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ABSTRACT

This study analyzes the current state of entrepreneurship in the Republic of Kazakhstan, identifies its main problems and presents ways of further development of Kazakhstani business.

Private entrepreneurship is one of the main conditions for a stable and secure economic situation of the state. Researchers point to the freedom of entrepreneurship as one of the factors of sustainable development. The wealth and high technological development of Western countries are provided largely at the expense of private business. The contribution of small and medium-sized businesses to the gross national product in developed countries is up to 90%. In the Republic of Kazakhstan, the share of small and medium-sized businesses in the economy is much smaller. However, the number of small and medium-sized enterprises, as well as their contribution to the national wealth, has been steadily growing in recent decades.

We conducted a sociological survey of the problems of private entrepreneurs – representatives of small and medium-sized businesses. A number of problems were identified, which, according to the respondents, hinder the development of entrepreneurship in Kazakhstan. This is a lack of financial resources for entrepreneurs, difficulties in obtaining loans and loans; lack of qualified personnel; insufficiently developed infrastructure and other reasons.

To solve the problems, a number of measures are required to support entrepreneurs from the state. This is a complex of legislative, economic, scientific, technological, and social measures.

The study contains 40 pages, 2 tables, 12 figures, a list of sources consisting of 19 titles, an appendix.

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INTRODUCTION

Background Theories

In economic theory, special attention is paid to small and medium-sized enterprises. Small and medium-sized entrepreneurship occupies a special place in economic relations. Thanks to this industry, non-standard and innovative technologies, approaches and solutions are developing and strengthening. At the same time, small and medium-sized businesses are a tool for the formation and strengthening of the middle class in society.

Entrepreneurship has a positive impact on the value orientations of the individual, especially the younger generation. Doing business implies such personal qualities as activity, initiative, deep knowledge in various fields of activity. Small and medium-sized businesses are a key resource that can improve the efficiency of state development and the sustainability of the economy.

In the theory of entrepreneurship, special attention is paid to its social function. A developed institute of entrepreneurship is a guarantee of the development of all spheres of society. Therefore, it is necessary to know the state and trends of entrepreneurship development. In addition, the links of entrepreneurship with other structural elements of society allow us to assess the problems and prospects of social development.

The development of entrepreneurship in modern conditions is of great economic importance. The Republic of Kazakhstan is one of the largest states in Central Asia. After gaining statehood in 1991, the country embarked on the path of development of a modern economy. Small and medium-sized businesses in developed countries are the basis of stability and economic growth, and there is a need to work towards the development of entrepreneurship. President of the Republic of Kazakhstan Kassym-Jomart Tokayev has repeatedly stated the commitment of the leadership of the republic to democratic values and principles of a free market economy.

Meanwhile, the Republic of Kazakhstan is traditionally a state whose main income is generated from the sale of oil and gas. The share of small and medium-sized businesses in the gross national product of the republic is 25.6%. Of those

employed in the labor market of the republic, the share of small and medium-sized businesses accounts for 36%. Meanwhile, in developed European countries, these figures are 99% and 85%, respectively. In Kazakhstan, in 2021, the share of oil and gas revenues in GDP amounted to 44%, that is, almost half (Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, 2021).

At the same time, oil prices are unstable. In many countries, governments purposefully abandon the use of hydrocarbons in favor of "green" technologies. Systemic problems of Kazakhstan's economy are commodity dependence, low labor productivity, insufficient level of innovation and uneven distribution of income.

Therefore, attention should be paid to the development of small and medium-sized businesses. When budget revenues are diversified, this contributes to ensuring the national security of the state. The development of small and medium-sized businesses, the preservation and development of human capital, ensuring the rule of law - all this is necessary for the development of the country. In order to create an effective socially oriented market economy, a qualitative change in forms, institutions and subjects of ownership is required. All this should meet the requirements of a market economy.

The leadership of the republic understands the need to change the structure of budget revenues. President Tokayev spoke about this in his Message to the people of Kazakhstan. The goal, according to Tokayev, is a freer economy with new approaches, where the priority is to create equal opportunities for all citizens, reduce state interference in the economy and stimulate private entrepreneurial initiative of the population.

In this regard, the issue of the development of small and medium-sized businesses in the Republic is very relevant at the present time.

Problem Statement

Based on the provisions of economic theory and statistical data, we can say that the problem of entrepreneurship development in the Republic of Kazakhstan takes place. Therefore, a systematic study of the state of Kazakhstan's small and medium-sized businesses is required to develop solutions to problems in this industry.

Research Questions.

What is the condition of the current state of small and medium-sized businesses in Kazakhstan?

What are the problems and opportunities of small and medium-sized enterprises in the republic?

What kind of promising strategies can be provided to solve the problems of small and medium-sized businesses in Kazakhstan?

Research Gap is thus the following:

Conduct an investigation into the difficulties encountered by entrepreneurs when seeking financial support, including bank loans and government funding, in Kazakhstan. Analyze the factors that impede or facilitate access to financing for entrepreneurs and propose potential solutions to enhance accessibility. Evaluate the regulatory environment and governmental policies pertaining to entrepreneurship in Kazakhstan. Explore how the adoption of innovative technologies contributes to the advancement of entrepreneurship in Kazakhstan. Investigate the role of technology adoption in fostering entrepreneurial growth within the country.

Contribution.

A study of the literature on the subject of the study showed that there are not enough sources devoted to this topic in domestic and foreign economic science. There are studies on the economic development of Kazakhstan, but there are few modern works devoted specifically to the development of small and medium-sized businesses. Little attention is paid to the study of the business environment. Research is mainly limited to the consideration of the general conditions for the growth of entrepreneurship. The role of the state, especially in the formation and development

of entrepreneurship, has not been sufficiently considered. Changes in the socio-economic life of the Republic of Kazakhstan are happening very quickly. This circumstance poses completely new tasks: scientific understanding and comprehensive analysis of the problems of the formation and development of small and medium-sized businesses. These issues are complex and multifaceted, largely unresolved, and therefore it is necessary to find a way to solve them.

Thus, it is necessary to study ways and create favorable conditions for the development of small and medium-sized businesses.

LITERARY REVIEW

The role of free enterprise in ensuring the development of society is very important. One of the first to define the role of entrepreneurship was the banker and merchant Richard Cantillon. His treatise "Essai sur la nature du commerce en général" is devoted to the key role of free entrepreneurs in the prosperity of the state. Freedom of economic activity, Cantillon argued, is the main condition for successful social development (Cantillon, 2010).

The great economist Adam Smith in the classic work "The Wealth of Nations" proved that the desire of an entrepreneur to achieve his private interests regardless of his will and consciousness leads to benefits for other people and for society as a whole (Smith, 2015). The state should not interfere with free enterprise, as Adam Smith believed. All entrepreneurs should have economic freedoms guaranteed by the state. Namely, they must be provided with:

The freedom to select one's field of operation;

The freedom to make decisions;

The freedom to engage in competition;

The freedom to engage in trade.

According to Adam Smith, an entrepreneur is an owner of capital who takes risks to implement a commercial idea and make a profit. The entrepreneur himself plans and organizes production, manages its results, etc.

In early 20th-century Western economic thought, income earned by entrepreneurs was viewed as compensation for skilled managerial work. The profit from entrepreneurial activity was considered as a kind of salary.

American economist John Bates Clark in the study "The philosophy of wealth. Economic principles newly formulated" put forward the idea that entrepreneurial profit depends on the successful implementation of technological, commercial and organizational innovations.

Clark identified the following components of material production (Clark, 2010):

1) capital;

- 2) capital goods — means of production and land;
- 3) entrepreneur's activity;
- 4) the labor of the worker.

One of the well-known business theorists was economist, political scientist and sociologist Max Weber. In his work «The Protestant Ethic and the Spirit of Capitalism» (Weber, 2007) he says that an entrepreneur works not only because he is hungry for profit, but also because he has a unique "spirit of capitalism". This spirit includes not only rational production ethics, but also a rational system of life behavior in general. Its basis is an organic spiritual and moral orientation towards everyday activity, understood as serving God in the world. Such ethics are typical, as a rule, of Protestants. This explains the rapid economic growth of Protestant countries. Thanks to entrepreneurship, a strong connection between science and production has been established. This led to the formation of a powerful industry in developed capitalist countries.

Freedom of entrepreneurship is a key condition for economic success. Many researchers of classical and neoclassical economic schools have expressed the idea that business should have no restrictions. However, there were other opinions. Thus, the British economist John Maynard Keynes advocated reasonable government intervention in the economy. According to Keynes, the state should use fiscal and monetary policy to manage the economy. Government intervention can mitigate the negative effects of economic downturns and depressions (Keynes, 1999).

According to Keynes, capitalism no longer possesses an inherent mechanism to naturally restore economic balance, thus necessitating the need for state regulation of the capitalist economy.

Keynes's research became the basis of the economic trend of Neo-keynesianism. Keynes's followers John Richard Hicks, Paul Anthony Samuelson, Franco Modigliani created their own concept. According to this concept, the bourgeois state should influence the economy, and not indirectly and sporadically, but systematically and directly (Samuelson, 2007).

A significant contribution to the theory of entrepreneurship was made by sociologist and economist Joseph Alois Schumpeter. He studied the problems of dynamic development of the market economy, as well as the factors that ensure progress and economic growth. Schumpeter's dynamic concept asserts that the development of entrepreneurship is cyclical. The driving force of development is investment in fixed assets and innovation (Schumpeter, 1997).

Among the economists researching entrepreneurship, Harvey Leibenstein should be mentioned. This scientist in his work presented the main functions of an entrepreneur. In his opinion, the entrepreneur (Leibenstein, 1968):

- 1) fills market niches (gap filling);
- 2) connects different markets;
- 3) complements traditional costs (input completer);
- 4) creates new units for the transformation/costs of the enterprise.

Filling market niches (gap filling) indicates that the entrepreneur acts (begins to act) in the case of an imperfect market. The organization is as follows: search and discovery of new opportunities, assessment of existing opportunities, acquisition of financial resources, taking on final responsibility for the management of the enterprise, taking responsibility for the consequences of uncertainty and market risk, establishing a motivational system within the enterprise, opening new information, products and markets (Sharma A., 2023).

The sector of small and medium-sized businesses makes a significant contribution to the innovative development of the regional economy. Small business contributes to the activation of innovative processes. One of the strategic directions for fostering innovative development in the meso-level economy is to establish favorable socio-economic conditions and enhance mechanisms and tools that support small and medium-sized businesses throughout their entire life cycle (Darwich F., 2022.).

Small business does not bring the state extra-large tax revenues in the short term. However, it ensures the stability and sustainability of the development of the economy as a whole. Small businesses create jobs and meet the needs for various

goods and services. If the taxes of a small business are reasonably low when it is opened, then in the future an entrepreneur can bring significant benefits to the state. (Paquin J., 2022)

Small businesses, due to their adaptability, can cope with the crisis more successfully than large ones. It is easier to rebuild the work of a small firm than the activities of a large company. Therefore, small and medium-sized businesses are a factor of stability in an unstable period. (Sawang S., 2023)

To overcome economic conditions, individuals are driven by their motivation to independently address challenges and fulfill their life's necessities. As a result, communities and digitally-based small and medium enterprises have unintentionally developed a mutually advantageous relationship in conducting business transactions. The idea of a populist economy is being reinvigorated through their economic activities, potentially serving as a new paradigm to fortify the national economy (Sjam A.Z., 2022).

Small businesses play a crucial role in any economy, contributing to employment opportunities and the overall national gross domestic product (GDP). However, these small businesses still encounter a range of persistent challenges. Over the past few years, the rise of financial technology (FinTech) has presented promising solutions to address various challenges. FinTech-driven business models, including crowdfunding, peer-to-peer lending, invoice trading, mobile wallets and payments, and platform-driven supply chain finance, are transforming the landscape of small businesses. (Kumar S., 2023).

Small businesses often face a high risk of bankruptcy and harsh financing conditions, which can hamper them to engage in innovation. a bankruptcy system that guarantees a good recovery rate for creditors in case of firms' liquidation stimulates small businesses' innovation investments (Farè L., 2023).

Thus, modern economic concepts consider entrepreneurship to be the basis for the development of the economy and the state. Thanks to entrepreneurship, jobs are created, consumer demand is growing, technological innovations are introduced and sustainable development of the economy and the state is ensured. But at the same

time, state regulation of entrepreneurship is necessary, which ensures adequate aggregate demand and allows overcoming the consequences of economic crises.

The current situation in the world is extremely difficult both politically and economically. It should be noted that in the situation of the global crisis, the Republic of Kazakhstan demonstrates stability. The dynamics of the country's economic development is still positive, despite the negative impact of the global crisis (Spanov M.U., Spanova E. M.).

In order for Kazakhstan's economy to remain stable and ensure the development of the country, it must be diversified. We can't talk about it right now. Kazakhstan's economy is still an export-raw material economy.

Ongoing reforms to improve business conditions have allowed Kazakhstan to rise in 2020 to the 25th place in the "Doing Business" rating - an assessment of the ease of doing business and the overall level of the business climate in the world created by the World Bank, ahead of the Russian Federation (28th place).

At the end of December 2021, 1.6 million small and medium-sized businesses were registered in the country, which is 1.7% more than in the previous year. The current number was 1.3 million, which is 7.2% more than a year earlier. A significant proportion (64.3%) - individual entrepreneurs; 19.4% - legal entities of small business; 16.1% - peasant or farm farms; legal entities of medium-sized businesses accounted for only 0.2% (Kazhyken, 2021).

In regional terms, the largest number of both registered and operating small and medium-sized businesses is concentrated in Almaty. There are 190.2 thousand operating small and medium-sized businesses in the megalopolis, which is 14.3% of the total number in the republic.

As the number of small and medium-sized businesses continues to rise, their contribution to the national economy is also increasing. A significant measure of the progress of small and medium-sized businesses in Kazakhstan is their proportionate share in the country's gross national product. Currently, these figures remain relatively modest. The contribution of small and medium-sized businesses to the overall gross national product stands at 25.6%, while the percentage of employees

working in this sector represents 36% of the total workforce (according to the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan in 2021). These statistics indicate comparatively low levels of performance.

Meanwhile, entrepreneurship plays an important role in ensuring economic growth. Kazakh researchers note that there have been some improvement trends in business development in recent years (Zamanbekov & Zamanbekov, 2021). Small and medium-sized businesses are developing especially rapidly in the service sector. In general, this branch of the economy is most adequate to the tasks and opportunities of small and medium-sized businesses.

But, despite some growth in the number of these enterprises, small and medium-sized enterprises have not received the expected development. The contribution of small and medium-sized businesses to the country's economy remains insignificant so far.

Meanwhile, in the developed countries of the world, the contribution of small and medium-sized businesses to the overall well-being of the country is very significant, since it has a number of undeniable advantages. Entrepreneurship has such positive qualities as:

- Efficiency;

- Flexibility;

- Adaptability to changing market conditions.

Small and medium-sized businesses are the most mobile sector of the economy. It is the main generator of innovations in the field of technology and management. Entrepreneurs react dynamically to changes in the structure of the consumer market. In accordance with these changes, the business activity is being rebuilt.

The Government of Kazakhstan has set a task: to increase the share of small and medium-sized businesses in the gross national product to 50% by 2050. A number of documents were adopted at the state level. These acts should help accelerate the growth of small and medium-sized businesses and expand the scope of their activities.

Small and medium-sized businesses in Kazakhstan are governed by various regulatory frameworks, including The Entrepreneur Code of the Republic of Kazakhstan, The Tax Code of the Republic of Kazakhstan, and the Law of the Republic of Kazakhstan “About Private Entrepreneurship” (Law 124-III ZRK), among other relevant legal acts. This legislation enables small and medium-sized entrepreneurs to conduct their business operations without the need to establish a separate legal entity.

The share of entrepreneurs without the formation of a legal entity accounts for about 88% of the total production of this industry. This type of registration is popular due to its simplicity. The procedure for registering an entrepreneur without forming a legal entity is very easy. The process of calculating and paying taxes for an entrepreneur without a legal entity is also very simple.

Since gaining independence, Kazakhstan has been forming a system of state regulation of entrepreneurial activity in new market conditions. In the first years of independence, the legal framework developed. Laws regulating private property relations, civil society and freedom of entrepreneurship have been adopted. The problems of regulation by state bodies were solved as they arose, by introducing new laws.

In this regard, preference was given to permissive tools. Permissions are the simplest tool from the point of view of administration. But at the same time, permits are subject to the highest corruption risks. In addition, for entrepreneurs as subjects of regulation, the introduction of permits became a significant barrier to entry into the market. In addition, in the presence of complex and sometimes impossible requirements, such a barrier is insurmountable for small businesses.

It was necessary to limit the arbitrary introduction of business regulation. The State has carried out reforms aimed at improving the efficiency of state regulation.

The Republic of Kazakhstan implemented the Law “On Private Entrepreneurship” in 2006, which introduced the establishment of expert councils under governmental bodies (Law 124-III ZRK). This initiative allowed businesses to actively engage in the formulation of regulatory legislation through expert

councils associated with central government, local representative bodies, and executive entities. The law enshrined principles pertaining to the protection and support of private entrepreneurship, criteria for determining the scale of businesses, and other relevant aspects.

In 2007, the regulatory framework was supplemented by the Law of the Republic of Kazakhstan "On Licensing", which approved an exhaustive list of types of licensed activities and new licensing principles.

Modern operating principles have been consistently introduced:

The principle of "one window" for coordination with all government agencies when obtaining licenses;

The principle of "Silence is a sign of consent" was extended to all permits;

A single term for issuing licenses was established - 15 working days;

The deadline for checking the submitted package of documents for completeness is two days;

Notarization of documents is optional.

A notification procedure has been introduced to issue permits that are not associated with a direct risk to the life and health of citizens, are informational in nature, and do not affect security from high threats.

It is now possible to issue permits in electronic format.

The Law "On State Control and Supervision in the Republic of Kazakhstan" adopted in 2011 played a certain role in reforming issues of state control and supervision in relation to business entities and other regulatory legal acts. This law allows small and medium-sized entrepreneurs to carry out their activities without forming a legal entity (Law 377-IV).

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The adoption of the “On State Control and Supervision in the Republic of Kazakhstan” Law in 2011, known as Law 377-IV, played a significant role in reforming the regulations concerning state control and supervision of business entities. As a result of implementing this law, there has been an increase in the number of departmental acts issued by state bodies, which establish mandatory requirements for businesses. More than 250 regulatory legal acts have been elevated to the status of resolutions by the Government of the Republic of Kazakhstan. Furthermore, a notable boost for business development was the introduction of a three-year moratorium on scheduled inspections for small and medium-sized enterprises.

On October 29, 2015, the President of the Republic of Kazakhstan signed the Entrepreneurial Code of the Republic of Kazakhstan, which entered into force on January 1, 2016 (The Entrepreneurial Code). The previously existing legislative framework regulating legal issues of entrepreneurship has been codified. Gaps and contradictions were eliminated, socio-economic and legal conditions and guarantees of freedom of entrepreneurship were systematized.

Chapter 7 of the Entrepreneurial Code is devoted to the issues of legal regulation of entrepreneurship by the state. The Code enshrines the freedom of entrepreneurship. At the same time, the Code describes state regulation aimed at the development of entrepreneurship. Organizational forms of interaction between state bodies and private business entities are being improved. The combination of state and market mechanisms for regulating entrepreneurship should contribute to its development (The Entrepreneurial Code).

State regulation refers to a collection of actions undertaken by legislative, executive, and judicial authorities, as well as regulatory functions performed by state institutions and public organizations. These measures, conducted through regulatory laws, aim to ensure stability within the current socio-economic system.

Article 80 of the Entrepreneurial Code of the Republic of Kazakhstan highlights the importance of state regulation in entrepreneurship. The primary aims of this regulation include safeguarding the quality and safety of goods, works, and services offered by businesses, protecting the legitimate interests of entrepreneurs and the state, and prioritizing environmental safety and national security within the Republic of Kazakhstan.

The reforms were supposed to reduce the pressure of regulatory authorities on business. Such areas as the opening of an enterprise, taxation, and investor protection have undergone changes. The Business Code systematized the provisions of the relevant laws on the principle of uniformity. Also, the Business Code has consolidated uniform principles in the following areas:

- Measures of state support for private entrepreneurship,
- Measures to support the agro-industrial complex;
- Fundamentals of industrial and innovative activity;
- Fundamentals of investment activity;
- Special economic zones.

Regulatory instruments have been approved at the level of laws. All other permissions and control functions were deemed illegitimate. This protected entrepreneurs from the arbitrary introduction of new regulatory instruments.

Currently, the number of innovatively active enterprises is growing. Nevertheless, the entrepreneurial activity of domestic enterprises in the field of innovation is low. Kazakhstan's industrial development and modernization are hindered by its significant reliance on foreign advancements and existing technologies. This dependence slows down the progress of managing and upgrading the country's industrial base. Additionally, the contribution of innovative products

to Kazakhstan's GDP is relatively small. The average level of knowledge intensity of innovative products is also low (Endibaeva, 2016).

The sectoral structure of Kazakhstan's economy is dominated by extractive industries and primary processing industries. This hinders the development of innovation. The industries prevailing in the Kazakh economy have a long life cycle of applied technologies, a relatively stable range of products. The pace of technology and product renewal is low, production is mainly low-tech (Kazhyken, 2021). It is necessary to increase the share of knowledge-intensive industries in the economy, the development of innovative activities.

Enterprises generally suffer from a technological and technical lag, with limited integration between scientific research and production processes. Moreover, there is a strong dependence on raw material exports.

To increase the innovation activity of Kazakhstani enterprises, an economic incentive mechanism is needed. An important role is played by tax incentives — the creation of benefits and preferences for private capital under the condition of scientific and innovative activities (Tusupbekov & Tenizbaeva, 2018). In order to activate innovative activity, tax incentives are needed for enterprises that produce new competitive products using advanced technologies.

In order to stimulate innovation, it is advisable to grant tax holidays from five to ten years to innovative companies.

The low qualification of human capital also significantly hinders business activity in the field of innovation. The problem of shortage of qualified personnel is observed in many enterprises of the country. The shortage of highly professional labor is observed not only in manufacturing enterprises, but also in the service sector. The shortage of skilled labor is a problem in most sectors of the economy. On average, up to 21 thousand jobs remain vacant in the republic every year.

The most problematic issue is the training of technical personnel. The additional need of the economy for personnel is 287 thousand people, of which 60 thousand people are employees with technical and vocational education (Kazhyken, 2021). Higher professional education does not provide the release of competitive personnel.

Also, the problem of entrepreneurship development in Kazakhstan is the incompleteness of scientific research, their separation from production.

Thus, it is necessary to identify a number of factors that hinder the growth of entrepreneurship in Kazakhstan.

- unacceptable investment and lending conditions;
- insufficient effective demand;
- high cost of innovation;
- insufficient own financial resources;
- low financial support from the state.

All this leads to a very low level of costs for technological innovations in Kazakhstan (less than 1% of gross national product) (Kazhyken, 2021). In highly developed countries, more than 10% of GDP is spent on science.

Innovations are mainly the product of scientific activity, born in the laboratories of scientists as a result of many years of painstaking experimental and scientific work. The leading countries of the world strictly monitor the preservation of technological advantages and sell outdated technologies to other countries (Umbetaliev, 2019).

It should be recognized that in Kazakhstan, the activities of innovative technoparks of the country are not effective and usually boil down to the acquisition of outdated technologies and industries.

There are systemic contradictions that have developed in the oligarchic form of private property. Capitalism in Kazakhstan originated and operates on the basis of incompetent and accelerated privatization of crucial sectors of the economy. Large enterprises suppress competition around them, strive to preserve market power in the old market, and not to open new markets (Report on the results of a comprehensive monitoring survey 2021).

Meanwhile, it is necessary not only to modernize and improve products, but also to update the assortment, replace it with technologically new samples. Unfortunately, private business in Kazakhstan has not become the driving force of the innovation process in the republic.

The volume of innovative products supplied outside the country is over 50 percent. This indicates a shortage of innovative products on the domestic market or the lack of demand for these products on the domestic market.

The development of entrepreneurship will be determined by factors that promote or hinder the development of innovation.

The main factors hindering the development of the national innovation system of the country are the following:

- lack of coordination between innovation development institutions and public authorities;
- chaotic nature of innovation infrastructure development without taking into account the needs of the real sector of the economy;
- low activity of enterprises in the field of innovation and lack of demand for innovation;
- weak connection of science, education and business;
- high cost of capital constraining innovation investment;
- underdevelopment of the venture capital market for financing innovative small companies;
- lack of venture management specialists;
- lack of analysis of advanced technologies in the world and the possibilities of their use in Kazakhstan;
- enterprises are not focused on the use of modern foreign technologies.

Entrepreneurship plays a crucial role in the economic framework, particularly through the presence of small and medium-sized businesses. These businesses enhance the economy's flexibility and adaptability, foster competition, cultivate an innovative environment, and promote social stability. By fostering entrepreneurship, Kazakhstan can transition to a more resource-efficient model of economic growth. To stimulate the growth of small and medium-sized businesses in Kazakhstan, numerous challenges must be addressed. These include facilitating access to tax benefits, subsidies, and loans, fostering an environment conducive to innovation, investing in the education and training of highly skilled professionals, and

implementing other forms of incentives. To drive Kazakhstan's economy towards innovation-driven development, it is vital to enhance the significance of human resources within small and medium-sized businesses. Entrepreneurship serves as a favorable platform for the realization of innovative ideas and initiatives.

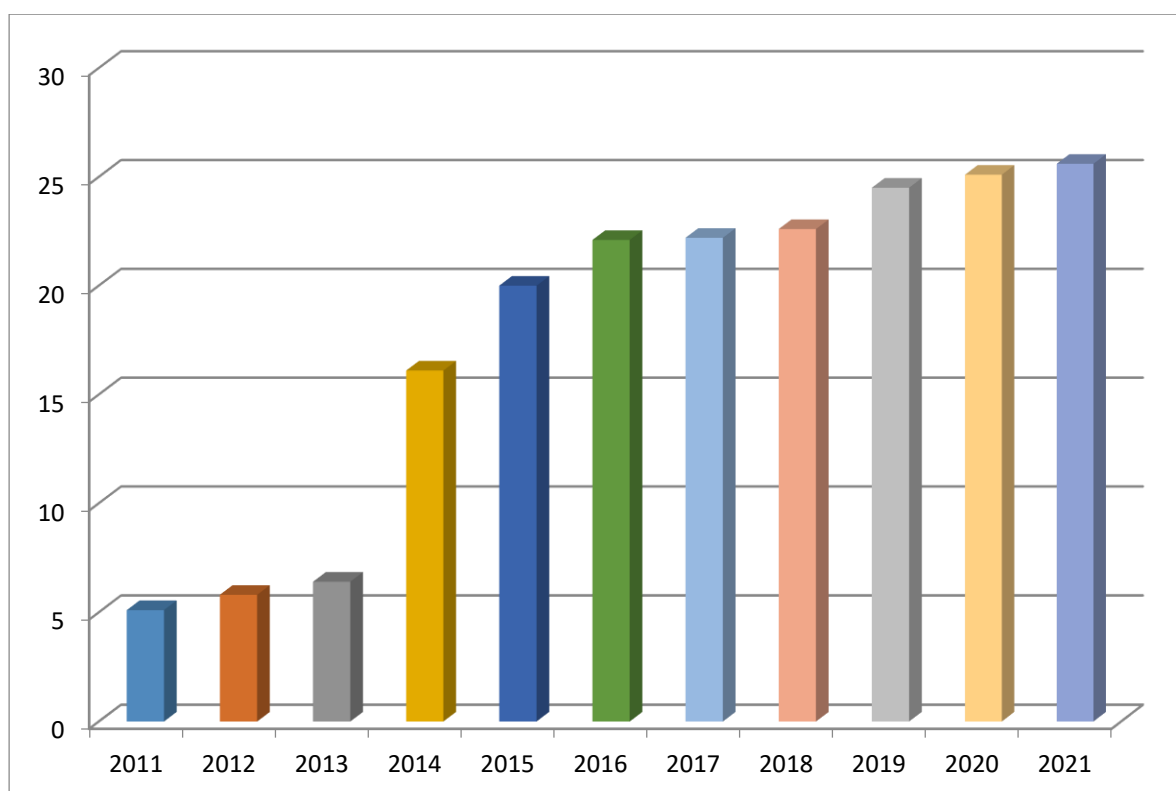
MATERIALS AND METHODS

Research materials – statistical data on the state of the economy of the republic from 2011 to 2021. The analysis of the dynamics of various indicators was carried out, such as the number of small and medium-sized enterprises, the number of employees employed in the field of small and medium-sized businesses, the share of small and medium-sized enterprises in the total gross national product.

To begin with, let's consider statistical data illustrating the state of entrepreneurship in the Republic of Kazakhstan.

The share of small and medium-sized enterprises in the gross national product of Kazakhstan grew steadily from 2011 to 2021 (see Figure 1).

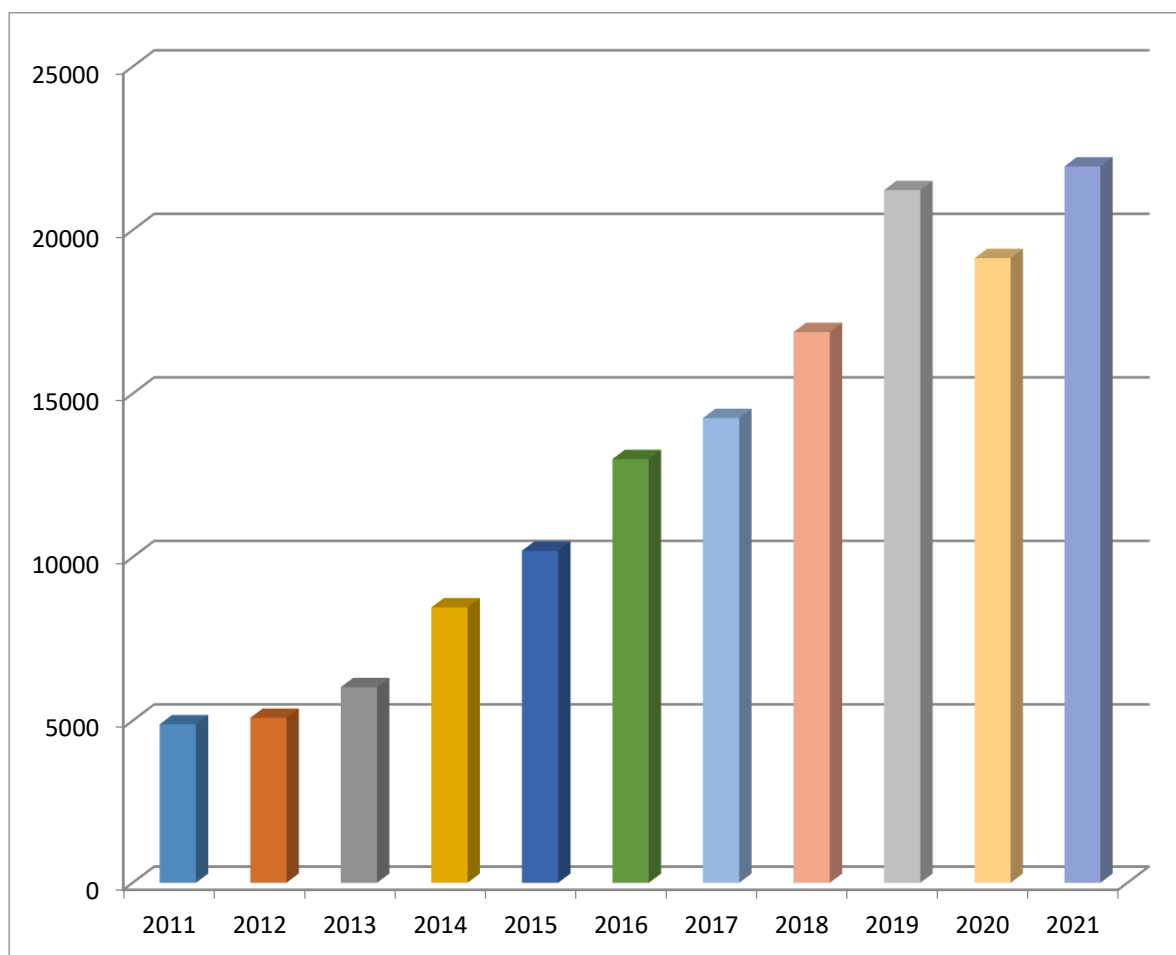
Figure 1 – The share of small and medium-sized businesses in the total gross national product



It is obvious that there is a steady increase in the contribution of small and medium-sized businesses to the total gross national product. But, nevertheless, this indicator is very far from the indicators of developed countries.

The indicator of gross value added created by small and medium-sized enterprises in Kazakhstan changed in the period from 2011 to 2021 as follows (see Fig. 2).

Figure 2 – Dynamics of gross value added of small and medium-sized businesses in Kazakhstan from 2011 to 2021



As we can see in the diagram, the indicator of gross value added of small and medium-sized enterprises in Kazakhstan is steadily growing. The only unsuccessful year in the period under review was 2020. Then there was a worldwide economic downturn due to the COVID-19 pandemic.

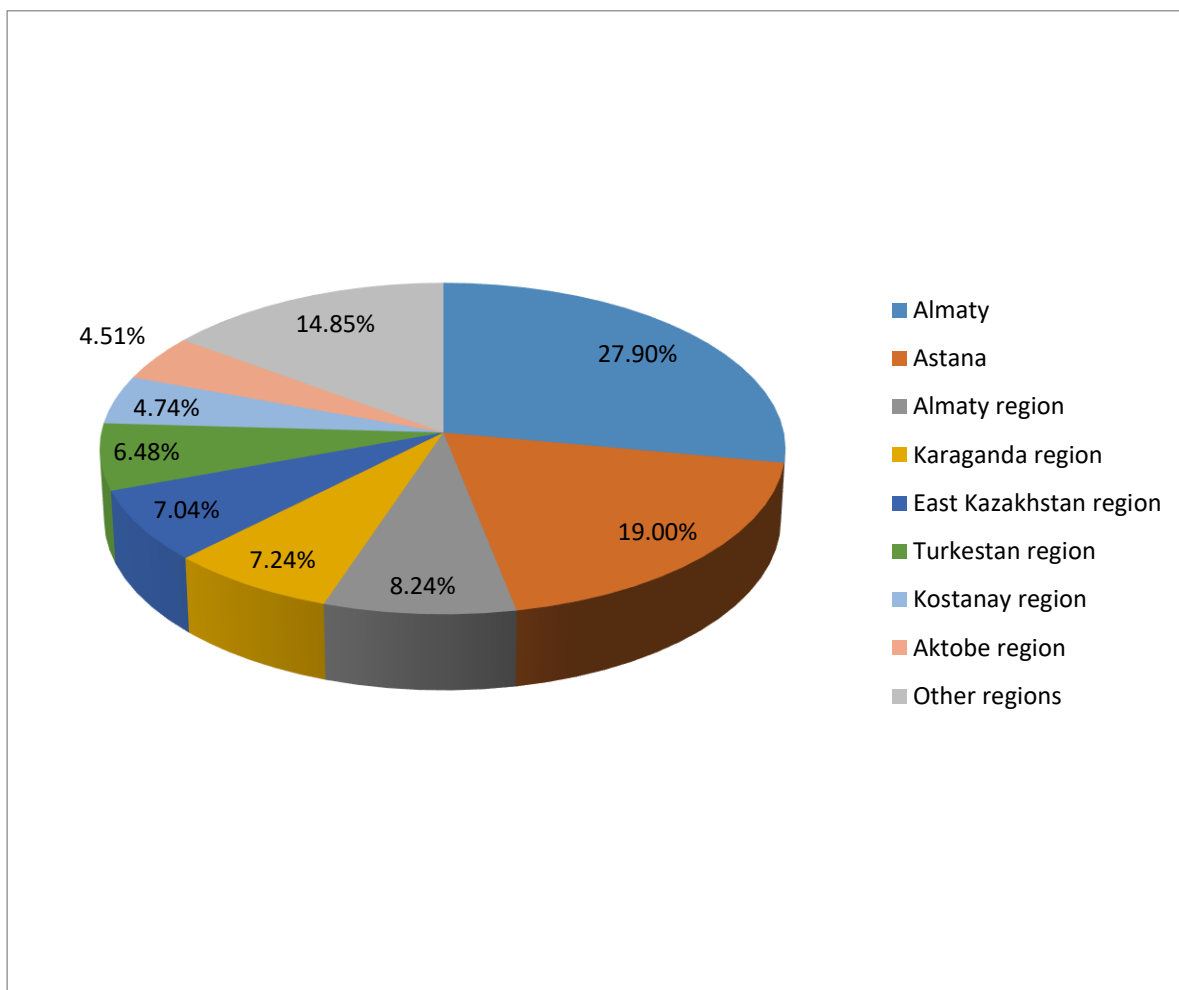
Let's consider how small and medium-sized businesses are geographically distributed in Kazakhstan (Fig. 3). Figure 2. Dynamics of gross value added of small and medium-sized businesses in Kazakhstan from 2011 to 2021.

As we can see in the diagram, the indicator of gross value added of small and medium-sized enterprises in Kazakhstan is steadily growing. The only unsuccessful

year in the period under review was 2020. Then there was a worldwide economic downturn due to the COVID-19 pandemic.

Let's consider how small and medium-sized businesses are geographically distributed in Kazakhstan (Fig. 3).

Figure 3 – Territorial distribution of small and medium-sized businesses in Kazakhstan

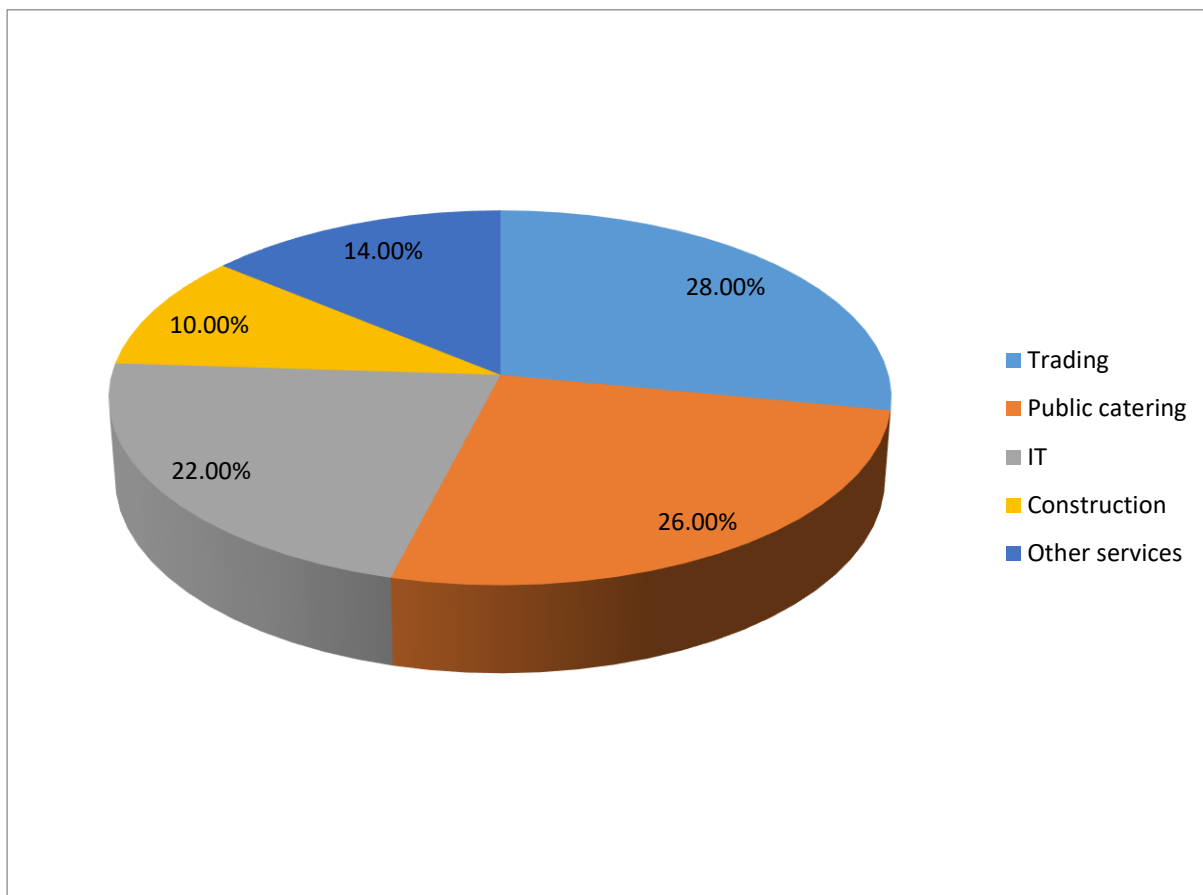


As already noted, the highest concentration of small and medium-sized businesses is observed in Almaty, Astana and Almaty region. Small and medium-sized businesses in Kazakhstan are geographically distributed very unevenly.

Among the regions in Kazakhstan, Almaty stands out as having the highest concentration of small and medium-sized enterprises. It boasts impressive figures in terms of the output generated by these businesses and the number of individuals employed within them.

Next, Figure 4 presents statistical data on the types of activities of small and medium-sized businesses in the Republic of Kazakhstan.

Figure 4 – Types of activities of small and medium-sized enterprises in Kazakhstan



Among the activities of small and medium-sized businesses, trading (28%), public catering (26%), IT (22%) occupy the leading positions.

Also in the course of the study, a sociological survey was conducted among small and medium-sized business owners, which allowed to identify key problems in this area. 200 people took part in the survey – managers or owners of small and medium-sized enterprises. The survey was conducted in Almaty and Astana city, Republic of Kazakhstan.

The purpose of the survey is to identify areas for improving small and medium-sized businesses in the Republic of Kazakhstan.

Survey tasks.

1. Identify the main activities of entrepreneurs.

2. Disclose the number of employees employed in companies.
3. Determine the degree of use of modern technologies and innovations in companies.
4. Consider what are the main problems of entrepreneurship in Kazakhstan.
5. Identify ways to overcome the identified problems.

The questionnaire of the sociological research is presented in the Appendix.

The quantitative results of the survey are presented below in table 1.

During the survey, entrepreneurs assessed the situation in the country as a whole positively, but noted a whole range of problems that require systemic actions at the state level to solve.

The survey results were analyzed using mathematical statistics methods.

The analysis of quantitative survey data was carried out using the Spearman rank correlation coefficient.

The Spearman rank correlation coefficient is a statistical measure used to assess the strength of the linear relationship between two random variables. Unlike traditional correlation coefficients, Spearman's correlation is based on ranks rather than numerical values. This makes it robust to any monotonic transformation of the measurement scale.

The calculation of the Spearman rank correlation coefficient involves assigning ranks to the observations in each variable and using a specific formula:

$$P = 1 - \frac{6}{n(n-1)(n+1)} * \sum_{i=1}^n (Ri - Si)^2$$

n – number of sample items;

Ri – the rank of observation Xi in a row X;

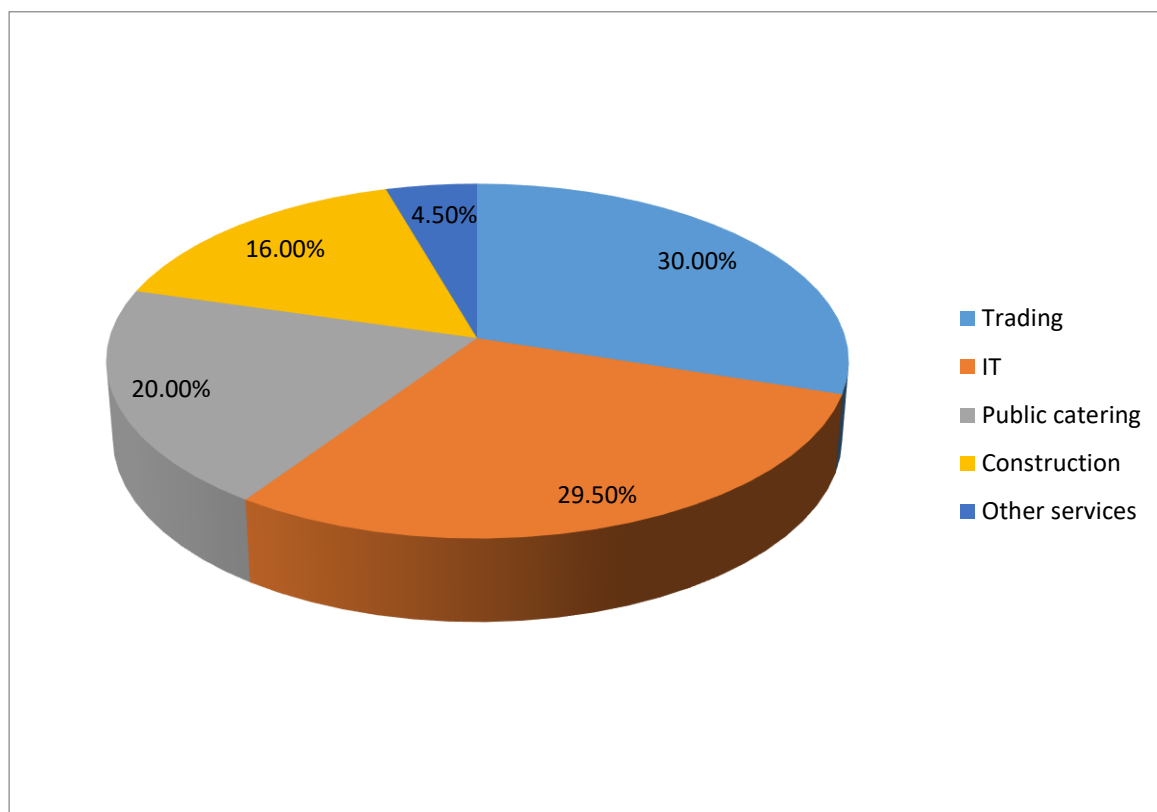
Si – the rank of observation Yi in a row Y.

The resulting coefficient, denoted as P, ranges between -1 and 1. A value of 1 indicates a strong positive linear relationship, while a value of -1 indicates a strong negative relationship.

RESULTS

According to the results of our research, the following results were obtained. The directions of the companies' activities are presented below in Figure 5.

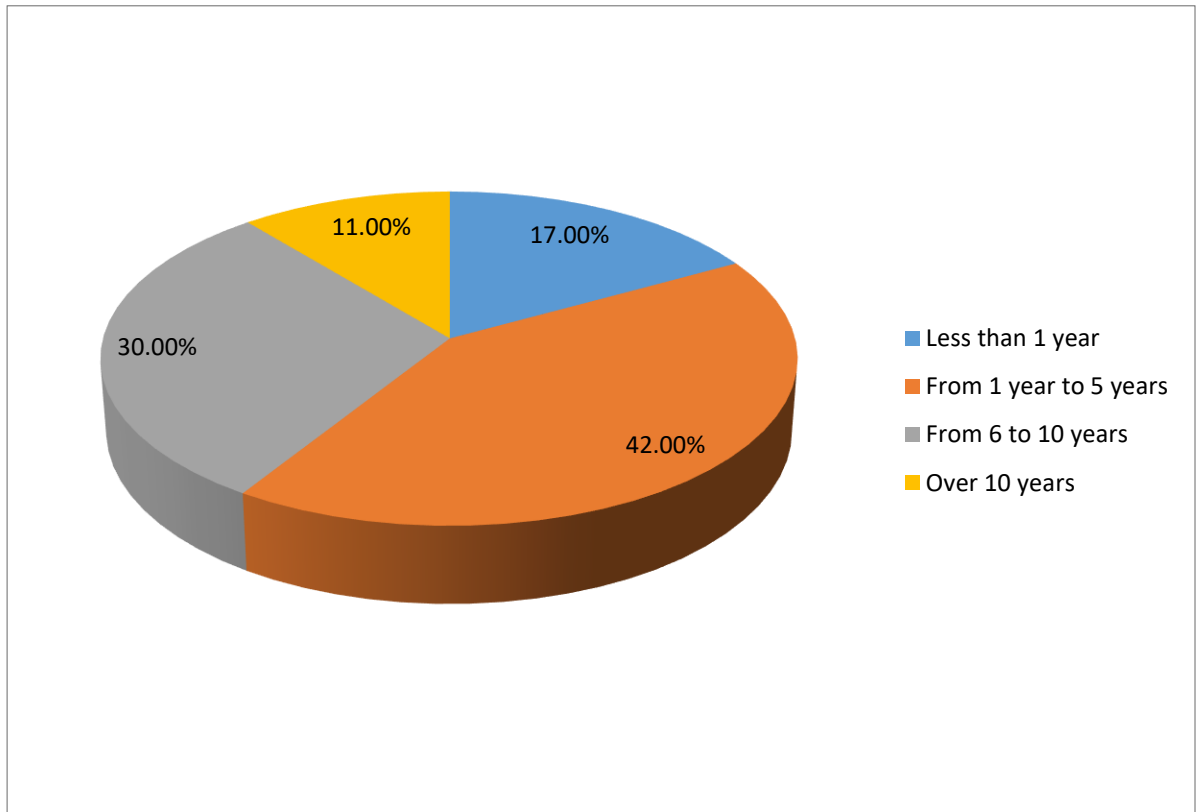
Figure 5 – Types of companies' activities



The largest share among small and medium-sized businesses whose managers participated in the survey are trading companies (30%). In second place – IT companies (29.5%), the share of catering enterprises was 20%. The structure of the activities of entrepreneurs differs from the indicators for the Republic of Kazakhstan as a whole. This is due to the fact that the survey was conducted in Almaty, where the most innovative companies are concentrated. Therefore, the share of IT companies is significantly higher than in Kazakhstan as a whole.

Figure 6 shows the results of the survey regarding the duration of the company's work in the market.

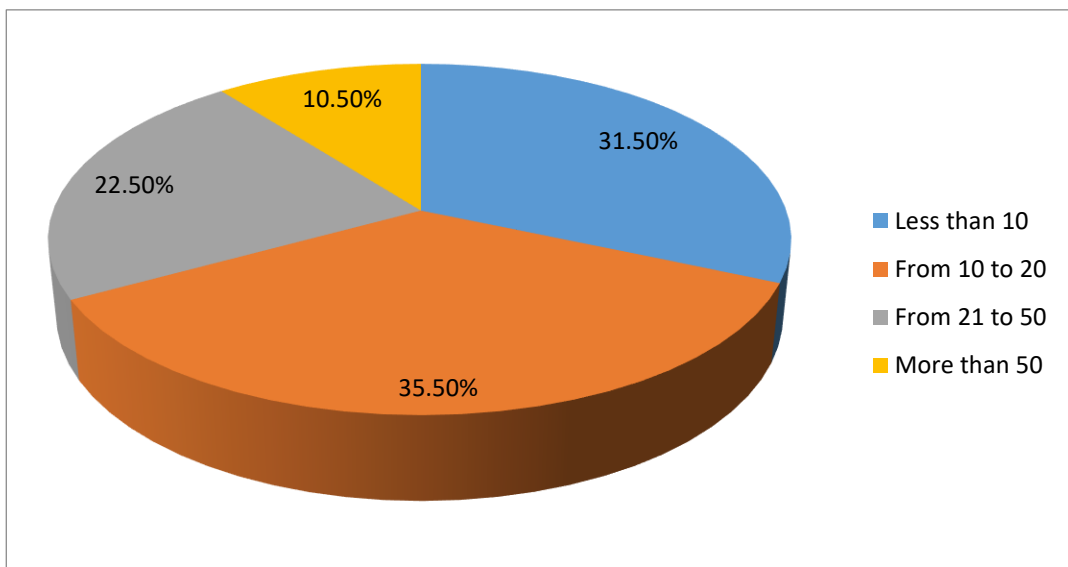
Figure 6 – The term of the company's activity



The largest share (42%) belongs to companies with a working life of 1 to 5 years. 30% of companies have been operating in the market for 6 – 10 years. 17% of companies have been operating for less than one year. 11% of companies have been working for more than 10 years.

Figure 7 shows the answers to the question about the number of employees of companies.

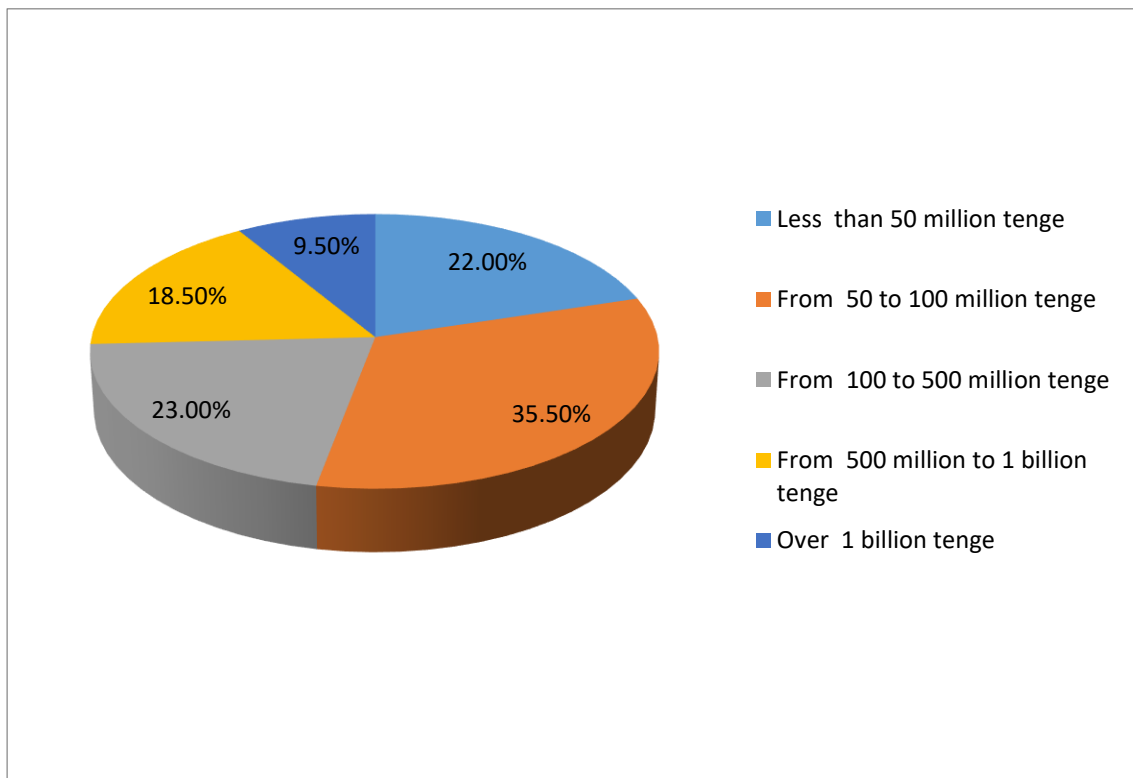
Figure 7 – Number of employees of companies



The largest share of companies – 35.5% - are companies whose number of employees ranges from 10 to 20 employees. Companies with fewer than 10 employees account for 31.50%. The share of companies with 21 to 50 employees is 22.50%. Companies with less than 10 employees – 10.50%.

Data on the annual turnover of companies are presented below in Figure 8.

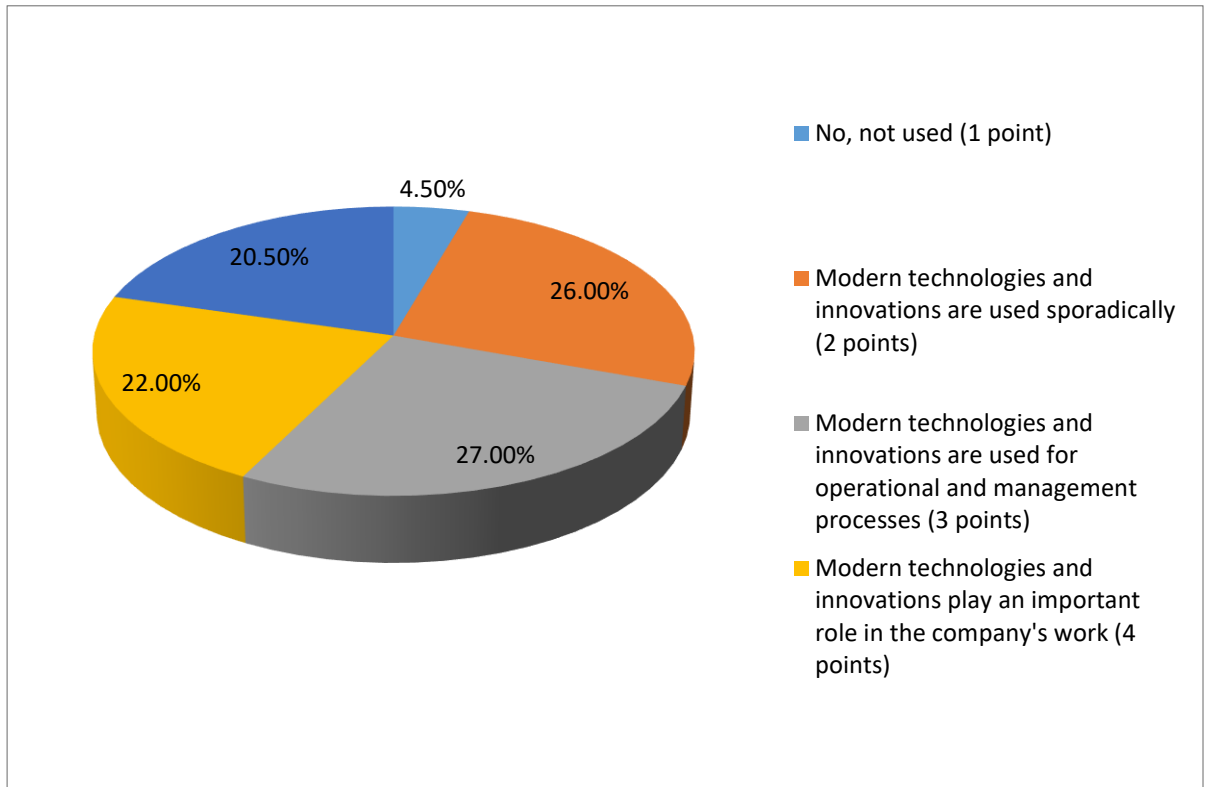
Figure 8 – The annual turnover of your company



The annual turnover was: less than 50 million tenge – 22,00%; from 50 to 100 million tenge – 35,50%; from 100 to 500 million tenge – 23,00%; from 500 million to 1 billion tenge – 18,50%; over 1 billion tenge – 9,50%. The largest share - 35.5% - falls on companies whose turnover ranges from 50 to 100 million tenge.

Further, Figure 9 shows data on the use of modern technologies and innovations by companies.

Figure 9 – The degree of use of modern technologies and innovations

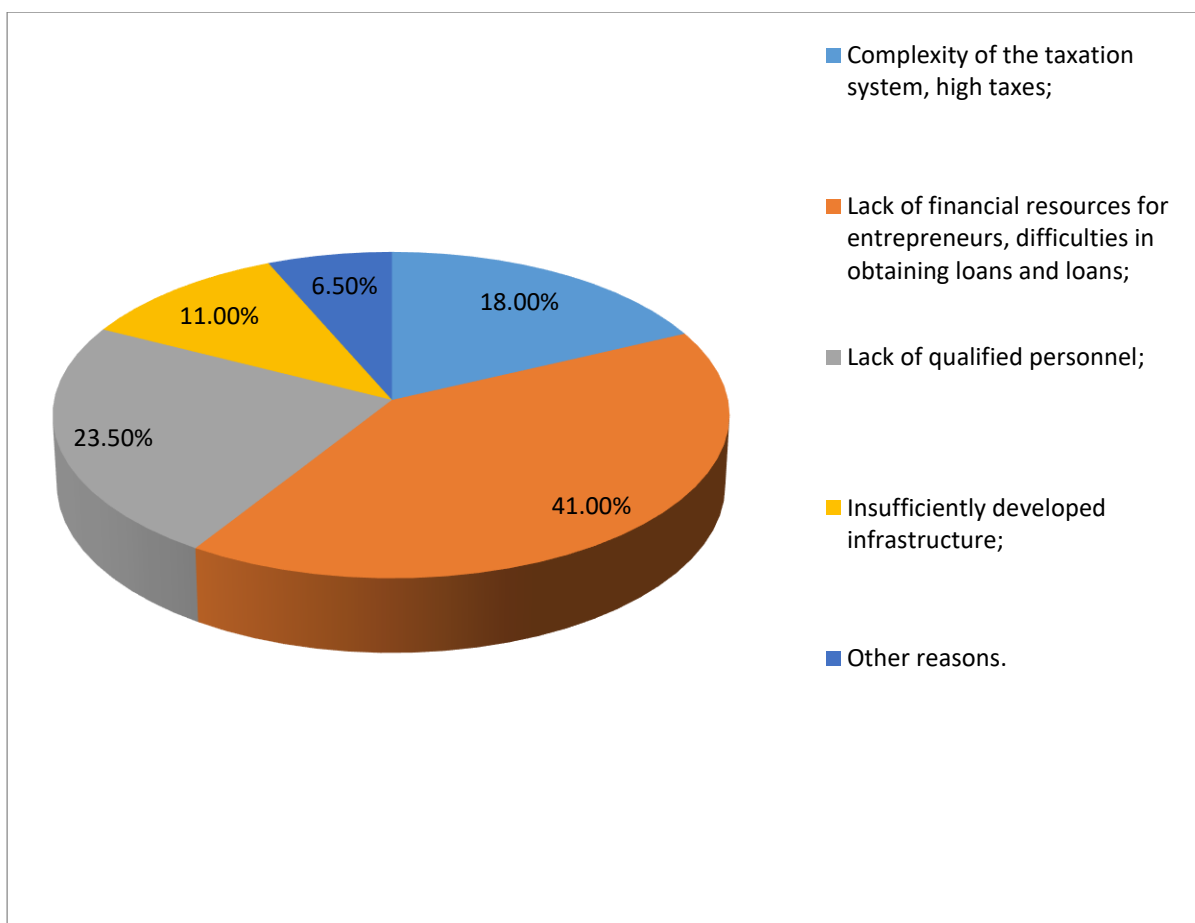


Modern technologies and innovations are used for operational and management processes – 27,00%. Modern technologies and innovations are used sporadically – 26,00%. Modern technologies and innovations play an important role in the company's work – 22,00%. The company's activity is completely based on modern technologies and innovations (5 points) – 20,50%. Modern technologies and innovations not used – 4,50%.

Thus, the activities of almost half of small and medium-sized enterprises (42.5%) are directly related to the use of modern technologies and innovations.

The problems of small and medium-sized businesses formulated during the survey are presented in Figure 10.

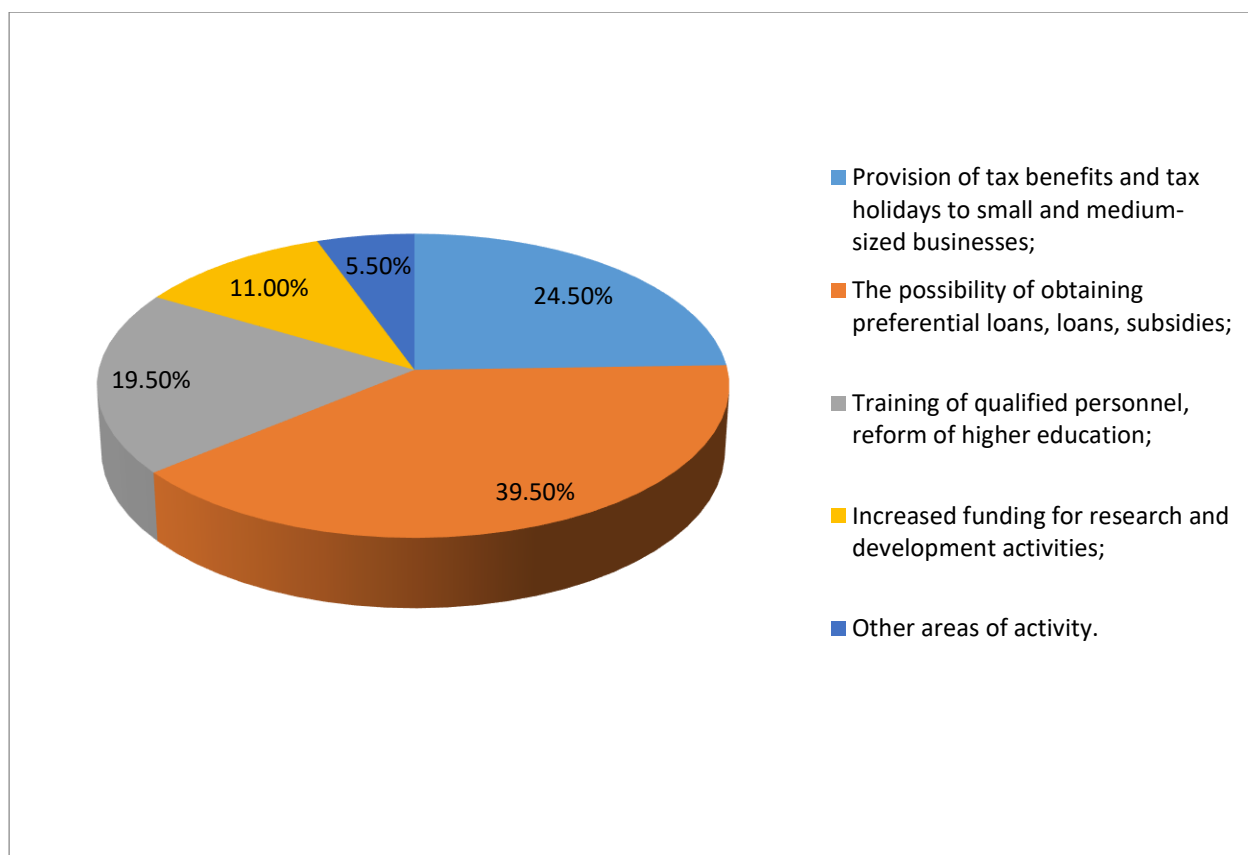
Figure 10 – Problems of small and medium-sized businesses



Lack of financial resources for entrepreneurs, difficulties in obtaining loans– 41,00%. Lack of qualified personnel – 23,50%. Complexity of the taxation system, high taxes – 18,00%. Insufficiently developed infrastructure – 11,00%. Other reasons – 6,50%.

In order to solve these problems, according to respondents, the following measures should be taken (see Fig. 11).

Figure 11 – Ways to solve the problems of small and medium-sized businesses in Kazakhstan



The possibility of obtaining preferential loans, loans, subsidies – 39,50%. Provision of tax benefits and tax holidays to small and medium-sized businesses – 24,50%. Training of qualified personnel, reform of higher education – 19,50%. Increased funding for research and development activities – 11,00%. Other areas of activity – 5,50%.

Further, we analyzed the results of the study using methods of mathematical statistics. The following indicators were selected for comparison:

The level of use of modern technologies and innovations;

The term of the company's activity in the Kazakhstan market;

Number of employees of the enterprise;

The average annual turnover of the enterprise.

Correlation coefficient between the signs "The level of use of modern technologies and innovations" and "The period of activity of the enterprise in the Kazakhstan market":

$P = 0.61$

The coefficient of 0.61 indicates the existence of a significant relationship between the duration of the company's activity in the market and the level of use of modern technologies and innovations.

Correlation coefficient between the signs "The level of use of modern technologies and innovations" and "The number of employees of the enterprise":

$P = 0.23$

The relationship between the signs is insignificant.

The correlation coefficient between the signs "The level of use of modern technologies and innovations" and "The average annual turnover of the enterprise":

$P = 0.78$

The correlation coefficient is close to 1, therefore, there is a strong direct relationship between the use of modern technologies and innovations and the turnover of the company.

We also applied a qualitative research method – interviews with business leaders. They were asked an open question: what, in your opinion, hinders the innovative development of enterprises? The following responses were received.

Respondent №1.

Many European and American companies have now restricted the supply of technology or equipment, fearing that technology or equipment will get into Russia bypassing sanctions. This circumstance disrupted the existing technological ties and thereby created problems for our production. But, on the other hand, there is an assumption that this provides certain opportunities for the development of Kazakh production and import-substituting technologies.

Respondent №2.

The gap between scientific developments and their implementation has a negative impact on the development of innovation. The demand for technological innovations from industrial enterprises is low. Inefficient technology transfer practices exacerbate the unfavorable situation in the innovation sphere. Therefore,

scientific developments and innovative activities are not attractive in terms of investment.

Respondent №3

The successful innovative development of small business in Kazakhstan is hindered by the lack of connection between the scientific sphere and business needs. In the system of organizing research carried out at the expense of funds coming from the state budget of the Republic, research priorities are not always determined by the consumer of knowledge or new technology. This approach is effective in conditions of guaranteed demand for a product that exists in a highly regulated market.

Respondent №4

Most small and medium-sized enterprises in Kazakhstan do not have a clear innovation strategy and sufficient information about innovative developments. Therefore, small businesses do not invest in the implementation of their own research and development, as well as in the services of research organizations and departments. The system of state scientific institutes and organizations has practically no links with the market and consumers.

Respondent №5

There is no connection between basic research, applied research and commercial technologies in Kazakhstan. The level of development of the applied research sector is currently low. The innovation infrastructure is undeveloped. This leads to the fact that knowledge is often sold at a low price, the level of technology exports remains low. At the same time, the business sector is focused on the purchase of ready-made imported equipment, a significant part of the costs in the structure of innovation costs relates to the purchase of machinery and equipment from abroad.

The following conclusion can be drawn. The state should create a favorable climate for innovation. It is necessary to improve the regulatory framework and administrative regulation of innovation processes. In addition, small businesses engaged in innovative activities should receive support from the state. Then innovative activity in Kazakhstan will give tangible positive results.

DISCUSSION

Despite the steady growth of small and medium-sized businesses in the Republic of Kazakhstan, there are a number of problems in this area. These problems require solutions.

Kazakhstan has passed a serious way to form the foundations of a free market. The growth in the number of small and medium-sized enterprises shows that business in the republic is developing successfully. Nevertheless, the share of small and medium-sized businesses in the total gross national product is low. The number of companies using high technology is less than half of the total number of small and medium-sized enterprises. Therefore, it is necessary to take a set of measures to ensure the development of small and medium-sized businesses in the Republic of Kazakhstan.

Based on the conducted research, we will formulate the main threats and opportunities for the development of entrepreneurship in the Republic of Kazakhstan using SWOT analysis (Table 2).

Table 1 – SWOT analysis of entrepreneurship in the Republic of Kazakhstan

Analysis of the external environment			
Strengths	Opportunities	Weaknesses	Threats
Good relations with the countries of the Asia-Pacific region	A capacious market and a large selection of suppliers, wide opportunities for cooperation	Instability of the military-political situation in the region, the presence of an unpredictable state on the border	The possibility of a military conflict

Geographical location between Europe and Asia	Opportunities for organizing transit between Europe and Asia	Economic "war" between the Russian Federation and the world community	Risk of falling under "secondary sanctions"
Analysis of the internal environment			
Strengths	Strengths	Strengths	Strengths
Availability of a rich raw material base	Production capabilities	Tax burden	Risk of non-payment of taxes and closure of enterprises
Stable economy	Growth of consumer demand for goods and services in the domestic market	A significant proportion of the low-income population	The imbalance of consumer demand in favor of cheap goods
Research organizations and technology parks	The possibility of organizing research and development activities	Lagging behind advanced technologies	Lack of own technological developments
Availability of able-bodied population, healthy demographic situation	The possibility of providing personnel for small and medium-sized businesses	Low qualification of personnel	Inability to develop innovative technologies due to low qualifications of employees
The presence of an economically active population	The possibility of new entrepreneurs	Lack of moral and social support of	The image of an entrepreneur is not an example

	appearing in the economy	entrepreneurs from the state	to follow in society
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The analysis allowed us to identify the following areas of entrepreneurship development in the Republic of Kazakhstan:

- Legal;
- Economic;
- Scientific and technological;
- Social.

Let us consider these directions in more detail below.

Legal direction.

It is necessary to legislate the priority of innovative business projects, simplify licensing procedures, reduce the administrative burden on business, and support investments.

Economic direction.

Establishment of tax holidays for new companies, simplification of the taxation system, reduction of tax rates, provision of repayable and non-repayable loans and subsidies for businesses.

Scientific and technological direction.

In order to create a culture of innovative entrepreneurship in Kazakhstan, it is necessary to integrate the world's best education formats, develop a technology transfer system, commercialize developments and technologies, popularize innovation and invention, encourage entrepreneurs to generate ideas. The main tools for the implementation of the new innovation development strategy in Kazakhstan should be:

- Technological forecasting;
- Targeted technology programs;
- Technology transfer centers with the participation of foreign companies;
- Innovative Technology Parks;
- Industry design bureaus;

Offices and commercialization centers.

Social direction.

It is necessary to create a positive image of an entrepreneur in Kazakhstan society. This requires a coordinated PR campaign to create a positive public opinion about the entrepreneur as an active and advanced citizen who ensures social progress and well-being.

To do this, a social advertising project should be launched, showing positive examples of entrepreneurship in various fields of activity.

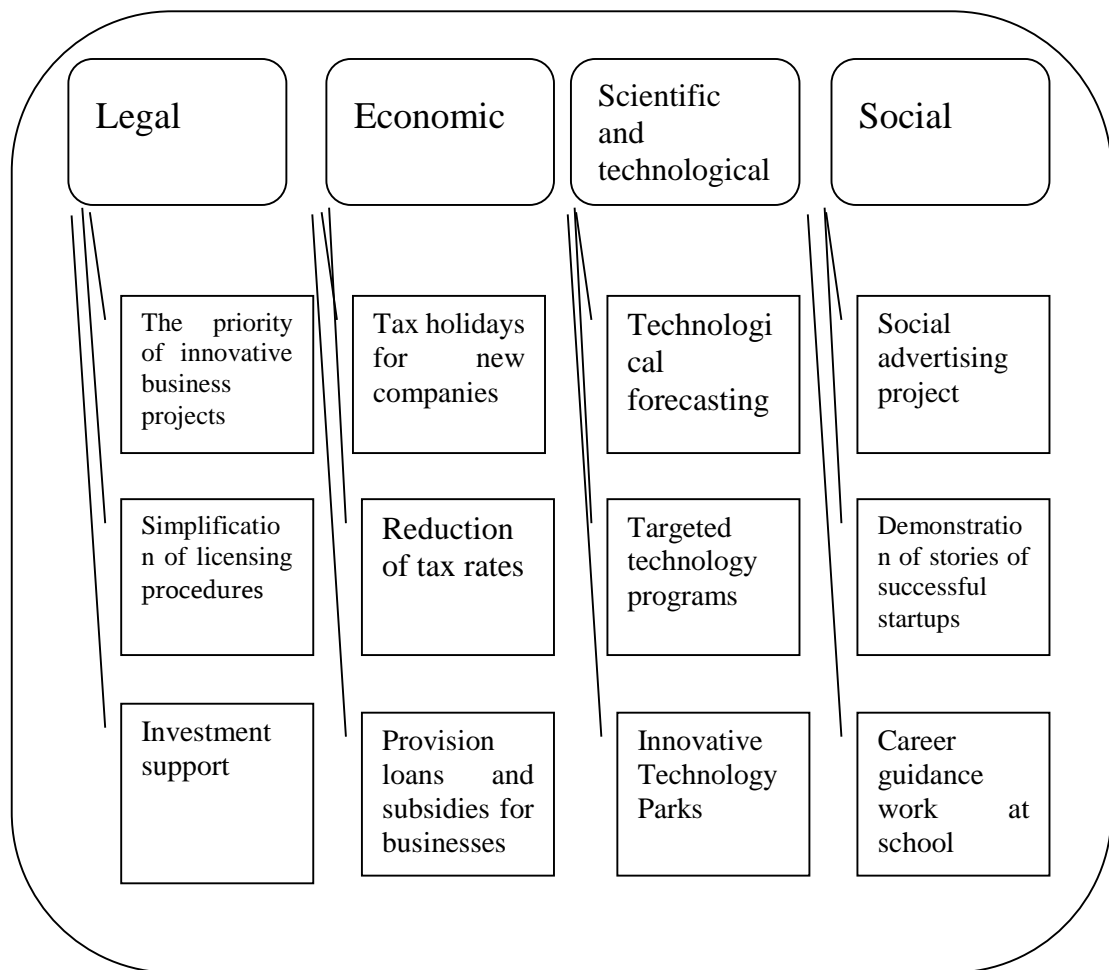
In addition to social advertising, it is necessary to provide examples from real business activities – for example, to show the stories of successful startups.

It is also advisable to conduct an educational campaign, during which to tell in detail about how to become an entrepreneur, what documents are needed for this, how to organize reporting, etc. Many potential entrepreneurs are concerned about the issue of registration and reporting. Therefore, it is necessary to explain to people that it is not too difficult to organize your own business.

Finally, educational work should be organized in general education institutions. As part of career guidance work at school, a short course of entrepreneurship should be introduced in order to form an idea of business and a desire to engage in it among high school students.

Thus, the system of entrepreneurship development activities in the Republic of Kazakhstan should include four interrelated areas (see Figure 12).

Figure 12 – A set of state measures to support entrepreneurship in Kazakhstan



Coordinated work is required in these areas for the development of entrepreneurship in the Republic of Kazakhstan.

CONCLUSION

So, we conducted a study of entrepreneurship in modern Kazakhstan. Small and medium-sized businesses are the basis of the modern economy and a guarantee of sustainable development of the state. In developed economies, private entrepreneurship generates up to 90 percent of gross national income. Unfortunately, the share of small and medium-sized businesses in the Republic of Kazakhstan is small and amounts to only 25.6 percent. However, the number of small and medium-sized enterprises is steadily growing, as is the contribution of private entrepreneurship to the country's economy.

The government plays a significant role in shaping the private sector of the economy, both as an economic partner and regulator. It is crucial to establish state guarantees that support and enable the implementation of free enterprise.

One of the factors that hindered the progress of reforms in the small and medium-sized business sector in the past was the lack of public trust in small business. People did not perceive entrepreneurship as a reliable and sustainable source of income. However, attitudes are changing, and government support can now yield significant results.

Special state support measures are essential for the further development of small businesses. These measures are crucial for creating new job opportunities, supplying the market with domestic goods and services, and fostering innovation, as demonstrated by developed countries' experiences.

With purposeful and coordinated actions from the government, success in developing small and medium-sized businesses in Kazakhstan in the upcoming years is achievable. The state's role should involve reducing entrepreneurial and investment risks in areas such as research and development, technology diffusion, transportation, energy, and infrastructure development. Additionally, it is important to cultivate a positive perception of entrepreneurs in society.

SHORTCOMINGS AND LIMITATIONS

Shortcomings and limitations are related to the fact that the sample of respondents included only entrepreneurs. The survey was conducted only among representatives of the business community. Meanwhile, it is known that many people in Kazakhstan would like to start their own business. But they have problems and concerns, because of which they cannot finally make a decision to open their own business. In order to get a complete picture of the mood in society at the moment, it is also necessary to conduct a survey among such people. Despite the fact that they are not currently entrepreneurs, they would like to do business in the future. Such a survey would allow us to find out what reasons prevent them from starting their own business, what exactly stops them from starting private entrepreneurship.

Also, during the study, we did not have the opportunity to discuss the problems of entrepreneurship in Kazakhstan with government officials. Meanwhile, it is known that the government pays special attention to the issues of private entrepreneurship. Perhaps the country's leadership is preparing a new legal framework, drawing up a program of measures to support small and medium-sized businesses. However, information about this is not widely available. Therefore, in our study there is no indication of what changes in state policy in this area are planned in the near and long term.

Limitations of research are also related to the unpredictably transforming political and economic situation in the world. Military conflicts, political instability, economic crises – all this is happening on a global scale at the present time. The results of these processes can affect the economic processes in the Republic of Kazakhstan, including the development of entrepreneurship.

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APPLICATION

Questionnaire of sociological research.

1. What is the direction of your company's activity?

IT trading

Public catering

Construction

Other services

2. How long has your company been operating in the market?

Less than 1 year

From 1 year to 5 years

From 6 to 10 years

Over 10 years

3. What is the number of employees employed in the work of your company?

Less than 10

From 10 to 20

From 21 to 50

More than 50

4. Estimate the annual turnover of your company

Less than 50 million tenge

From 50 to 100 million tenge

From 100 to 500 million tenge

From 500 million to 1 billion tenge

Over 1 billion tenge

5. Are modern technologies and innovations used in your company (according to a 5-point system)

No, not used (1 point)

Modern technologies and innovations are used sporadically (2 points)

Modern technologies and innovations are used for operational and management processes (3 points)

Modern technologies and innovations play an important role in the company's work (4 points)

The company's activity is completely based on modern technologies and innovations (5 points)

6. What, in your opinion, are the main problems of entrepreneurship in Kazakhstan?

Complexity of the taxation system, high taxes;

Lack of financial resources for entrepreneurs, difficulties in obtaining loans and loans;

Lack of qualified personnel;

Insufficiently developed infrastructure;

Other reasons.

7. What, in your opinion, are the ways to overcome the identified problems?

Provision of tax benefits and tax holidays to small and medium-sized businesses;

The possibility of obtaining preferential loans, loans, subsidies;

Training of qualified personnel, reform of higher education;

Increased funding for research and development activities;

Other areas of activity.

Table 2 – Quantitative survey results

Questionnaire of sociological research.	Number of responses	Fraction, %
1. What is the direction of your company's activity?		
Trading	78	30,00%
IT	41	29,50%
Public catering	40	20,00%
Construction	32	16,00%

Other services	9	4,50%
2. How long has your company been operating in the market?		
Less than 1 year	34	17,00%
From 1 year to 5 years	84	42,00%
From 6 to 10 years	60	30,00%
Over 10 years	22	11,00%
3. What is the number of employees employed in the work of your company?		
Less than 10	63	31,50%
From 10 to 20	71	35,50%
From 21 to 50	45	22,50%
More than 50	21	10,50%
4. Estimate the annual turnover of your company		
Less than 50 million tenge	44	22,00%
From 50 to 100 million tenge	71	35,50%
From 100 to 500 million tenge	46	23,00%
From 500 million to 1 billion tenge	37	18,50%
Over 1 billion tenge	19	9,50%
5. Are modern technologies and innovations used in your company (according to a 5-point system)		

No, not used (1 point)	9	4,50%
Modern technologies and innovations are used sporadically (2 points)	52	26,00%
Modern technologies and innovations are used for operational and management processes (3 points)	54	27,00%
Modern technologies and innovations play an important role in the company's work (4 points)	44	22,00%
The company's activity is completely based on modern technologies and innovations (5 points)	41	20,50%
6. What, in your opinion, are the main problems of entrepreneurship in Kazakhstan?		
Complexity of the taxation system, high taxes;	36	18,00%
Lack of financial resources for entrepreneurs, difficulties in obtaining loans and loans;	82	41,00%
Lack of qualified personnel;	47	23,50%
Insufficiently developed infrastructure;	22	11,00%
Other reasons.	13	6,50%

7. What, in your opinion, are the ways to overcome the identified problems?		
Provision of tax benefits and tax holidays to small and medium-sized businesses;	49	24,50%
The possibility of obtaining preferential loans, loans, subsidies;	79	39,50%
Training of qualified personnel, reform of higher education;	39	19,50%
Increased funding for research and development activities;	22	11,00%
Other areas of activity.	11	5,50%