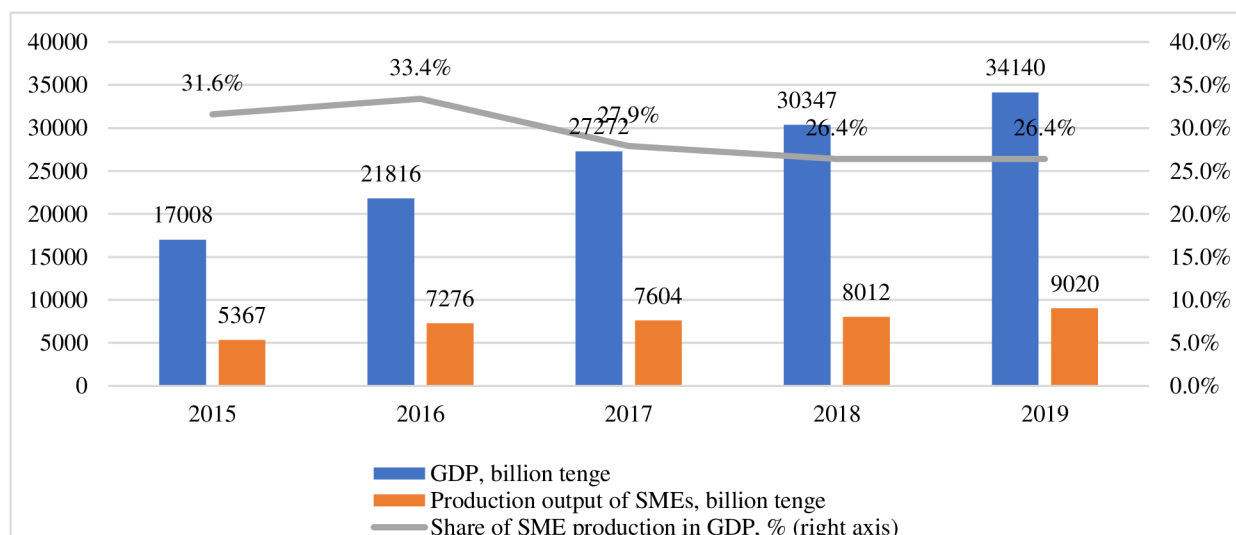
**Table 6, Share of financing volumes in the context of sectors of the economy of Kazakhstan by the Damu Fund for 2017-2019, %**

<b>Industries</b>	<b>Years</b>		
	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Industry</b>	<b>18,0</b>	<b>10,9</b>	<b>11,0</b>
<b>Agriculture</b>	<b>6,0</b>	<b>4,7</b>	<b>4,8</b>
<b>Trade</b>	<b>41,0</b>	<b>52,9</b>	<b>51,3</b>
<b>Building</b>	<b>18,0</b>	<b>7,3</b>	<b>5,3</b>
<b>Transport and communications</b>	<b>4,0</b>	<b>4,3</b>	<b>24,0</b>
<b>Services</b>		<b>16,1</b>	<b>3,4</b>
<b>Other industries</b>	<b>24,0</b>	<b>-</b>	<b>-</b>

Source: National Statistical Office, 2021

In the sectoral context, according to these programs, the largest number of loans was issued for projects in the field of trade - the total amount of financing for projects in this sector amounted to 34% of the total amount of disbursed funds. Loans in the service sector account for 22.4%, in industry - 20.2%, in agriculture - 10.6%, in construction - 8.2% and in the field of transport and communications, their share was 4.6 %.<sup>86</sup>

**Figure 3, Share of SME products in Kazakhstan's GDP**



Source: National Statistical Office, 2021

Thus, the analysis of the dynamics of the sectoral structure of the country's SMEs shows the need for further diversification of the country's economy. However, it should be noted that the history of private entrepreneurship in Kazakhstan is a little over 20 years old. At the same time, almost all entrepreneurs start their activities in the field of trade or services, which are characterized by a relatively low level of risk and require a small start-up capital. As the scale of the business grows, entrepreneurs begin to master production. Moreover, as a rule, the transition to production occurs when the business becomes large enough and ceases to be small. Therefore, many SMEs operating in the field of trade and services today are potential representatives of medium and large businesses in the future.<sup>87</sup>

Thus, on the issue of state support for SMEs in Kazakhstan, significant work is being done to reform the financial sector and comprehensively develop the infrastructure for

<sup>86</sup> <https://stat.gov.kz/>, 15.05.21.

<sup>87</sup> Ibidem, p. 108.

supporting small and medium-sized businesses. The analysis shows that for the further development of SMEs in the country, it is necessary to provide for the solution of issues of institutional strengthening of business associations, the creation on a permanent basis of a centralized system of public analysis of the regulatory impact of existing and newly introduced norms of laws and instruments for regulating the economy, the transfer of certain state regulatory functions to the business environment. entrepreneurial activities aimed at the development of small and medium-sized businesses.

### **1.5.3 Proposals for recommendations on strengthening the entrepreneurial climate in Kazakhstan**

It is known that business entities attract investments to ensure production efficiency and increase the profitability of total capital. This mechanism for increasing the total capital for the purpose of expanded reproduction is especially relevant for small and medium-sized businesses. For example, most small and medium-sized businesses experience a constant shortage of fixed and working capital, which makes it difficult to update the material and technical resources of the enterprise. Investment issues are considered with the solution of complex problems of strengthening the position of the enterprise in the market and its sustainable development in the process of manufacturing competitive products. It is not enough to have the resources that make up the sources of investment, in order to achieve the main goal of the business - to make a profit (income), still need to skillfully dispose of them. Therefore, the development of small and medium-sized businesses based on attracting investments is one of the main conditions for expanding and deepening market relations.<sup>88</sup>

In the current conditions of a market economy, the essence of investment is a combination of two aspects of the investment process: capital costs and results. Investments are made with the aim of obtaining a certain result (profit) and become useless if this result does not bring. In this aspect, it is fundamentally important for deciding on investment is to determine the "price" of refusal from momentary consumption. When investing in the development of production, the investor is not interested in any size of profit. Equity capital gains as a result of investment must be sufficient to:

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<sup>88</sup> <http://www.inform.kz>, 19.05.21.



- firstly, to satisfy the minimum acceptable, from the standpoint of society, the investor's requests;
- secondly, compensate for the losses from inflation in the coming period;
- thirdly, to reward the investor for the risk of a possible loss of part of the income from the onset of difficult to predict unfavorable circumstances.<sup>89</sup>

Considering the abovementioned, it very well may be presumed that for the improvement of little and medium-sized organizations, it is important to carry out the accompanying arrangements.

- 1) Monitoring of the elements that decide the dangers to homegrown business with regards to the Customs Union.
- 2) Improving the arrangement of monetary relations for little ventures in the field of creation to guarantee their intensity on the planet market.
- 3) The ideal blend of state and market guideline of costs for the results of little and medium-sized undertakings to restore the successful interest of the populace and increment the seriousness of homegrown business in the homegrown and unfamiliar markets.
- 4) Introduction of an arrangement of least ensured costs for private companies, giving them an adequate degree of productivity.
- 5) Implementation of adaptable tax collection from independent ventures whose exercises are identified with the creation of merchandise, the arrangement of expense motivators to those makers who put resources into the improvement of need businesses and in the creation of items or stick to the principle of feasible advancement of creation in consistence with ecological guidelines.
- 6) Moderate protectionist strategy to ensure the interests of independent ventures.
- 7) Increasing the venture engaging quality of independent companies, the presentation of duty and different advantages that will add to the re-hardware of the material and specialized base of independent companies.
- 8) Regulation of the volume of products and imports for the super essential sorts of merchandise supportive of produced by private companies.

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<sup>89</sup> <https://www.akorda.kz/>, 29.05.21.

9) Implementation of designated programs for the reclamation and advancement of need areas of the economy, in which private companies can involve the biggest piece of the pie.

10) Direct financing of speculation activities of independent ventures through monetary foundations of the state.<sup>90</sup>

President of the Republic of Kazakhstan N. Nazarbayev in his Address to the people of Kazakhstan "Strategy" Kazakhstan-2050 "dated December 14, 2012, noted that it is necessary to provide" comprehensive support to entrepreneurship - the leading force of the national economy. " To do this, you need to create conditions for doing business. "The task of today is to create the necessary conditions and prerequisites for the transition of small enterprises and individual entrepreneurs to the category of medium-sized ones," the President noted in his speech.<sup>91</sup> Changing the structure of entrepreneurship towards increasing the share of small and medium-sized businesses is possible due to state support, which should be provided in the following main areas:

- removal of various regulatory, legal, organizational, administrative obstacles;
- creation of an appropriate business climate in the country;
- expanding access to cheap financial resources;
- the creation of various structures in order to provide enterprises with consulting, material, informational, organizational assistance;
- development of technology and equipment leasing.<sup>92</sup>

In the future, private capital should become one of the main donors for financing innovation. For this in Kazakhstan, it is necessary to form a package of attractive, promising and cost-effective ideas, developments and proposals, which will be accompanied by measures of state support. Over the past few years, a few reforms have been carried out in Kazakhstan in the field of entrepreneurship regulation and the licensing system aimed at

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<sup>90</sup> Kudratov Z., Toshboev B.B., Berdiev G., Opyt podderzhki malogo i srednego biznesa v nekotoryh razvityh stranah,

<sup>91</sup> Resolution of the Government of the Republic of Kazakhstan dated July 11, 2012 No. 929 "On the Concept of further reforming the licensing system of the Republic of Kazakhstan for 2012–2015", Electronic resource, access: <http://www.zakon.kz/>, 29.05.21.

<sup>92</sup> Fink T., Small and Medium Business in Europe, "Young Scientist", No. 4/2012., pp. 16-17.

improving the system of interactions between the state and business, at reducing the pressure on business from the state, at creating a favorable environment for doing business. Kazakhstan has also developed draft Laws of the Republic of Kazakhstan "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on State Regulation of Entrepreneurial Activity", "On Permits and Notifications", a draft Concept for further reforming the licensing system of the Republic of Kazakhstan for 2012-2015, approaches to the Comprehensive concept of state regulation of entrepreneurial activity until 2020.<sup>93</sup> In order to implement the instructions of the President of the Republic of Kazakhstan N. Nazarbayev to improve the licensing system, it is necessary to reform not only administrative procedures, but also to change the system of interactions between the state and the business community. In this regard, at present, there is a need to develop a draft Law "On Self-Regulatory Organizations", in which the main emphasis will be placed on the definition of regulatory functions, social responsibility of business in those issues that arise in connection with the reform of the licensing system of state bodies. At the present stage of industrial and innovative development of Kazakhstan, small and medium-sized businesses are called upon to play a major role in the implementation of innovative projects and the creation of a final competitive product based on the use of domestic and foreign scientific potential. The activity of small and medium-sized businesses is an important factor in boosting the country's economy. The advantages of such enterprises include the following:

- partners in small enterprises invest their capital in business with greater interest than in large ones;
- creation of additional jobs, reduction of the unemployment rate;
- an effective tool for constant updating of all elements of the production process, ensuring high competitiveness of products and services;
- assistance to the activities of large enterprises through the manufacture and supply of components and tooling, the creation of auxiliary and service industries;
- liberation of the state from low-profit and unprofitable enterprises through their lease and redemption;

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<sup>93</sup> Resolution of the Government of the Republic of Kazakhstan dated July 11, 2012 No. 929 "On the Concept of further reforming the licensing system of the Republic of Kazakhstan for 2012–2015", Electronic resource, access: <http://www.zakon.kz/>, 29.05.21.

- carry out innovations that at the initial stage do not require large investments, as well as the attraction of a significant amount of labor and material resources.<sup>94</sup>

The strategic course of President N. A. Nazarbayev contains a huge potential for creating a favorable external environment for entrepreneurship, which makes it possible for the Republic of Kazakhstan to enter the WTO and among the 50 most competitive countries in the world. “Small and medium-sized businesses are a solid economic foundation for Society of General Labor. For its development, complex solutions are needed to legislatively strengthen the institution of private property. All inert legal norms that hinder business development must be abolished. Small business should become a family tradition, passed down from generation to generation”, these were the words of N. Nazarbayev in his address to the people of Kazakhstan.<sup>95</sup>

## **Results and Discussion**

In this review we investigated the hypothetical establishments of business and strategies for state support for the organizations and dissect the present status and advancement patterns of business venture in Kazakhstan. The condition of little and medium-sized organizations in Kazakhstan shows the need to additionally extend changes to invigorate business elements inside the system of the state strategy for the turn of events and backing of SMEs. This is on the grounds that state projects to help the advancement of little and medium-sized organizations in Kazakhstan don't give the ideal, on the grounds that the ideal state technique in this space has not been created. Warning sectoral and provincial needs were not distinguished, there was no criticism, no genuine observing. Further improvement of the instruments of state support for SMEs should be done systematically, thinking about the quirks of the public economy.

The Republic of Kazakhstan holds great promise in terms of its ability to contribute to the global economy and ultimately benefit its newly independent people through financial prosperity and economic stability. With valuable natural resources, a workforce, and a

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<sup>94</sup> <http://www.inform.kz>, 19.08.21.

<sup>95</sup> <http://www.inform.kz>, 19.05.21.

government that has demonstrated strong support for entrepreneurship and recognized its value to both the state and the people, the Republic of Kazakhstan is uniquely positioned to develop its potential as a strong participant. into the world economy. Also, we analysed of the national experience of state support for the development of businesses and identified the main ways on how to develop small and medium-sized businesses in Kazakhstan. It can be concluded that at this stage of small business development, the main problems are: bureaucracy and corruption, which affected the entire country; development among small businesses, mainly trade and intermediary firms; uneven and unpredictable development of the entire economy, both territorially and temporally; inadequacy and lack of elaboration of the legal framework, which is one-sided. The negative attitude towards small business of the state and society is also a very serious problem, although in recent years the attitude has been changing. This is due to the fact that even in these conditions, small business has a positive impact on the economy. If we touch upon the problem of financing, then its solution is at the zero stage.

Speaking about the relationship between small and medium-sized businesses and the state, one can notice that there is a monologue on the part of the state, which does not want to hear small and medium-sized businesses and bring the relationship to a higher quality level. Summing up, we can say that small and medium business in the Republic of Kazakhstan is already a reality, the development of the entire state depends on its development, on the attitude of society and the state to this sphere of the economy.

## **Conclusion**

Part of the former Soviet Union, the Republic of Kazakhstan has been independent since 1991. Under the leadership of President N. Nazarbayev, Kazakhstan's economy was transformed from a Soviet command economy into an emerging and developing market economy. An important part of this transformation has been the adoption of laws and infrastructure to support previously illegal business and small business activities in Kazakhstan. This thesis provides an overview of the Republic of Kazakhstan and the future development of infrastructure to support entrepreneurship in the new independent state.

In less than thirty years as an independent country, Kazakhstan has made great progress in transforming the Soviet command economy into a market economy. Entrepreneurship support has contributed greatly to this development. The authorization of legal and policy infrastructure and vigorous efforts to support entrepreneurs by providing resources for small businesses have contributed to this progress. Kazakhstan has gone beyond its borders with a variety of programs designed to introduce its aspiring entrepreneurs to the world's best business practices. Laws have been passed, regulatory procedures streamlined and infrastructure such as business incubators and technology parks created to support small business development in Kazakhstan.

The current state support for the advancement of organizations in Kazakhstan is an arrangement of proportions of impact, with the assistance of which certain conditions are made that immediate the improvement of market measures toward the path important for the state. The motivation behind the actions taken is to make the most positive legitimate and financial conditions for little and medium-sized organizations, a steady climate for their exercises, secure the cutthroat climate, and guarantee property rights and sets of monetary choices. The principal headings, structures, size of state support are controlled by the nature and seriousness of monetary and social issues emerging in the field of business advancement in the republic.

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