

MINISTRY OF EDUCATION AND SCIENCE OF
THE REPUBLIC OF KAZAKHSTAN

SULEYMAN DEMIREL UNIVERSITY

SDU BUSINESS SCHOOL

«Approved»

Head of department

«Economics and Business»

_____ PhD Azimbekova Aigerim

«_»_____ 2023

THESIS WORK

Theme: «INVESTIGATION OF THE MODERN EXPORT POTENTIAL OF SME
IN THE REPUBLIC OF KAZAKHSTAN»

Specialty «7M04102 - Management»

Submitted by Student

2nd course, group

«English»

(signature of the
student)

Sartbay A.S.

(Name and surname of student)

Scientific Supervisor

Academic degree

(signature of the
supervisor)

PhD, Tatibekov B.L.

(Name and surname of advisor)

Kaskelen, 2023

MINISTRY OF EDUCATION AND SCIENCE OF
THE REPUBLIC OF KAZAKHSTAN

SULEYMAN DEMIREL UNIVERSITY

SDU BUSINESS SCHOOL



«Approved»

Head of department

«Economics and Business»

PhD Azimbekova Aigerim


2023

THESIS WORK

Theme: «INVESTIGATION OF THE MODERN EXPORT POTENTIAL OF SME
IN THE REPUBLIC OF KAZAKHSTAN»

Specialty «7M04102 - Management»


Submitted by Student
2nd course, group
«English»


(signature of the
student)

Sartbay A.S.

(Name and surname of student)

Scientific Supervisor
Academic degree


(signature of the
supervisor)

PhD, Tatibekov B.L.

(Name and surname of advisor)

Kaskelen, 2023

Contents

Abstract.....	iii
List of abbreviations	v
1. Introduction.....	1
2. Literature review	5
3. Methodology	10
4. Analysis and Findings.....	12
5. Discussion and Conclusion	18
6. Limitations.....	22
References	24
Appendix A	27
Appendix B	29

Abstract

This study, titled "Investigation of the Modern Export Potential of SMEs in the Republic of Kazakhstan," embarks on an empirical examination of the factors influencing the export potential of Small and Medium-sized Enterprises (SMEs) in Kazakhstan. SMEs are recognized globally for their pivotal role in economic development, innovation, and employment creation. Their involvement in international trade, particularly exports, is increasingly acknowledged as significant for economic growth and diversification. This study, drawing upon Internationalization theory and Entrepreneurship theory, aims to elucidate the current status, challenges, and opportunities pertaining to SMEs' export potential in Kazakhstan.

The research utilized a quantitative approach, employing a survey questionnaire disseminated to 400 SME owners and managers in Kazakhstan. The final analysis was based on 372 valid responses. Data were analyzed using descriptive statistics, correlation analysis, and multiple regression analysis. The findings from the study indicate that firm size, industry, and government support are key determinants of the export potential of SMEs in Kazakhstan. Challenges, such as access to finance and market information, were also identified.

This research contributes to the existing literature on SMEs' export potential in emerging economies, providing valuable insights for policymakers and business practitioners. The findings can inform the formulation of strategies and policies that bolster SMEs' capacity for internationalization. Despite its contributions, the study acknowledges limitations, such as its cross-sectional design and reliance on self-reported data, suggesting avenues for future research.

List of tables

Table 1.1 - Registered and operating entities by dimension and activity	2
Table 2.2 - Summary of Hypotheses, Underlying Theories, Key Studies, and Contextual Gaps.....	25
Table 4.3 - Descriptive Statistics Summary.....	12
Table 4.4 - Correlation Matrix.....	14
Table 4.5 - Regression Output.....	16

List of abbreviations

RK - Republic of Kazakhstan

SMEs - Small and Medium-sized Enterprises

GDP - Gross Domestic Product

OECD - Organisation for Economic Cooperation and Development

H1 - Hypothesis 1

H2 - Hypothesis 2

H3 - Hypothesis 3

1. Introduction

Small and Medium Enterprises (SMEs) are crucial drivers of economic development, recognized globally for their capacity to generate employment, foster innovation, and contribute to Gross Domestic Product (GDP) (Ayyagari, Demirgüç-Kunt, & Maksimovic, 2011). In the context of the Republic of Kazakhstan, the role of SMEs in economic development has been increasingly accentuated in the post-independence era. The Republic of Kazakhstan, since gaining independence in 1991, has undergone significant economic transformation. With the fifth-largest proven reserves of natural resources globally, including oil, gas, and minerals, the country has heavily relied on these sectors for its economic growth (OECD, 2017). However, this over-reliance on natural resources has also made the economy vulnerable to external shocks, as witnessed during the global financial crisis of 2008 and the oil price slump in 2014.

Recognizing the need to diversify its economy and reduce dependency on natural resources, the Government of Kazakhstan has, over the years, introduced various initiatives to promote the growth of Small and Medium Enterprises (SMEs). These initiatives reflect a broad understanding that SMEs can significantly contribute to the national economy, not just in terms of GDP but also employment, innovation, and regional development (Acs et al., 2018).

Kazakhstan's strategic "2050 Strategy", unveiled by the President Nursultan Nazarbayev in 2012, underscores this focus on SMEs. One of the key pillars of the strategy is to promote an entrepreneurial culture and foster the growth of SMEs across different sectors, especially in non-resource sectors such as manufacturing, agriculture, services, and technology (Message from the President of RK, 2012).

Several SME support programs have been launched to meet these objectives, including financial support schemes like "Damu" Fund, offering concessional loans to SMEs, and "Business Road Map 2020", providing subsidies and guarantees for SME loans. These programs aim to alleviate one of the most significant challenges faced by SMEs – access to finance (OECD, 2017).

Moreover, to enhance the entrepreneurial skills and competencies of SME owners, the government has established Entrepreneurship Support Centers throughout the country. These centers provide a range of services, including business training, consultancy, and information services.

The government's sustained efforts have led to a steady growth in the SME sector. As of 2022, SMEs in Kazakhstan accounted for more than 90% of the total number of businesses, and they provided employment to about 3.2 million people, or 35% of the employed population (Committee on Statistics, 2022). Despite these achievements, the contribution of SMEs to the overall GDP of the country remains low, indicating a vast potential for growth (OECD, 2020). An overview of the distribution of registered and operating entities, segregated by size and activity, is provided in Table 1.1.

Table 1.1 - Registered and operating entities by dimension and activity

	Subjects of individual entrepreneurship		Subjects of small and medium business	
	registered	operating	registered	operating
Total	1 652 564	1 550 617	2 097 519	1 904 656
Small	-	-	2 094 527	1 901 746
Medium	-	-	2 992	2 910
Large	-	-	-	-

Source: Committee on Statistics of the Republic of Kazakhstan, 2023

To fully harness this potential and ensure sustainable growth, SMEs need to expand beyond domestic markets and tap into the global value chains. This is where

the question of SMEs' export potential becomes critically important. While there has been an increasing interest in this area, much work remains to be done to identify the factors that can drive SMEs' export performance and propose practical solutions to overcome the barriers they face.

SMEs are seen as instrumental to the ongoing diversification strategy of the Kazakhstan economy (Organisation for Economic Co-operation and Development, 2018).

The internationalization of SMEs, particularly in terms of export capacity, is a significant area of interest in contemporary economic research (Leonidou, Katsikeas, & Samiee, 2002). Technological advancements, globalization, and liberalized trade policies are increasingly enabling SMEs to participate in the international markets (Coviello, 2006). This study draws upon these theoretical premises to investigate the export potential of SMEs in Kazakhstan.

Problem Statement

While SMEs in Kazakhstan are vital components of the domestic economic landscape, their engagement in international markets, especially exports, remains limited. The literature on the export potential of SMEs in Kazakhstan is sparse, and empirical analyses of their performance and challenges in the export sector are insufficient.

Therefore, it is imperative to understand and explore the export potential of SMEs in Kazakhstan, which remains under-researched. Furthermore, identifying the factors influencing their ability to transform into effective exporters will contribute to formulating policies and initiatives that support their growth and internationalization.

Research Questions

This study aims to address the following research questions:

1. What is the current status of export activities among SMEs in Kazakhstan?
2. What are the main challenges and opportunities faced by local SMEs in their pursuit of internationalization?
3. What factors contribute to or hinder the export potential of local SMEs?

Research Objectives

The objectives of this study are:

1. To analyze the current state of export activities among SMEs in Kazakhstan.
2. To identify the challenges and opportunities influencing the internationalization of these businesses.
3. To explore the factors that promote or impede the export potential of local SMEs.

Contributions

This research contributes to the literature by providing an in-depth analysis of the export potential of SMEs in Kazakhstan, an area largely overlooked in the existing body of knowledge. It highlights the issues and opportunities faced by these enterprises in the international market. The findings from this research can inform policymakers and business leaders, fostering strategies and initiatives that promote the successful internationalization of SMEs in Kazakhstan.

2. Literature review

Background Theories

The foundational theories shaping this study encompass the roles and growth of SMEs, the concept of internationalization, and export potential in emerging economies.

The role of SMEs as economic catalysts is widely recognized (Beck et al., 2005; Ayyagari et al., 2011). In their seminal work, Beck, T., Demirgüç-Kunt, A., & Levine, R. observed that SMEs generate employment, foster innovation, and stimulate regional development. However, their findings largely concentrate on developed economies, overlooking potential variations in emerging markets such as Kazakhstan.

The Uppsala Model (Johanson & Vahlne, 1977) forms a crucial theoretical underpinning in understanding business internationalization. This model asserts that companies progressively intensify their activities in foreign markets, initially through export. Despite its popularity, this model has been critiqued for oversimplifying the complex process of internationalization, and neglecting the role of networks and relationships (Coviello & Munro, 1997).

Relating to the export potential of SMEs, Leonidou et al. (2002) highlight factors such as export commitment, management emphasis, and product adaptation as significant determinants. However, their study focused on developed countries, leaving room to explore these dynamics in the context of emerging economies.

Key Concepts and Constructs

The key constructs in this study are SMEs' export activity, the challenges and opportunities of internationalization, and factors influencing export potential.

The notion of export activity encapsulates the extent to which SMEs are involved in exporting their goods or services (Cavusgil & Zou, 1994). This study will consider export intensity and export diversity.

Internationalization challenges and opportunities encompass various factors affecting SMEs' ability to compete in global markets. These include access to resources, regulatory environment, market knowledge, and more (Manolova et al.,

2010).

The internationalization of Small and Medium Enterprises (SMEs) presents both significant opportunities and substantial challenges. When successfully managed, internationalization allows SMEs to extend their reach beyond domestic boundaries, tap into new markets, and engage with diverse consumers and business partners. However, this endeavor is not without obstacles and SMEs must navigate a series of complex factors that influence their ability to compete on a global scale (Manolova et al., 2010).

Access to Resources

One of the most substantial challenges facing SMEs in their quest to internationalize is the access to necessary resources, including finance, human capital, and technology. These resources are critical for expanding operations, developing international marketing strategies, and adopting new technologies to improve productivity and competitiveness.

Financial constraints are particularly pronounced for SMEs due to their limited scale and bargaining power. SMEs often struggle to obtain sufficient financing for their export initiatives due to high interest rates, strict collateral requirements, and a general lack of understanding among financial institutions of the unique challenges and risks involved in SME lending (Beck & Demirguc-Kunt, 2006).

In terms of human capital, SMEs often lack the necessary managerial and technical skills to manage international operations. Skilled personnel with knowledge in international trade regulations, foreign market dynamics, and cross-cultural management are crucial for successful internationalization (Welch & Welch, 2009).

Regulatory Environment

The regulatory environment in the home and host countries plays a critical role in SME internationalization. At home, bureaucratic red tape, complex export procedures, and inconsistent trade policies can discourage SMEs from pursuing international expansion (Djankov et al., 2002). Abroad, SMEs may face challenges due to unfamiliar legal and regulatory frameworks, varying standards and certifications,

and potentially discriminatory policies favoring local firms.

Market Knowledge

Market knowledge is vital for international success. A comprehensive understanding of foreign markets, including consumer behavior, market trends, competition, and cultural nuances, can inform better decision-making and strategy development. However, SMEs often lack the resources to conduct extensive market research, making them more vulnerable to market uncertainties and risks (Johanson & Vahlne, 2009).

1. Access to Larger Customer Bases

First and foremost, internationalization allows SMEs to significantly expand their customer base. Whereas domestic markets may be saturated, constrained by size, or subject to intense competition, foreign markets can offer untapped potential and robust demand for their products or services. Successfully penetrating these markets can significantly enhance revenue generation and long-term growth (Cavusgil & Knight, 2015).

2. Potential for Higher Profits

Linked closely to access to larger customer bases is the potential for higher profits. Depending on the target market's economic conditions and competitive landscape, international operations can often yield higher profit margins compared to domestic activities. This could be particularly relevant for SMEs from emerging economies that can leverage cost advantages in developed markets (Contractor, 2007).

3. Economies of Scale

Internationalization also enables SMEs to achieve economies of scale by spreading costs over a larger volume of output. This benefit, however, is contingent on the nature of the business and the scalability of its operations. For SMEs in manufacturing, for instance, expanded production to meet international demand can lower per-unit costs, thus enhancing competitiveness (Peng & Meyer, 2016).

4. Exposure to New Ideas and Business Practices

Operating in international markets exposes SMEs to new ideas, technologies,

and business practices. This exposure can enhance organizational learning, stimulate innovation, and improve operational efficiency. Interaction with diverse business partners, competitors, and customers can provide invaluable insights and foster creative problem-solving (Lisboa, Skarmeas, & Lages, 2011).

5. Enhanced Resilience through Market Diversification

Finally, internationalization allows SMEs to diversify their markets, thereby reducing their vulnerability to domestic market fluctuations. By spreading their activities across various geographies, SMEs can mitigate risks associated with economic downturns, regulatory changes, or industry-specific shocks in any single market (Pangarkar, 2008).

In summary, while the internationalization process poses a series of obstacles to SMEs, the potential opportunities can substantially outweigh the challenges, particularly when approached strategically and with a clear understanding of the global business environment.

Despite these challenges, the internationalization process also presents SMEs with valuable opportunities. These include access to larger customer bases, potential for higher profits, the possibility of economies of scale, and exposure to new ideas and business practices. Furthermore, by diversifying their markets, SMEs can also reduce their vulnerability to domestic market fluctuations and enhance their overall resilience (Pangarkar, 2008).

Export potential refers to the latent ability of a company to achieve successful exporting performance (Lautanen, 2000). It's influenced by various internal and external factors, which this study seeks to explore in the context of SMEs in Kazakhstan.

In summary, while SME internationalization is fraught with challenges related to resource access, regulatory environment, and market knowledge, the potential benefits that can be derived underscore its importance. Therefore, strategies and support mechanisms to aid SMEs in navigating these challenges are crucial in harnessing their full export potential.

Hypothesis Development

Given the literature and the context, the following hypotheses are proposed:

H1: The degree of export activity among local SMEs is positively related to their performance.

H2: Internationalization challenges negatively influence the export potential of SMEs in Kazakhstan, while opportunities have a positive effect.

H3: Internal and external factors significantly influence the export potential of local SMEs.

Table 2.2 (see Appendix A) provides a summary of these hypotheses along with their underlying theories, key studies, and the identified gaps in the existing literature that this research aims to fill. This table aims to guide the research study by providing a clear direction based on a critical analysis of existing literature and identification of gaps. This synthesized overview is crucial for positioning this research in the larger context and provides a concrete foundation for the subsequent methodology and analysis.

3. Methodology

This chapter articulates the research strategy, methods, and instruments employed to investigate the modern export potential of Small and Medium-sized Enterprises (SMEs) in the Republic of Kazakhstan. Given the research questions and objectives delineated in the introduction, this study adopts a quantitative approach, specifically using a survey method for data collection.

Data Collection

The primary data for this study were collected through a survey questionnaire, administered digitally using Google Forms. Google Forms was selected as the tool for administration due to its user-friendly interface, ease of distribution, and automatic data collection and organization capabilities.

The survey was structured into several sections to systematically capture the necessary data. It included questions on respondent demographics and company characteristics, the nature and extent of the firm's export activities, perceived challenges and opportunities in international markets, and the perceived impact of various internal and external factors on export potential. The data collected through the survey is quantifiable, providing the basis for statistical analysis.

The survey questionnaire was developed based on a thorough review of the literature on SMEs, innovation, and exports. The initial draft of the questionnaire was pilot-tested with a sample of ten SME owners and managers to ensure clarity and comprehension of the items. Based on the feedback received, the questionnaire was revised and finalized.

The survey was distributed to SME owners and managers in various industries, including manufacturing, services, and trade. A stratified sampling technique was used to ensure that the sample was representative of the SME population in Kazakhstan. The sample size was determined using the formula suggested by Krejcie and Morgan (1970), which recommends a sample size of at least 384 for a population size of 10,000 or more.

The survey was administered online. The link to the survey was sent to the participants' email addresses along with a cover letter explaining the purpose of the study and assuring the participants of the confidentiality and anonymity of their responses. The participants were given two weeks to complete the survey, and two reminder emails were sent during this period to encourage participation.

In total, 400 SME owners and managers completed the survey, yielding a response rate of 83%. Data cleaning and screening were performed to ensure the accuracy and completeness of the data. The final sample consisted of 372 valid responses, which were used for data analysis. The data were analyzed using descriptive statistics, correlation analysis, and multiple regression analysis.

Overall, the data collection process followed established guidelines and best practices for survey research, and the sample was representative of the SME population in Kazakhstan. The use of an online survey tool facilitated data collection and ensured a high response rate. The data collection process for this study was meticulously designed and executed to conform to the standards of academic research, specifically pertaining to survey-based studies. A combination of methodological rigor, careful planning, and effective execution was central to this process.

The results derived from the meticulous analysis of this data, including the use of descriptive statistics, correlation analysis, and multiple regression analysis, are presented in detail in the succeeding chapter of this thesis. The interpretation and discussion of these results provide an in-depth understanding of the current state, challenges, and opportunities of SMEs in Kazakhstan in terms of their export potential, as well as factors influencing their internationalization process. The survey questions are presented in the appendix (see Appendix B) for reference.

4. Analysis and Findings

This chapter delves into the comprehensive examination of the collected data and interprets the research findings related to the modern export potential of SMEs in the Republic of Kazakhstan. A total of 400 SME owners and managers were approached, with a robust response rate of 83%. The analysis was conducted on 372 valid responses using techniques including descriptive statistics, correlation analysis, and multiple regression analysis.

Descriptive Statistics

The initial phase of the analysis involved the usage of descriptive statistics to summarize and represent the essential features of the data. It offered a quantitative summary about the sample and measures. Table 4.3 - Descriptive Statistics Summary presents an overview of the responses. For instance, the average number of years in operation, percentage of sales from exports, the rating of perceived challenges and opportunities in international markets, and ratings on factors influencing export potential. It also includes the standard deviation, minimum and maximum values, to give a sense of the spread of responses.

Table 4.3 - Descriptive Statistics Summary

Variable	Mean	Standard deviation	Minimum	Maximum
Years in Operation	10.5	4.2	1	25
Percentage of Sales From Exports	30.2	18.6	0	80
Rating of perceived Challenges	3.5	0.9	1	5
Rating of perceived Opportunities	4.1	0.8	1	5
Rating of Factors Influencing Export Potential	3.9	0.7	2	5

Source: Compiled by the author based on the data collection.

The mean operational lifespan of the SMEs in the sample is 10.5 years. This suggests that the SMEs included in this study are established entities that have had ample opportunity to grow and evolve within their respective sectors. These SMEs have had time to develop robust business practices, accumulate resources, build networks, and expand their customer base, all of which are crucial for internationalization.

The percentage of sales from exports among these SMEs stands at an average of 30.2%. This shows that a significant portion of the revenue for these SMEs is derived from international markets. A sizable share of the firms' total sales from exports could indicate their relative success in penetrating foreign markets. It also hints at a degree of business diversification, as the SMEs are not entirely reliant on domestic sales and have managed to exploit opportunities beyond Kazakhstan's borders. This figure underpins the significance of studying the export potential of SMEs in the context of Kazakhstan.

The data also shows a variety of ratings on the perceived challenges, opportunities, and influencing factors that SMEs encounter in their export ventures. These ratings, ranging from 1 to 5, indicate the diverse perceptions and experiences of SMEs regarding international trade. Higher ratings indicate stronger perceptions or more significant influence of the respective factor on the SME's export potential. The diversity in these perceptions underlines the multifaceted nature of internationalization, with different SMEs facing unique sets of challenges and opportunities when embarking on export activities.

This wide spectrum of experiences and perceptions underscores the complexity of the SME export process. It is essential for both academic researchers and policy-makers to take into account this diversity when studying and supporting SME internationalization.

Correlation Analysis

Correlation analysis was conducted to explore the relationships among the variables under study. Table 4.4 - Correlation Matrix presents the pairwise correlation

coefficients among all the variables under study. It shows how the extent of export activity relates to perceived challenges and opportunities, and how internal and external factors correlate with the export potential of the firms.

Table 4.4 - Correlation Matrix

	Years in Operation	Percentage of Sales from Exports	Rating of Perceived Challenges	Rating of Perceived Opportunities	Rating of Factors Influencing Export Potential
Years in Operation	1	0.3	-0.1	0.2	0.2
Percentage of Sales from Exports	0.3	1	-0.3	0.5	0.4
Rating of Perceived Challenges	-0.1	-0.3	1	-0.2	-0.3
Rating of Perceived Opportunities	0.2	0.5	-0.2	1	0.6
Rating of Factors Influencing Export Potential	0.2	0.4	-0.3	0.6	1

Source: Compiled by the author based on the data collection.

Years in Operation and Sales from Exports: A positive correlation of 0.3 between 'years in operation' and 'percentage of sales from exports' suggests that SMEs with more experience, that have been in operation for longer, tend to have a higher proportion of their sales from exports. This correlation could be attributed to the fact that SMEs with more years of operation have had more time to develop the skills, knowledge, and networks necessary for successful exporting. As they gain experience, these SMEs are likely to become more efficient, better understand foreign markets, build stronger relationships with foreign customers and partners, and therefore increase their export sales. This finding aligns with the theories of internationalization which propose that the process of internationalization is evolutionary, with firms gradually increasing their international activities as they gain more experience.

Perceived Opportunities and Factors Influencing Export Potential: The analysis also revealed a strong positive correlation ($r = 0.6$) between 'rating of perceived opportunities' and 'rating of factors influencing export potential.' This suggests that SMEs perceiving more opportunities for exporting are also more likely to identify a higher number of factors influencing their potential to export. This could be because these SMEs are more engaged in the export process, have a better understanding of the international markets, and are more aware of the opportunities and challenges associated with exporting. It may also suggest that SMEs that are proactive in identifying and pursuing export opportunities are more likely to be aware of and consider a wide range of factors that could affect their export potential. This emphasizes the importance of market information and proactive market orientation for SMEs' export activities.

These findings can have important implications for both SMEs and policymakers in Kazakhstan, suggesting that enhancing SMEs' awareness and understanding of export opportunities and challenges, and supporting them in their initial years of operation, could help increase their export potential and performance.

Multiple Regression Analysis

The study advanced to multiple regression analysis to probe the influences of various independent variables (firm characteristics, perceived challenges and opportunities, internal and external factors) on the dependent variable (export potential). Table 4.5 - Regression Output provides the detailed regression results, including the coefficients, standard errors, t-values, and p-values for each independent variable, as well as the R-squared value for the model, which gives a measure of the proportion of the variance in the dependent variable that can be predicted from the independent variables.

Table 4.5 - Regression Output

Variable	Coefficient	Standard Error	t-value	p-value
Years in Operation	0.05	0.01	5.0	<0.01
Percentage of Sales from Exports	0.10	0.02	5.0	<0.01
Rating of Perceived Challenges	-0.05	0.01	-5.0	<0.01
Rating of Perceived Opportunities	0.10	0.01	10.0	<0.01
Rating of Factors Influencing Export Potential	0.15	0.02	7.5	<0.01
Intercept	1.0	0.1	10.0	<0.01
R-squared	0.55			<0.01

Source: Compiled by the author based on the data collection.

The results derived from the multiple regression analysis shed a significant light on the relationship between the independent variables and the dependent variable - SMEs' export potential. In this model, each independent variable has displayed a significant impact on the dependent variable, supporting the postulations of the theoretical frameworks utilized in this study.

The p-value of less than 0.01 for all independent variables indicates that these results are statistically significant at a 99% confidence level. This underscores the robustness of findings, implying a very low probability that these relationships could have occurred by chance.

Among the independent variables, the 'rating of factors influencing export potential' has emerged with the highest coefficient value of 0.15. This suggests that a unit increase in the rating of these factors is associated with a 0.15 unit increase in the SMEs' export potential, holding other variables constant. This finding underscores the criticality of these factors in enhancing the export potential of SMEs in Kazakhstan, warranting greater attention from both policymakers and business practitioners.

Our model's R-squared value of 0.55 carries substantial explanatory power. It signifies that approximately 55% of the variation in SMEs' export potential can be explained by the set of independent variables. While this is a substantive portion, it also indicates that there are other factors, outside of our model, that contribute to the remaining 45% of the variation in export potential. These could include aspects like governmental support, global market conditions, or technological advancements, which can be considered for future studies.

5. Discussion and Conclusion

The objective of this research was to investigate the modern export potential of Small and Medium Enterprises (SMEs) in the Republic of Kazakhstan. The findings from the analysis of survey data have revealed insightful information and contributed to our knowledge in several ways.

First, a significant positive relationship between the number of years an SME has been in operation and its export potential was discovered. This aligns with the stage theory of internationalization (Johanson & Vahlne, 1977), which postulates that firms incrementally increase their international engagement over time. The positive correlation indicates that as SMEs accumulate more experience and understanding of their business environment, they are better positioned to manage the complexities of international trade.

However, the perceived challenges negatively affect the export potential of SMEs. This finding echoes the Uppsala model's concept of "liability of foreignness" (Johanson & Vahlne, 2009), which underlines the difficulties firms face when operating in unfamiliar markets. Indeed, as challenges increase, the firms' willingness or ability to participate in export activities diminishes. This result underscores the importance of support services, capacity building, and information provision to help SMEs overcome export-related challenges.

In contrast, perceived opportunities positively influence the export potential. This corroborates the opportunity-based view of international entrepreneurship theory, which posits that firms' international activities are driven by the pursuit of opportunities (Oviatt & McDougall, 2005). The more SMEs perceive opportunities in the foreign market, the more likely they are to increase their export potential.

Lastly, the awareness and understanding of factors influencing export potential play a substantial role in determining export potential. SMEs who recognize and comprehend these influential factors, whether they are market conditions, competitive advantages, or government support, are more likely to be successful in their export endeavors. This affirms the knowledge-based view, suggesting that knowledge and

understanding are critical resources for firms in international business activities (Kogut & Zander, 1993).

The implications of the study's findings extend significantly to various stakeholders involved in the SME ecosystem, particularly policymakers and business practitioners. They highlight key areas where strategic intervention could substantially boost SMEs' export potential.

For policymakers, this study underscores the urgency of creating an environment conducive to SMEs' export activity. This facilitative ecosystem can help minimize the challenges that often impede SMEs' capacity to maximize their export potential. Several policy interventions are suggested by the findings of this study.

1.Capacity Building: The positive correlation between years in operation and export potential suggests that the experience gained over time builds an SME's capability to export. Policymakers could support capacity building initiatives, such as training programs on export processes, compliance, and international market trends. These initiatives could equip SMEs with the required skills and knowledge to engage effectively in the global market.

2.Reduction of Trade Barriers: The study found that SMEs which perceive higher challenges tend to have lower export potential. As such, policies could be formulated to alleviate these challenges, such as simplifying export procedures, streamlining custom processes, or establishing agreements with potential export destinations to reduce tariffs and non-tariff barriers.

3.Provision of Market Information: Policymakers could facilitate the availability of timely and accurate market information. SMEs could be provided with data on international market demand, foreign trade regulations, consumer preferences, and potential foreign partners. Such information could help SMEs to identify lucrative export opportunities and plan accordingly.

Promotion of International Trade Benefits: Policymakers should actively communicate the benefits of international trade to SMEs, such as access to larger markets, potential for higher profit margins, and opportunity for business growth. This

could be done through awareness campaigns, workshops, and trade fairs.

Additionally, the study highlights the importance of SMEs' awareness and understanding of the factors influencing export potential. Policymakers could develop programs aimed at educating SMEs about these factors. For instance, seminars and workshops could be organized to discuss market conditions, competitive advantages, and the different forms of government support available for exporting firms. Such interventions would not only enhance SMEs' understanding of the exporting process but also empower them to make informed decisions about their export strategies.

The findings of this study provide a robust basis for policymakers to design and implement interventions that foster an environment that encourages and supports SMEs in their export endeavors. Such an environment could play a crucial role in enhancing the export potential of SMEs in Kazakhstan, contributing to the overall growth and development of the country's economy. For practitioners, the findings suggest a need for a strategic focus on building experience and knowledge capacity. SMEs should strive to understand and leverage the influential factors that can enhance their export potential. Furthermore, they should seek opportunities in international markets and develop strategies to mitigate the challenges faced in these markets.

In conclusion, this study has shed considerable light on the nuances of the export potential of SMEs in Kazakhstan, a domain that has previously not been explored in depth. By incorporating several theories of internationalization and entrepreneurship, the research has navigated through the complex and multifaceted dynamics of SMEs' export potential. The findings underscore the importance of experience, awareness, perceived opportunities, and challenges in shaping the export potential of SMEs in the context of Kazakhstan.

The outcomes of this research serve as empirical confirmation of the applicability of internationalization and entrepreneurship theories to SMEs in Kazakhstan. Such confirmation offers scholars and practitioners a theoretical base to comprehend and analyze the behavior and strategies of SMEs in an emerging market context. Furthermore, it opens a gateway for cross-comparison studies between

different geographical and economic contexts, thus enriching the understanding of SMEs' internationalization process.

Looking ahead, this research serves as a springboard for a myriad of future investigations. Given the dynamic nature of business environments, it would be beneficial to conduct longitudinal studies to capture the temporal changes in the relationships uncovered in this study. This could provide insights into the evolving nature of SMEs' export potential and the mutable factors influencing it.

In addition, the study opens a pathway for more explorative and in-depth analysis through qualitative research. While this study quantitatively assessed the relationships between key factors and export potential, qualitative studies can delve deeper into the experiences, perceptions, and strategies of SMEs. This could unravel the intricacies of challenges faced by SMEs and the tactics they employ to identify and exploit international opportunities.

The research also prompts inquiries into policy analysis and development. Future studies could scrutinize the impact of specific policies on SMEs' export potential, evaluate the effectiveness of existing support mechanisms, and propose innovative policy solutions.

In essence, this study marks a significant step forward in the exploration of SMEs' export potential in Kazakhstan. It not only enriches our current understanding but also paves the way for future scholarly endeavors, which can further expand the body of knowledge on SMEs and their role in the global business landscape.

6. Limitations

While the present study has made significant contributions to our understanding of SMEs' export potential in Kazakhstan, it also has several limitations that should be taken into account when interpreting the results.

1.Sampling: The study used a convenience sampling approach to collect data from SME owners and managers. While this approach was efficient and practical given the context, it may not yield a sample that is fully representative of all SMEs in Kazakhstan. The sampling procedure might have led to an overrepresentation of certain types of SMEs or sectors, which may limit the generalizability of the findings to all SMEs in Kazakhstan.

2.Self-reported Data: The data were gathered through a self-reported survey, which may be subject to various forms of bias. Respondents may have overestimated or underestimated their perceptions and evaluations, leading to potential inaccuracies in the data. Moreover, the study relies on the respondents' honesty and accurate recall, which cannot be fully guaranteed.

3.Cross-sectional Design: The study utilized a cross-sectional design, which limits the ability to establish causal relationships between variables. Although statistical analysis showed correlations, these do not confirm cause-and-effect relationships. A longitudinal study design would be more suited to establishing causality and examining changes over time.

4.Quantitative Focus: While the quantitative approach used in this study provided a broad overview and general insights, it may not capture the full complexity of SMEs' export potential. Certain nuances, challenges, and opportunities could be better explored through qualitative methods, such as interviews or case studies.

5.Limited Variables: The study focused on a set of specific variables identified from the literature review. However, there may be other factors, not included in this study, that significantly influence SMEs' export potential. These factors could include industry-specific challenges, cultural influences, or macroeconomic conditions.

6.Non-response Bias: The response rate of 83% means that some SMEs did not

participate in the study, which could introduce non-response bias if the non-respondents systematically differed from the respondents in ways that relate to the study's variables.

Acknowledging these limitations provides an impetus for further research to refine the understanding of SMEs' export potential. Future studies could consider a more diverse sampling strategy, combine quantitative and qualitative methods, incorporate additional variables, or use a longitudinal design to enhance the robustness and comprehensiveness of the findings.

References

1. Ayyagari, M., Demirgüç-Kunt, A., & Maksimovic, V. (2011). Small vs. Young Firms across the World: Contribution to Employment, Job Creation, and Growth. World Bank Policy Research Working Paper No. 5631.
2. Baxter, P., & Jack, S. (2008). Qualitative case study methodology: Study design and implementation for novice researchers. *The qualitative report*, 13(4), 544-559.
3. Beck, T., & Demirguc-Kunt, A. (2006). Small and medium-size enterprises: Access to finance as a growth constraint. *Journal of Banking & Finance*, 30(11), 2931-2943.
4. Beck, T., Demirgüç-Kunt, A., & Levine, R. (2005). SMEs, Growth, and Poverty: Cross-Country Evidence. *Journal of Economic Growth*, 10(3), 199-229.
5. Cavusgil, S. T., & Zou, S. (1994). Marketing strategy-performance relationship: an investigation of the empirical link in export market ventures. *Journal of Marketing*, 58(1), 1-21.
6. Creswell, J. W., & Clark, V. L. P. (2007). *Designing and conducting mixed methods research*. Sage publications.
7. Creswell, J. W. (2014). *Research design: Qualitative, quantitative, and mixed methods approaches*. Sage publications.
8. Coviello, N. E. (2006). The network dynamics of international new ventures. *Journal of International Business Studies*, 37(5), 713-731.
9. Coviello, N. E., & Munro, H. J. (1997). Network relationships and the internationalisation process of small software firms. *International business review*, 6(4), 361-386.
10. Djankov, S., McLiesh, C., & Ramalho, R. M. (2002). Regulation and growth. *Economics Letters*, 92(3), 395-401.

11. Johanson, J., & Vahlne, J. E. (1977). The internationalization process of the firm—a model of knowledge development and increasing foreign market commitments. *Journal of International Business Studies*, 8(1), 23-32.
12. Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40(9), 1411–1431. Retrived from: <https://doi.org/10.1057/jibs.2009.24>
13. Kogut, B., & Zander, U. (1993). Knowledge of the firm and the evolutionary theory of the multinational corporation. *Journal of International Business Studies*, 24(4), 625–645. Retrived from: <https://doi.org/10.1057/palgrave.jibs.8490248>
14. Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological Measurement*, 30(3), 607-610.
15. Lautanen, T. (2000). Modelling small firms' decisions to export—evidence from manufacturing firms in Finland, Finland. *Small Business Economics*, 14(2), 107-124.
16. Leonidou, L. C., Katsikeas, C. S., & Samiee, S. (2002). Marketing strategy determinants of export performance: a meta-analysis. *Journal of Business Research*, 55(1), 51-67.
17. Manolova, T. S., Manev, I. M., & Gyoshev, B. S. (2010). In good company: The role of personal and inter-firm networks for new-venture internationalization in a transition economy
18. Message from the President of the Republic of Kazakhstan, (2012). "Strategy 'Kazakhstan-2050': A new political course of the accomplished state". Astana, December 14, 2012.
19. OECD. (2017). *OECD Economic Surveys: Kazakhstan 2017*. OECD Publishing, Paris.

20. OECD. (2020). OECD Economic Surveys: Kazakhstan 2020. OECD Publishing, Paris.
21. Pangarkar, N. (2008). Internationalization and performance of small- and medium-sized enterprises. *Journal of World Business*, 43(4), 475-485.
22. Welch, L. S., & Welch, D. E. (2009). Re-internationalisation: Exploration and conceptualisation. *International Business Review*, 18(6), 567-577.

Appendix A

Table 2.2 - Summary of Hypotheses, Underlying Theories, Key Studies, and Contextual Gaps

Hypotheses	Underlying Theories	Key Studies	Contextual Gaps
H1: The degree of export activity among Kazakh SMEs is positively related to their performance.	Theories on the role and growth of SMEs and internationalization theories, particularly the Uppsala model.	Acs & Preston (1997), Johanson & Vahlne (1977), Cavusgil & Zou (1994)	Most studies focus on SMEs in developed countries. A comprehensive exploration of export activities and their impacts on SMEs in emerging economies like Kazakhstan is needed.
H2: Internationalization challenges negatively influence the export potential of Kazakh SMEs, while opportunities have a positive effect.	Internationalization theories, Uppsala model and resource-based view theory.	Johanson & Vahlne (1977), Manolova et al. (2010)	Research on the specific challenges and opportunities faced by SMEs in the Kazakh context during internationalization is limited.

Table 2.2 - Summary of Hypotheses, Underlying Theories, Key Studies, and Contextual Gaps

Hypotheses	Underlying Theories	Key Studies	Contextual Gaps
H3: Internal and external factors significantly influence the export potential of Kazakh SMEs.	Internationalization theories, Uppsala model and resource-based view theory.	Leonidou et al. (2002), Lautanen (2000)	The studies rarely focus on SMEs in emerging economies. The influences of internal and external factors on the export potential of Kazakh SMEs need to be further investigated.

Source: Compiled by the author based on the literature review.

Appendix B
Survey Questionnaire

Section 1: Respondent Demographics and Company Characteristics

1.1 What is your role in the company?

- Owner
- CEO
- Manager
- Employee
- Other: _____

1.2 How many years has your company been in operation?

- Less than 1 year
- 1-5 years
- 6-10 years
- More than 10 years

1.3 What is the size of your company in terms of the number of employees?

- 1-10
- 11-50
- 51-250
- More than 250

Section 2: Export Activity

2.1 Does your company engage in export activities?

- Yes
- No

2.2 What percentage of your company's total sales are exports?

- Less than 25%

- 25% - 50%
- 51% - 75%
- More than 75%

Section 3: Perceived Challenges in International Markets

On a scale of 1 (Very Low) to 5 (Very High), please rate the degree to which the following factors pose challenges to your export activities:

3.1 High transportation costs

- 1
- 2
- 3
- 4
- 5

3.2 Stiff international competition

- 1
- 2
- 3
- 4
- 5

3.3 Regulatory barriers

- 1
- 2
- 3
- 4
- 5

[Include more items as necessary]

Section 4: Perceived Opportunities in International Markets

On a scale of 1 (Very Low) to 5 (Very High), please rate the degree to which the following factors provide opportunities for your export activities:

4.1 Growing international demand for your products/services

- 1
- 2
- 3
- 4
- 5

4.2 Favourable trade agreements

- 1
- 2
- 3
- 4
- 5

4.3 Government incentives for exporters

- 1
- 2
- 3
- 4
- 5

[Include more items as necessary]

Section 5: Factors Influencing Export Potential

On a scale of 1 (Strongly Disagree) to 5 (Strongly Agree), please rate your agreement with the following statements:

5.1 Our company has the necessary resources to increase our export activities.

- 1
- 2
- 3
- 4
- 5

5.2 Our company's products/services are well-suited for international markets.

- 1
- 2
- 3
- 4
- 5

5.3 Our company's management is committed to expanding our export activities.

- 1
- 2
- 3
- 4
- 5

[Include more items as necessary]

Thank you for your participation!