


## FORMATION OF THE BUSINESS ENVIRONMENT IN KAZAKHSTAN: THE ROLE OF GOVERNMENT SUPPORT FOR ENTREPRENEURSHIP

M. Zhumazhanova , R. Zhappasova , A. Oryntaeva , M. Bolsynbek 

*Kazakh University of Technology and Business named after K. Kulazhanov, Astana, Kazakhstan,*

 Corresponding author: maral2804@mail.ru

The development of entrepreneurship in Kazakhstan has a noticeable impact on the country's economy, bringing significant changes to its structure and dynamics. Entrepreneurial activity contributes to GDP growth by creating new jobs and reducing unemployment levels. The emergence of new businesses and the expansion of existing companies lead to increased production volumes and an expanded economic base, which is especially important for diversifying an economy traditionally dependent on oil and gas.

One of the key aspects is improving the business climate. Government programs such as the "Business Roadmap-2025" are aimed at simplifying company registration procedures, enhancing the tax system, and supporting startups. These measures create favorable conditions for entrepreneurs and attract foreign investors, thereby increasing investments in the economy.

The development of entrepreneurship also enhances market competitiveness, leading to improvements in the quality of goods and services, innovations, and lower prices. This, in turn, positively affects consumers and stimulates further business development. Additionally, entrepreneurial activity contributes to improving social infrastructure and integrating local communities, creating new opportunities for social initiatives and raising living standards.

However, entrepreneurship in Kazakhstan faces certain challenges such as bureaucracy, lack of funding, and issues with law enforcement. Addressing these problems is crucial for the sustainable and long-term development of entrepreneurial activities in the country. Overall, the development of entrepreneurship in Kazakhstan has a multifaceted impact on the economy, contributing to its growth, diversification, and improvement in the quality of life for its population.

**Keywords:** entrepreneurship, business, PPP, lending; support; economic growth.

## ҚАЗАҚСТАНДА БИЗНЕС-ОРТАНЫҚАЛЫПТАСТЫРУ: КӘСІПКЕРЛІКТІ МЕМЛЕКЕТТІК ҚОЛДАУДЫҢ РӨЛІ

М.Т. Жұмажанова , Р.Е. Жаппасова, А.Е. Орынтаева, М.К. Болсынбек

*Қ.Құлажанов атындағы Қазақ технология және бизнес университеті, Астана, Қазақстан,  
e-mail: maral2804@mail.ru*

Қазақстанда кәсіпкерліктің дамуының құрылымымен динамикасына елеулі өзгерістер енгізі отырып, ел экономикасына елеулі әсер етеді. Кәсіпкерлік белсенділік жаңа жұмыс орындарын құру және жұмыссыздық деңгейін төмендету арқылы жалпы ішкі өнімнің (ЖІӨ) өсуіне ықпал етеді.

Жаңа бизнестің пайда болуы және қолданыстағы компаниялардың кеңеюі өндіріс көлемінің ұлғаюуына және экономикалық базаның кеңеюіне әкеледі, бұл дәстүрлі түрде мұнай мен газға тәуелді экономиканы әртараптандыру үшін өте маңызды.

Негізгі аспектілердің бірі-бизнес климатын жақсарту. "Бизнестің жолқартасы-2025" сияқты мемлекеттік бағдарламалар компанияларды тіркеу рәсімдерін жеңілдетуге, салық жүйесін жетілдіруге және стартаптарды қолдауға бағытталған.

Бұл шаралар кәсіпкерлер үшін қолайлы жағдай туғызады және экономикаға инвестициялардың ұлғаюуына ықпал ете отырып, шетелдік инвесторларды тартады.

Кәсіпкерлікті дамыту сонымен қатар нарықта бәсекеге қабілеттілікті арттыруға ықпал етеді, бұл тауарлармен қызметтердің сапасын жақсартуға, инновацияларға және бағаның төмендеуіне әкеледі.

Бұл өз кезегінде тұтынушыларға оң әсер етеді және бизнестің одан әрі дамуын ынталандырады. Сонымен қатар, кәсіпкерлік белсенділік әлеуметтік бастамалармен өмір сүру деңгейін жақсарту үшін жаңа мүмкіндіктер жасай отырып, әлеуметтік инфрақұрылымды жақсартуға және жергілікті қауымдастықтардың интеграциясына ықпал етеді.

Алайда, Қазақстандағы кәсіпкерлік бюрократия, қаржыландырудың жетіспеушілігі және құқық қолдану проблемалары сияқты белгілі бір қиындықтарға тап болады.

Бұл проблемаларды шешу елдегі кәсіпкерлік қызметтің тұрақты және ұзақ мерзімді дамуы үшін маңызды шарт болып табылады. Жалпы, Қазақстанда кәсіпкерлікті дамыту экономикаға оның өсуіне, әртараптандырылуына және халықтың өмір сүру сапасын жақсартуға ықпал ете отырып, көп қырлы әсер етеді.

**Түйін сөздер:** Кәсіпкерлік; бизнес; МЖС; несиелеу; қолдау; экономикалық өсу.

## ФОРМИРОВАНИЕ БИЗНЕС-СРЕДЫ В КАЗАХСТАНЕ: РОЛЬ ГОСУДАРСТВЕННОЙ ПОДДЕРЖКИ ПРЕДПРИНИМАТЕЛЬСТВА

**М.Т. Жумажанова<sup>✉</sup>, Р.Е. Жаппасова, А.Е. Орынтаева, М.К. Болсынбек**

*Казахский университет технологии и бизнеса им.К.Кулажанова, Астана, Казахстан  
e-mail: maral2804@mail.ru*

Развитие предпринимательства в Казахстане оказывает заметное влияние на экономику страны, внося значительные изменения в её структуру и динамику. Предпринимательская активность способствует росту валового внутреннего продукта (ВВП), создавая новые рабочие места и снижая уровень безработицы. Появление новых бизнесов и расширение существующих компаний приводит к увеличению объемов производства и расширению экономической базы, что особенно важно для диверсификации экономики, традиционно зависимой от нефти и газа.

Одним из ключевых аспектов является улучшение бизнес-климата. Государственные программы, такие как «Дорожная карта бизнеса-2025», направлены на упрощение процедур регистрации компаний, совершенствование налоговой системы и поддержку стартапов. Эти меры создают благоприятные условия для предпринимателей и привлекают иностранных инвесторов, способствуя увеличению инвестиций в экономику.

Развитие предпринимательства также способствует повышению конкурентоспособности на рынке, что ведет к улучшению качества товаров и услуг, инновациям и снижению цен. Это, в свою очередь, положительно сказывается на потребителях и стимулирует дальнейшее развитие бизнеса. Кроме того, предпринимательская активность способствует улучшению социальной инфраструктуры и интеграции местных сообществ, создавая новые возможности для социальных инициатив и повышения уровня жизни.

Однако предпринимательство в Казахстане сталкивается с определенными вызовами, такими как бюрократия, нехватка финансирования и проблемы с правоприменением. Решение этих проблем является важным условием для устойчивого и долгосрочного развития предпринимательской деятельности в стране. В целом, развитие предпринимательства в Казахстане оказывает многогранное влияние на экономику, способствуя её росту, диверсификации и улучшению качества жизни населения.

**Ключевые слова:** предпринимательство; бизнес; ГЧП; кредитование; поддержка; экономический рост.

**Introduction.** The development of entrepreneurship in Kazakhstan contributes to economic growth, improved infrastructure, stimulation of competition, attraction

of investment and global integration, which together strengthen the economic and social sustainability of the country.

**Materials and methods.** The methods such as: content analysis, quantitative analysis, SWOT analysis, PEST analysis, system analysis were used in writing the article.

The purpose of the study is to identify and analyse the role of the state in supporting entrepreneurship.

The hypothesis of the study is that effective government programmes aimed at supporting business contribute to the improvement of the business climate in the country, which in turn can affect the development and increase the number of enterprises, increase competitiveness.

The novelty of this topic lies in a comprehensive analysis of the impact of government support and policy in the country on the development of entrepreneurship. The study reviewed existing forms of state support, including tax incentives, educational programmes and entrepreneurship credit programmes.

Entrepreneurship in Kazakhstan is an important component of the country's economy. In recent years, the government of Kazakhstan has actively supported the development of entrepreneurship by introducing various measures and initiatives to stimulate business and attract investment.

We consider a few key aspects of the entrepreneurial environment in Kazakhstan:

1. Legal framework and regulation: Kazakhstan has legislation that regulates various aspects of business activities, including business registration, taxation, intellectual property protection and other aspects.

The legislative framework is constantly being improved to improve the investment climate.

1. Support for SMEs: The government actively supports the development of SMEs through various financing, consulting, training and other programmes. This includes access to financing through banks and financial institutions, as well as state concessional lending programmes.

2. Infrastructure and market access: Kazakhstan has a well-developed infrastructure, which facilitates doing business. The country is also a member of various international organisations and

economic unions, which provides access to various markets and partners.

3. Technological innovation and digitalisation: In recent years, Kazakhstan has been actively developing the digital economy and supporting technological innovation, which has helped create new opportunities for entrepreneurs in IT, e-commerce and other high-tech industries.

4. International co-operation and investment: Kazakhstan actively attracts foreign investment, which contributes to the development of the economy and the creation of new jobs. The country also participates in various international projects and initiatives, which contributes to the expansion of business opportunities.

The development of entrepreneurial activity plays a key role not only in the economic growth of a country, but also in social and innovative development. Entrepreneurship contributes to job creation, stimulates innovation and technological progress, promotes regional development and reduces social inequalities. It also contributes to globalisation, international cooperation and sustainable development.

Thus, the development of entrepreneurial activity remains relevant and important for the country, contributing to sustainable economic growth, innovation and improving the quality of life of the population.

The history of entrepreneurship development is associated with risk. The French economist Richard Contillon is considered to be the founder of this direction. In his opinion: 'an entrepreneur must anticipate future opportunities and realise his existing opportunities in order to generate income. Taking into account the ratio of supply and demand, the entrepreneur buys goods at a lower price and sells them at a higher price [1].

All prerequisites for the development of entrepreneurial activity are being intensively created in the Republic of Kazakhstan, in particular, a great deal of work has been done on privatisation of property, thanks to which a solid economic basis is being created for the development of entrepreneurship, hence society as a whole. The country thrives thanks to entrepreneurs, and entrepreneurs - thanks to the support of the state.

According to the Entrepreneurial Code of the Republic of Kazakhstan, entrepreneurship is an independent, initiative activity aimed at generating net income through the use of property, production, sale of goods, performance of work and provision of services [2].

In his message to the people of Kazakhstan, the Head of State K. Tokayev noted that effective small and medium-sized business is a solid foundation for the development of the city and village, which plays an important role in the socio-economic and political life of the country. The President pays special attention to the support of small and medium-sized businesses, the development of which has been changed since 2020 [3].

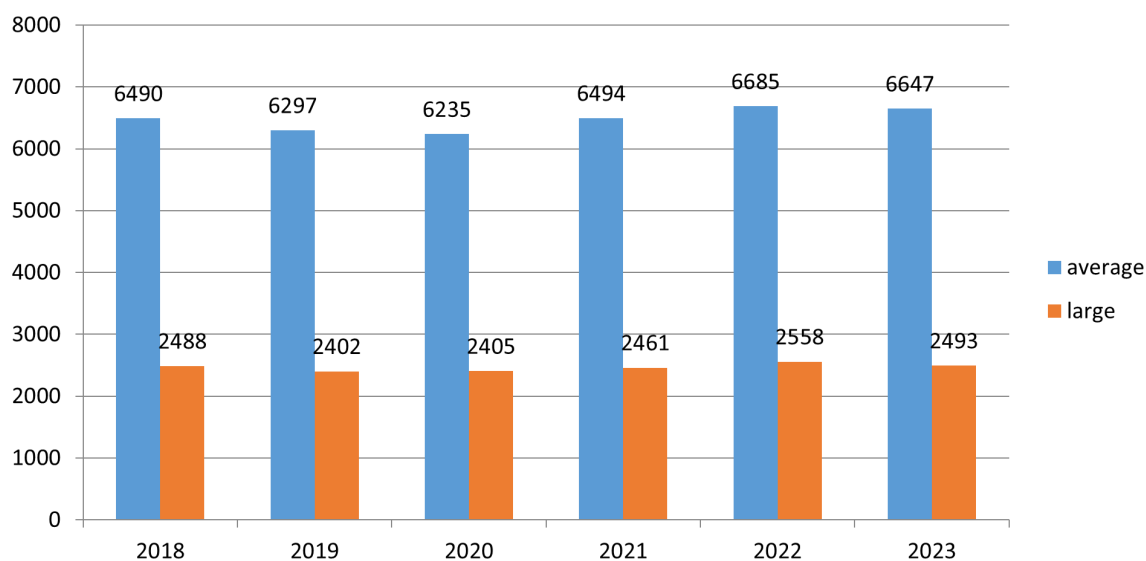
Along with this, the Address of the Head of State of 2 September 2019 provides for income tax exemption for a period of three years only for taxpayers who apply special tax regimes and are recognised as micro or small businesses. Income tax is corporate income tax, individual income tax, unified land tax for peasants and farmers, as well as social tax for taxpayers working under a simplified declaration. All other taxes and payments will be paid when obligations arise [4].

According to official statistics, in the first nine months of 2020, the share of small and medium

enterprises (SMEs) in the Gross Domestic Product (GDP) was 29.5 per cent, up 0.6 per cent compared to the same period in 2019 (28.9 per cent in January-September 2019). In addition, the volume of products produced by SMEs totalled K12,662.7 billion in January-June 2020, an increase of 10.8 per cent compared to the same period in 2019 (K10,638 billion). The number of registered SMEs reached 1.6 million units on 1 December 2020, up 3.1% from the same date in 2019. The number of operating entities increased by 7.8 per cent to 1.3 million units [5].

To solve the above problems, Kazakhstan is actively implementing a state programme of business support and development called 'Business Roadmap 2025'. This programme is aimed at implementing the goals of the messages of the President of the Republic of Kazakhstan to the people: 'Strategy "Kazakhstan-2050": a new political course of the established state' dated 14 December 2012 and 'Kazakhstan Way-2050: Common Goal, Common Interests, Common Future' dated 17 January 2014.

Entrepreneurship in modern Kazakhstan, despite the existing difficulties, has already established itself as an important element of the economy. It is protected by legislation and will continue to develop.



**Fig. 1 - The dynamics of growth of registered medium and large enterprises in the Republic of Kazakhstan for 2018-2023.**

*Note: Compiled by the author based on data from <https://stat.gov.kz/> [6]*

According to the chart below, we can see the annual growth in the number of registered, operating medium and large enterprises in Kazakhstan over the last 6 years by an average of 5%. From 433,774 enterprises in 2018, the number of legal entities of the state increased to 510,797 enterprises in 2023. The number of registered enterprises is higher by 77,023 units or 85%. The data can be seen in figure 1.

According to government statistics, at the end of 2023, there are 510,797 large legal entities registered in Kazakhstan, of which 410,744 are active enterprises. The number of individual

entrepreneurs 1,652,564, of which 1,550,617 IE are active and registered 2,097,519 small and medium-sized enterprises, 1,904,656 are active enterprises.

If we analyse the dynamics of growth in the number of registered and operating entrepreneurs by types of economic activity, it can be noted that domestic entrepreneurs willingly choose the sphere of wholesale and retail trade, repair of cars and motorbikes 27.9%, construction 13.4%, provision of other types of services 9.9%. The number of registered entrepreneurs is shown in Table 1.

**Table 1 - Legal entities registered by type of activity and activity as of 31 December 2023**

Type of activity of legal entities	Number of enterprises
Total by Kazakhstan	510 797
Wholesale and retail trade; repair of cars and motorbikes	142 632
Construction	68 470
Provision of other services	50 659
Professional, scientific and technical activities	34 121
Education	28 496
Manufacturing industry	25 789
Administrative and support services activities	24 456
Transactions with immovable property	23 649
Transport and storage	20 643
Agriculture, forestry and fishery	20 392
Information and communication	16 554
Health care and social services	10 223
Provision of accommodation and catering services	9 781
Public administration and defence; compulsory social security	9 582
Financial and insurance activities	7 991
Arts, entertainment and recreation	7 599
Mining and quarry development	5 118
Water supply; waste collection, treatment and disposal, pollution elimination activities	2 763
Supply of electricity, gas, steam, hot water and conditioned air	1 878
<i>Note: Compiled by the author based on data from <a href="https://stat.gov.kz/">https://stat.gov.kz/</a> [6]</i>	

Despite the recent pandemic period, the change in the economic situation due to military actions in neighbouring countries, domestic entrepreneurship continues to grow and develop. The volume of entrepreneurship increases from year to year.

Analysis of official statistical data for 2023 in the field of entrepreneurship shows that the largest number of registered legal entities is concentrated in the cities of Almaty (142,271 or 27.9 per cent) and Astana (95,697 or 18.7 per cent), as well as in the Karaganda region (28,530 or 5.6 per cent).

The smallest number of registered legal entities is (8,113 or 1.6 per cent) and Zhetisu (8,002 or 1.6 per cent) observed in Ұлытау (2,936 or 0.6 per cent), Abay (2,936 or 0.6 per cent) oblasts. The data can be seen in table 2

**Table 2 - Registered and operating SMEs by regions of the Republic of Kazakhstan**

Regions	The registered	Current
1	2	3
Republic of Kazakhstan	2 097 519	1 904 656
Abay	56 918	52 144
Akmola region	61 185	56 473
Aktobe region	93 028	85 694
Almaty region	131 785	122 867
Atyrau region	71 309	65 396
West-Kazakhstan region	60 644	55 488
Zhambyl region	111 205	98 266
Jetisu	61 353	55 844
Karaganda region	106 880	96 316
Kostanay region	66 626	62 870
Kyzylorda region	73 686	69 503
Mangistau region	84 918	78 999
Pavlodar region	59 591	53 117
North Kazakhstan region	36 923	33 895
Turkestan region	199 393	196 031
Ulytau	19 432	18 224
East Kazakhstan region	69 814	63 144
Astana	239 311	212 402
Almaty	364 139	309 947
Shymkent	129 379	118 036
<i>Note: Compiled by the author based on data from <a href="https://stat.gov.kz/">https://stat.gov.kz/</a> [6]</i>		

In recent years, Kazakhstan has been successfully implementing the ‘National Entrepreneurship Development Project for 2021-2025’. The main commitment and direction of the project is the financing of this industry. Financial support for entrepreneurship under this project includes subsidising, guaranteeing, preferential micro-credit, provision of missing infrastructure and government grants.

Subsidisation here means reduction of interest rates on loans issued by second-tier banks for business development. Collateral - partial guarantee as collateral for bank loans.

This project with all related legislative and normative acts has been developed by the Ministry

of National Economy with the integration of all previously developed state programmes. Among the ministries responsible for implementation, along with the developer, are the Ministries of Trade and Integration, Labour and Social Protection, Culture and Sports, Industry and Infrastructure Development, Interior, Finance, Energy and Foreign Affairs.

The purpose of the national project is to ensure qualitative changes in the structure of entrepreneurship, development of small business to increase employment, reliance on medium-sized businesses as a driving force for the diversification of economic sectors, comprehensive development of competition with the creation of equal conditions



for businesses.

The 'National project for the development of entrepreneurship for 2021-2025' approved by Government Decision No. 728 of 12 October 2021 provides for 8,455,329,919 thousand tenge.

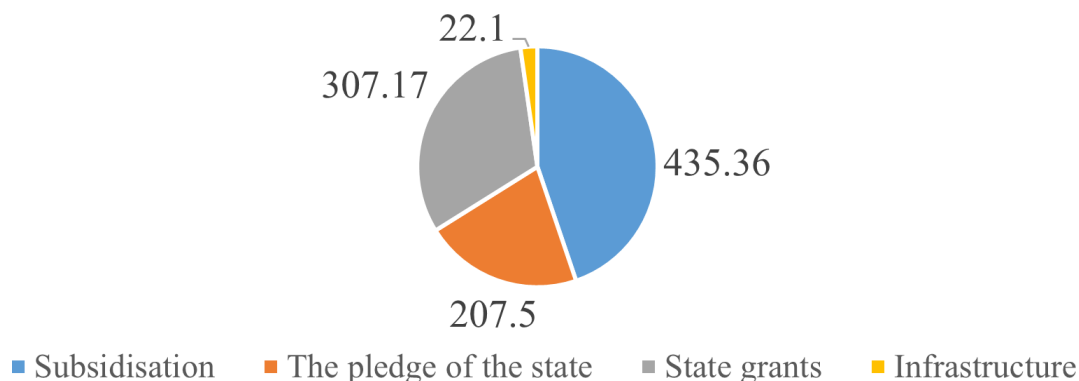
Including from the republican budget - 1 030 884 427 thousand, from local budgets - 124 695 492 thousand, extrabudgetary - 7 299 750 000 thousand tenge. Information concerning the giant resolution by years can be seen in the table below. The data can be seen in table 2.

**Table 3 - Financing of the 'National Project on Entrepreneurship Development for 2021-2025' thousand tg.**

2021	2022	2023	2024	2025
1	2	3	4	5
1272207923,3	1370367038,7	1620056904,0	1963862120,0	2228835933,0
<i>Compiled by the author on the basis of data: <a href="https://damu.kz/programmi">https://damu.kz/programmi</a> [7]</i>				

As of the end of 2023, 11,913 projects have been subsidised under the 'National Entrepreneurship Development Project for 2021-2025' for a total loan amount of KZT 435.36 billion, with a subsidy amount of KZT 86.6 billion. The state pledged 11,813 projects for a total loan amount of KZT 207.5 billion, with a guarantee amount of KZT 111.1 billion

For young entrepreneurs from the national budget allocated a state grant of 307.17 million tenge for 91 projects. To attract the missing infrastructure in 2022 spent 22.1 billion tenge, which was enough to finance 48 projects, in 2023 25 billion tenge and in 2024 it is planned to allocate 30 billion tenge. Figure 2 shows the ways and amount of business financing.



**Fig. 2 - Methods and volume of entrepreneurship financing under the 'National Entrepreneurship Development Project for 2021-2025'**

*Note: Compiled by the author based on <https://kapital.kz> [8]*

Economic efficiency of the project for five years aims to bring the share of small and medium-sized enterprises in the gross domestic product up to 35%. The growth of tourism in GDP should reach 8.4 trillion tenge. It is planned to reduce the share of the state in the economy to 14%. According to the results of the national document, the state plans

to create 995.3 thousand jobs for the population. Of them permanent - 335.1 thousand, temporary - 660.2 thousand jobs.

The expected social effect of the project is as follows: 1.7 million people will be employed on a permanent basis, 3.5 million people will be covered by active measures to promote employment, and the

share of the rural population with incomes below the subsistence minimum is expected to decrease by 6.5 per cent.

The project also integrates the state programme for business support and development 'Business Roadmap 2025' and the programme 'Economy of Simple Things'.

According to the list of goods for priority projects subject to lending, favourable lending and loan guarantees are provided to entrepreneurs. For 2023, 125 projects were subsidised for a total loan amount of 194.58 billion tenge.

During the project implementation period, SMEs created more than 106 thousand new jobs, produced products and services worth 36 trillion tenge, and paid taxes to the budget totalling 2.3 trillion tenge.

**Results of the discussion.** The following objectives are envisaged in the state regulation of entrepreneurial activity:

- development of entrepreneurship in the interests of the state and society;
- protecting the legitimate interests and rights of entrepreneurs;
- ensuring the equality of all business entities before the law.

As for non-financial support for entrepreneurs under the National Entrepreneurship Development Project for 2021-2025, it includes a set of projects to provide training and advisory support to potential and aspiring entrepreneurs on how to run a business. Entrepreneur Service Centres are functioning in regional and district centres, single-industry towns and small towns. They will provide assistance under the Business Roadmap 2025 programme, the Simple Things Economy programme, and the Enbek programme on a free-of-charge basis, offline and online. In addition, entrepreneurs are provided with service support in running their existing business in the form of accounting and tax accounting, statistical reporting, internet marketing, legal services, information technology coverage, public procurement, and assistance to domestic producers in selling their products.

Also within the framework of the 'National

Project on Entrepreneurship Development for 2021-2025' it is envisaged to provide microcredits at 6% interest rates. For mono and small towns and rural communities, these loans are provided without sectoral restrictions, for investment purposes in an amount not exceeding 20 million tenge, and for replenishment of working capital on an unsecured basis at 5% up to 5 million tenge.

In addition, the implementation of lending mechanisms for priority projects, such as subsidising part of the interest rate and private loan guarantees, is ongoing.

Youth is the most important link in the entrepreneurial environment. Youth today, youth entrepreneurship in 10 years will determine the face of our country. Economic growth and the pace of development of the country of tomorrow depend on the development of youth business today.

Currently, youth entrepreneurship has become one of the key areas of small business development in Kazakhstan. The creation of favourable conditions to encourage young people to engage in entrepreneurial activities is considered in various programmes at the national and regional levels.

However, many regions of Kazakhstan lack platforms that would allow young people to gain relevant knowledge and skills, share information, develop ideas and receive expert advice. As a result, innovative ideas are either not realised or remain within universities and research laboratories without reaching the market.

According to statistics, approximately 300 million young people between the ages of 18 and 30 worldwide are either unemployed or not working at all. About 20% of them have the ability to start their own business, but only 5% of them can realise this potential for various reasons.

The singling out of youth entrepreneurship as a separate category is due to its unique characteristics, strengths and weaknesses compared to other types of entrepreneurship:

Strengths of youth entrepreneurship:

- High innovative activity and creativity.
- Flexibility, speed of action and ability to develop



new markets.

- The ability to systematically update knowledge and skills in line with market changes.

- Potential to withstand high labour and nervous loads, especially at the initial stage.

- risk appetite.

Weaknesses of youth entrepreneurship:

- Lack of social experience.

- lack of business reputation.

- weak practical skills in applying economic principles.

- problems with the formation of start-up capital.

- Lack of personal connections in business and power structures.

- vulnerability to bureaucratic obstacles and criminal influence.

These characteristics highlight key challenges in supporting youth entrepreneurship, including developing strengths and overcoming weaknesses.

To date, several problems affecting the willingness of young people to create their own business projects remain unresolved:

- social mood. Entrepreneurial spirit, willingness to take risks and create something new, is not yet so pronounced among young people who prefer careers in big business or public service.

- Public perception of entrepreneurs. Entrepreneurial activity is perceived as a way of overcoming difficulties rather than as an endeavour to achieve success.

- Educational content. Traditional educational institutions provide basic economic knowledge, but do not develop the incentives and competences necessary for successful business.

- start-up conditions. Small business support measures for young people have not yet yielded noticeable results, and administrative, legal and financial barriers are still significant.

- Young people's lack of awareness of state organisations supporting small businesses.

Young people are the most active part of society, able to react quickly to changes and

take advantage of them. Therefore, it can be argued that young people have a significant potential for entrepreneurship. Support of youth entrepreneurship requires special attention from the state authorities. Properly organised and targeted support will help to develop small business in the region, leading to economic growth and increasing its attractiveness.

However, young people face great difficulties on the way to creating this entrepreneurship. These challenges are related to both the financial difficulties in setting up a business and the lack of education of young people. They include high rates of interest and taxes on credit, lack of start-up capital in the hands of young people, limited or no economic and productive linkages due to the short-term nature of their activities and lack of experience. These and other problems require mandatory solutions through government support for youth entrepreneurship. Due to the lack of awareness of young people about the existing methods of support for youth entrepreneurship, there is a need for various campaigns, competitions, creation of information bases in educational institutions. All these measures will help to stop young people's perception of entrepreneurship and business as an inaccessible sphere of activity [9].

The growth of production output and increase in revenues from sales in small businesses contribute to the increase in tax revenues to the budget. In particular, there is a positive trend in the corporate income tax (CIT) expenditures of small businesses.

- Over the last five years, small business expenditures on KPN have increased more than 5 times, reaching 6,381.6 billion tenge in 2023.

- The share of small business expenditures on KPN in the total volume of all enterprises increased from 26.2 per cent to 53.4 per cent.

Despite the positive analysis, there are still problems that hinder the development of the industry:

Today, a large number of small businesses operate in low-productivity sectors, with trade remaining the dominant activity, with about 35 per cent of all small businesses in the country.

Trade is an important sector of the economy; at the same time, it is necessary to ensure growth in the number of small and medium-sized enterprises, especially in the manufacturing sector.

The contribution of medium-sized companies to GDP will remain at the 2019 level, which is about 6 per cent. At the same time, about 30% of medium-sized companies show losses in the first half of 2023.

Instruments to facilitate business growth and expansion for effective implementation should be strengthened. Further work is needed to improve the business climate in the country.

#### Domestic Entrepreneurship Challenges:

Lack of engineering industrial infrastructure, difficulties in business planning due to price controls and export bans.

The number of active SMEs over the last 5 years is 46.5%. And the number of medium-sized enterprises is only 11.6%. SMEs account for only 0.2% of medium-sized industries, and 99.8% of small enterprises are fertilised.

Over the last five years, the number of operating SMEs has increased by 46.5%. The main contribution to this growth was a one and a half times increase in the number of individual entrepreneurs. At the same time, the number of medium-sized businesses has increased by only 11.6 per cent. Currently, only 0.2 per cent of operating SMEs belong to medium-sized businesses, while 99.8 per cent are small enterprises.

It is necessary to revise the system and mechanisms of state support for entrepreneurship. Despite the long-term operation of a number of programmes for the development of domestic business, their effectiveness is subject to criticism.

Firstly, there is limited coverage of the commercial establishment with recommended support measures, such as cash injections, from the budget.

The purpose of the national programme is an important issue, but compliance with these objectives is another entrepreneurial problem. An example is the Economics of Simple Things

programme.

An example is the Economy of Simple Things programme, which was created to saturate the domestic market with goods and services from domestic producers. However, 35 per cent of the activities (53 out of 150) eligible for concessional financing did not meet the stated objective. This trend reduces the effectiveness of state support measures and is observed in the framework of the National Project for the Development of Entrepreneurship. Grant support for business is particularly problematic.

Firstly, there are problems with monitoring the targeted use of grant support funds. Today, monitoring is carried out only selectively and covers a very narrow range of projects. For example, in 2022 only 27 out of 264 projects approved in Almaty were checked, i.e. only one in ten. A similar situation occurs in other regions. All grant financing projects should be covered by control over the targeted use of funds and achievement of final results.

Secondly, grant support is most often aimed at small projects with funding of 5 million tenge, which leads to the dispersion of budgetary funds. No account is taken of promising directions and orientation towards final results.

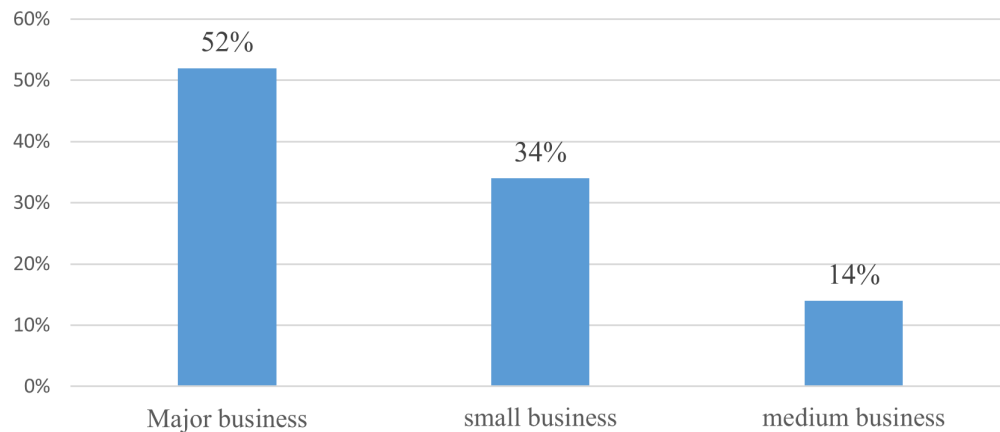
Thirdly, there are legal gaps, such as the lack of a clear definition of 'novelty of a business idea', which leads to different interpretations of this concept by both entrepreneurs and members of competition commissions. There is also no requirement to confirm the 'novelty', which is a key condition for receiving a grant.

The criteria for determining the priority sectors of the economy for which state support measures are provided also remain unclear. There are plans to include in the list of priority sectors such areas as food retailing (e.g., 'convenience stores'), property rental, building maintenance, and passenger car leasing.

Government support should help to increase domestic production, develop the manufacturing industry and target sectors specialising in the production of finished goods.

The business community continues to rely on government assistance, as bank lending conditions remain unacceptable. Despite the growth in lending

to SMEs, the share of such loans in the total loan portfolio decreased from 33% in 2019 to 26%. (Figure 3)



**Fig. 3 - Dynamics of business lending in the RK**

*Note: Compiled by the author on the basis of data from the CIS Internet portal / <https://e-cis.info/news> [10]*

According to the National Bank, last year 52 per cent of the total volume of loans granted by banks to businesses went to large entrepreneurs, 34 per cent to small businesses and only 14 per cent to medium-sized enterprises. Industrial and trading companies continue to lend more actively than others. The largest share of loans (51 per cent) went to the trade sector, with large entrepreneurs receiving more than half (54 per cent) of these funds. Industry accounts for 42.1 per cent of the portfolio. The third place with a big lag is occupied by the transport sector with a share of 6.9%.

Trade also dominates the receipt of government support through the Damu fund. More than one-third of the subsidised (37%) and guaranteed (39%) projects are trade-related. This points to the need for a fundamental review of approaches and mechanisms of state support.

There are serious problems with tax policy in relation to small and medium-sized enterprises. The business community expresses dissatisfaction, especially with the proposal to increase the value added tax (VAT) rate from 12 per cent to 16 per cent. This issue requires detailed discussion with domestic entrepreneurs. It is also necessary to address the problems of VAT refunds and the high

tax and social burden on employers, which reaches 39 per cent.

Fiscal measures should be aimed at stimulating the growth of small businesses and their consolidation.

In rail transport, business faces serious problems, including deteriorated infrastructure and corruption risks in the provision of freight wagons. An example of business dissatisfaction is the lack of equality in freight tariffs, where the national carrier emphasises transit traffic as its tariffs are 2.5 times higher.

According to Atameken, the government has imposed export restrictions on 15 types of agricultural products over the past two years. These measures, which are aimed at stabilising prices in the domestic market, lead to negative consequences for business, such as the disruption of contracts, spoilage of products, stoppage of production and loss of foreign markets.

In addition, there have been more than 50 changes to industry subsidy rules over the past five years. Constant changes disorient farmers and investors, preventing them from building long-term development plans.

According to the results of the SWOT analysis of the work, we have achieved the following:

<b>Strengths</b>	<b>Weaknesses</b>
<ol style="list-style-type: none"> <li>1. Government support: Availability of programmes and initiatives aimed at supporting small and medium-sized businesses.</li> <li>2. Strategic location: Kazakhstan is at the crossroads of the most important trade routes, which favours the development of logistics and trade.</li> <li>3. Resources: Rich natural resources that can be used to create various businesses (energy, mining).</li> </ol>	<ol style="list-style-type: none"> <li>1. Corruption: Corruption problems can impede access to government support and licensing.</li> <li>2. Lack of skilled labour: High levels of migration and low levels of specialist training in some sectors.</li> <li>3. Uneven regional development: Different levels of development of the business environment in urban and rural areas.</li> <li>4. Bureaucracy: Complex and slow administrative procedures can discourage entrepreneurs.</li> </ol>
<b>Opportunities</b>	<b>Threats</b>
<ol style="list-style-type: none"> <li>1. Increased digitalisation: Increased adoption of digital technologies in business processes opens up new opportunities for start-ups.</li> <li>2. Investment in innovation: Support for innovative projects and technologies, especially in the IT and environmental sectors.</li> <li>3. Cooperation with international organisations: Opportunities to attract foreign investment and technology through international programmes.</li> <li>4. Agro-industrial development: Increased interest in agriculture and eco-products can lead to growth of new businesses.</li> </ol>	<ol style="list-style-type: none"> <li>1. Economic instability: The impact of external factors such as oil price fluctuations and economic crises.</li> <li>2. Competition with neighbouring countries: Increased competition from neighbouring countries that are also developing business environment.</li> <li>3. Threat of climate change: Impact of environmental issues on resources and agribusiness.</li> </ol>

This type of analysis can help to understand the current state and prospects of business in Kazakhstan, taking into account government support. SWOT analysis serves as a basis for long-term planning and prioritisation of business development.

In order to identify important social and technological trends, a PEST analysis was conducted, which can help to develop new products or services.

According to the results of PEST-analysis we have achieved the following:

<b>Political factors</b>	<b>Economic factors</b>
<ol style="list-style-type: none"> <li>1. State support for SMEs: Availability of programmes aimed at business development.</li> <li>2. Regulation and regulatory framework: Legislative changes aimed at improving the business climate and simplifying administrative procedures.</li> <li>3. Political stability: The level of stability in the country, which affects the confidence of investors and entrepreneurs.</li> <li>4. International agreements: Participation in various international economic and trade agreements, which opens new markets for business.</li> </ol>	<ol style="list-style-type: none"> <li>1. GDP growth: Sustained economic growth in recent years, creating opportunities for new investment.</li> <li>2. Inflation and exchange rate: Exchange rate fluctuations and inflation can affect the cost of imports and export opportunities.</li> <li>3. Unemployment rate: Reduced unemployment contributes to consumer demand and welfare.</li> <li>4. Investment climate: An assessment of Kazakhstan's attractiveness to foreign investment and the level of government support.</li> </ol>
<b>Social factors</b>	<b>Technological factors</b>

<p>1. Entrepreneurial culture: The prevailing culture and attitudes towards entrepreneurship that may favour or hinder its development.</p> <p>2. Education and Skills: The level of education and skills of the labour force that affects the ability of entrepreneurs to compete.</p> <p>3. Demographic Change: Changes in the population, including the growth of young people, can create new consumer trends.</p> <p>4. Demand for innovation: Increased interest in innovative products and services among the population.</p>	<p>1. Digitalisation of business: Increased adoption of digital technologies in various sectors of the economy.</p> <p>2. Innovative startups: Increase in the number of technology startups supported by the government and private investors.</p> <p>3. Infrastructure development: Investments in the development of digital and transport infrastructure, which improves access to technology.</p>
--	--

Kazakhstan demonstrates a more stable business environment compared to neighbouring countries such as Uzbekistan, Kyrgyzstan, Tajikistan and Russia, although it faces bureaucracy and corruption. Uzbekistan is implementing reforms to improve the business environment, but still has problems with respect for property rights. Kyrgyzstan is known for high levels of corruption but offers more liberal approaches, while Tajikistan faces strong state influence and limited access to finance. Russia offers diverse financial opportunities but has a difficult business environment and high risks. Overall, Kazakhstan has potential for growth, but it needs to improve access to finance and technology adoption to improve its international competitiveness.

**Conclusions.** In Kazakhstan, entrepreneurship plays an increasingly important role in the economy. It is designed to address key challenges such as:

- Production of consumer goods and services using local sources of raw materials without significant capital investment.
- Creating conditions for the employment of labour force released from large enterprises.
- Acceleration of scientific and technological progress in the country.
- Creation of a positive alternative to criminal business.

As already mentioned, the state is implementing many projects to improve and revive domestic entrepreneurship. The future of Kazakhstan depends on entrepreneurial activity and the ability to develop an effective concept. Therefore, a professional approach to entrepreneurial activity and fulfilment of entrepreneurial functions is required.

## References

1. Lapusta, M.G. Predprinimatel' stvo: Uchebnik / M.G. Lapusta - M:INFRA-M, 2009. - 608 s. [in Russian] ISBN 978-5-16-003252-8 [in Russian]
2. Predprinimatel' skij kodeks Respubliki Kazahstanot 29 oktjabrja 2015 goda № 375 – V ZRK (s izmenenijami i dopolnenijami po sostojaniju na 16.01.2021 g.). -Data obrashhenmija: 12.06.2024. [in Russian]
3. Poslanie Glavygosudarstva Kasym-Zhomarta Tokaeva narodu Kazahstana: «Kazahstan v novojreal' nosti: vremjadjestvij» ot 1 sentjabrja 2020 g. -Data obrashhenmija: 12.06.2024. [in Russian]
4. Poslanie Glavy gosudarstva Kasym-Zhomarta Tokaeva narodu Kazahstana: «Konstruktivnyj obshhestvennyj dialog – osnova stabil' nosti i procvetanija Kazahstana» ot 2 sentjabrja 2019 goda.-Data obrashhenmija: 12.06.2024. [in Russian]
5. Oficial' nyj informacionnyj resurs Prem' erMinistra RK / Moratorij na proverki i osvobozhdenie ot nalogov - kak budet razvivat' sja biznes v RK v blizhajshie 3 goda. URL: <https://primeminister.kz> - Data



obrashhenmija: 21.06.2024. [in Russian]

6. Oficial' nye dannye agentstva po strategicheskomu planirovaniyu i reformam RK / Osnovnye pokazateli kolichestvasub#ektov v Respublike Kazakhstan. URL: <https://stat.gov.kz>. -Data obrashhenmija: 21.06.2024. [in Russian]

7. Oficial' nye dannye AO «Fond razvitiya predprinimatel' stva «Damu» /Nacional' nyj proekt po razvitiyu predprinimatel' stva na 2021-2025 gody.URL: <https://damu.kz/programmi> .- Data obrashhenmija: 21.06.2024. [in Russian]

8.Kapital – centr delovoj informacii / V Kazahstane opredelili 10 zadach porazvitiyu predprinimatel' stva. URL: <https://kapital.kz> - Data obrashhenmija: 21.06.2024. [in Russian]

9.Oficial' nyedannye Nacional' noj palaty predprinimatelej RK «Atameken» / Problemy, meshajushhie uspesno razvitiya i molodezhnogopredprinimatel' stva. URL: <https://atameken.kz>. Data obrashhenmija: 21.06.2024.[in Russian]

10.Internet portal SNG / Razvitiemalogoisrednegobiznesa v Kazahstane: problemireshenija. URL: <https://e-cis.info/news>. - Data obrashhenmija: 21.06.2024.[in Russian]

#### ***Information about the authors***

Zhumazhanova M. -Kazakh University of Technology and Business named after K. Kulzhanov, Senior Lecturer, Master's Degree, Astana, Kazakhstan, e-mail: [maral2804@mail.ru](mailto:maral2804@mail.ru);

Zhappasova R. -Kazakh University of Technology and Business named after K. Kulzhanov, Ph.D in Economics, ass.Professor, Astana, Kazakhstan, e-mail: [zhappasova\\_77@mail.ru](mailto:zhappasova_77@mail.ru);

Oryntayeva A.Y. - Kazakh University of Technology and Business named after K. Kulzhanov, lecturer Master's Degree Astana, Kazakhstan, e-mail: [oryntayeva.a13@gmail.com](mailto:oryntayeva.a13@gmail.com)

Bolsynbek M. - Kazakh University of Technology and Business named after K. Kulzhanov, lecturer Master's Degree Astana, Kazakhstan, e-mail: [mbolsynbek@bk.ru](mailto:mbolsynbek@bk.ru)

#### ***Сведения об авторах***

Жумажанова М.Т. - Казахский университет технологии и бизнеса им.К.Кулажанова, старший преподаватель, магистр, Астана, Казахстан, e-mail: [maral2804@mail.ru](mailto:maral2804@mail.ru);

Жаппасова Р.Е. - Казахский университет технологии и бизнеса им.К.Кулажанова, к.э.н., асс.профессор. Астана, Казахстан, e-mail: [zhappasova\\_77@mail.ru](mailto:zhappasova_77@mail.ru)

Орынтаева А.Е. -Казахский университет технологии и бизнеса им.К.Кулажанова, преподаватель, магистр, Астана, Казахстан, e-mail: [oryntayeva.a13@gmail.com](mailto:oryntayeva.a13@gmail.com)

Болсынбек М.К. -Казахский университет технологии и бизнеса им.К.Кулажанова, преподаватель, магистр, Астана, Казахстан, e-mail: [mbolsynbek@bk.ru](mailto:mbolsynbek@bk.ru)