

Government Support for Innovative Entrepreneurship: Advancing Sustainable and Resilient Business Growth

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ABSTRACT:

The materials presented by the authors are aimed at studying peculiarities of the current state of public support for business entities, including micro-firms and representatives of medium and small businesses, which are more vulnerable elements of the market economy of the country, especially under conditions of various crises (financial, social and economic, political, cultural, aggravated by pandemic coronavirus infection). The article shows the features and directions of influence of state policy and various programs and planned measures, tools, and means of support (material, informational, legal, etc.) on the development of large, small, and medium businesses in Kazakhstan, considering the experience of foreign developed and developing countries, including in the regional context. The topic chosen by the authors is certainly promising for further scientific and theoretical study, including the study of modern specifics of state support for private enterprise with a comparative analysis of the experience of other countries in this aspect.

Keywords: entrepreneurship entities, innovative entrepreneurship, financial support, state programme, innovative development

1. Introduction

The formation and development of a multifunctional system of entrepreneurship, including small and medium businesses, in the regions of Kazakhstan, especially in the underdeveloped predominantly agricultural areas of the country, still does not meet the real needs and opportunities of the national market economy, the principles and directions of innovative development of the state, set out in the state programme and project official documents. Development of business entities, in particular representatives of small and medium enterprises (SME), and also large corporations engaged in the most relevant and profitable areas of the market economy (oil and gas complex, banking and credit activities, etc.) in the Republic of Kazakhstan with the necessary public support, especially the financial plan, in the difficult conditions of the current world situation, can be a significant and decisive factor of national and regional, social and economic progress in the country.

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Even though in the modern period several national key policy documents and national projects aimed at addressing the issues of supporting various business entities have been adopted and are being put into practice, Kazakhstan significantly lags behind developed European countries in terms of quantitative and qualitative indicators of innovation, financial and technological development (Zhanassilova et al., 2018; Qi and Nguyen, 2021; Rakhimova et al., 2021; Abuselidze and Zoidze, 2024).

The worrying trends in recent years regarding the influence of the COVID-19 on Kazakhstan's market economy have not led, unlike in many other countries, to a reduction in the number of active small and medium businesses in the country as a whole (there was even a growth of 2% in 2021), which suggests that the economic situation is relatively stable. This is because the system of state support for entrepreneurship entities on a national scale remains at a high level, but its development is also necessary, given the introduction of numerous innovations and additional investments (Abuselidze and Mamaladze, 2020; Abuselidze and Slobodanyk, 2020). Adaptation of various business entities in Kazakhstan to innovative development and new technologies, changes in the concept of state regulation and support for individual emerging areas of activity with a bias toward an industrial and innovative “green” economy, ensuring the well-being of Kazakhstan, the formation of “strong regions”, a new social and economic concept for the country's development in a changing world order – all this makes the theme of this article extremely relevant.

Sustainable development is greatly influenced by green financial investments, technological advancements, and the use of renewable energy. These factors contribute to the creation of new financial opportunities and the acceleration of the creative economy, claim Xiong and Dai (2023). The most crucial element influencing a nation's economic growth and prosperity is the financial system's degree of innovation and development. The state's successful financial strategy has a major impact on the creation of the innovative system (Kourula, et al, 2019; Greene and Haber, 2019; Abuselidze and Mamuladze, 2020; Abuselidze and Meladze, 2024). When it comes to promoting the growth of an innovative economy and creating a modern one, the state needs to take the lead. The state must take initiative in fostering the development of such an economy and supporting its expansion. The state's innovation policy has a major influence on the region's creative growth. It outlines the main paths of innovation, management techniques, and regulatory tools, as well as the goals of state and regional organizations involved in innovative activities.

Studies by Kazakh academics more often consider issues of investment and state support for the agricultural and industrial development of various territories in Kazakhstan (Sultanova, 2020; Nimanov and Varavin, 2021; Imanbayeva et al, 2024). The country's oil and gas complex and innovation activities are also a subject of interest in terms of their state financing (Partridge et al., 2020; Turginbayeva and Tanasoglo, 2020). Information and empirical data drawn from official sources and contained in the programmes and national projects for the development and public support of the entrepreneurship system in the Republic of Kazakhstan (National Projects of..., 2021; Resolution of the Government..., 2019a; Resolution of the Government..., 2019c) were used in the article.

2. Methods

The study of problems, certain issues, and areas of state support (material, legal, informational, advisory, by providing public services to business entities) representatives of business structures and other institutions of social development is impossible without the involvement of special and general scientific methods and tools for the study of social and economic, innovative, technological, legal processes in the Republic of Kazakhstan.

The statistical method of available quantitative and qualitative indicators concerning the activities of small and medium entrepreneurship entities, other representatives of the entrepreneurial community and executive bodies of central, regional, and local destinations have enabled the analysis of official information relating to the scope of innovation, investment, resource, social and economic administration, public management of economic development by the authorities, using various means and forms of provision.

The value and normative, systemic and structural method of research was chosen to examine the impact of indirect state intervention, implemented through financial, organizational, and instrumental support on the development of market relations and the activities of individual members of the business community to shape positive structural changes of a sectoral and innovative nature.

3. Results and Discussion

To achieve the result of the set objective, the authors investigated, first of all, statistical and analytical official data on the activities of various enterprises in the Republic of Kazakhstan. To further analyse the development of public support measures for business structures and various business entities, certain regional and nationwide features of the state of small and medium businesses in the country have been highlighted. According to the data summarised in Figure 1, there is a problem of decreasing income of business entities in the regions and in the country as a whole (National Chamber of..., 2021).

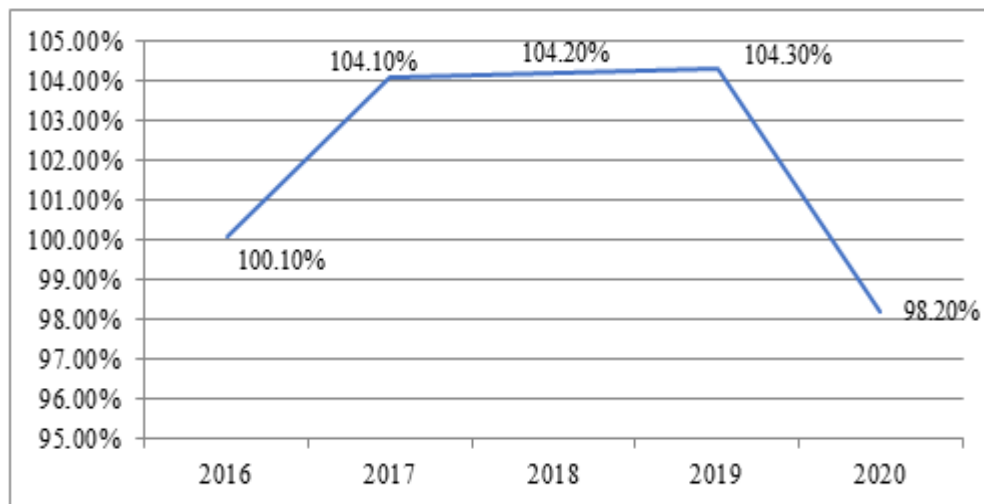


Figure 1. Analysis of cumulative gross domestic product dynamics by region in Kazakhstan (as a percentage of the previous year, from 2016 to 2020)

Source: Made by authors, from National Chamber of Entrepreneurs of Kazakhstan "Atameken", 2021.

As can be seen from the gross domestic product figures (GDP), there is a sharp decline in 2020 against 2019, apparently due to the intensification of the global problem of the coronavirus pandemic on a nationwide scale. The study of the impact of state support measures on the territorial development of the country's enterprises concerning the productivity of their activities in several regions of Kazakhstan allowed identifying the most unprofitable areas in economic terms among 6 problem areas (less than 5 % of gross regional product (GRP) contribution to GDP, and a significant decrease in gross value added (GVA) of small and medium businesses in Turkestan, Kyzylorda, Zhambyl, East Kazakhstan, Pavlodar, and Karaganda regions). With a general decline in the country's GDP, there is also a significant decrease in the share of small and medium businesses GVA in the problem regions (Figure 2).

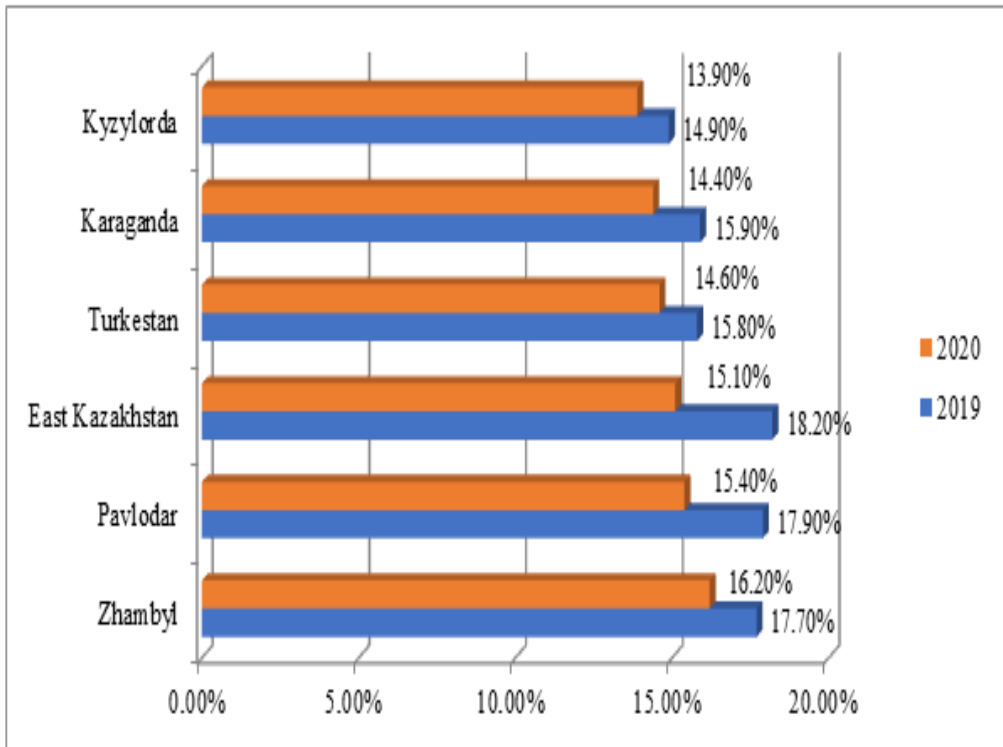


Figure 2. Trends in the regional decline of some regions of small and medium entrepreneurship GVA in GRP during 2019-2020 (in percentage)

Source: Made by authors, from National Chamber of Entrepreneurs of Kazakhstan "Atameken", 2021.

Hence, the productivity and profitability of small and medium enterprises in Kazakhstan also decline in unprofitable regions. At the same time, SME entities occupy a significant place in the system for ensuring the effective growth of regional economies, being a crucial resource for resolving employment problems not only for skilled, educated, and professional personnel but also for lower-skilled employees and workers from among able-bodied and active citizens. Among measures to support the system of small and medium business development, which represents a crucial link in Kazakhstan's modern economy and for which the states allocate substantial funds to finance numerous projects and developments as part of project and programme measures, the following standard established and practically tested mechanisms and new tools can be highlighted. In particular, these are various forms and types of preferential lending to entrepreneurship entities, which are carried out in the framework of the state's nationwide policy on territories by units and representatives of the "Damu" Entrepreneurship Development Fund" joint-stock company. In addition, measures are being implemented for small and medium enterprises during 2020 and 2022, including those indicated in government programmes, aimed at developing the country's economic infrastructure, subsidies, credit guarantees, online training, support for entrepreneurs to financial institutions, and advice on problematic issues. Additionally, the state's "Business Road Map-2025" initiative for

business assistance and development includes incentives for the execution of new company concepts and an increase in public investment in the creative growth of areas (Resolution of the Government..., 2019b).

It should be noted that financial support for small and medium enterprises is very important, especially in times of the pandemic. In 2020, the German government has allocated EUR 50 billion to address the financial problems of small businesses and self-employed people to fight bankruptcy. The United States of America (USA) official federal government is allocating USD 350 billion during 2020-2021 to provide government loans to medium and small businesses to finance the wages of employees of organisations. Italian officials plan to introduce monetary compensation for rents for the self-employed, and also additional state guarantees for small business loan contracts. The experience of some other countries can be used to address the issues of the early development of small and medium enterprises in troubled regions. In particular, in Australia, when developing remote areas, measures have been created as part of the adopted policy document "Investing in Regional Growth", providing local solutions in the field of investment in certain sectors of the economy, in particular, financing small-scale infrastructure developments of municipalities. The modern state administration and regulation of economic processes in the provinces of the People's Republic of China (PRC) are also specific. The instruments for the development of the troubled and remote territories of the country are various investment funds in the government budget. Chinese government structures also attract funds from specialised funding institutions (Asian Development Bank, People's Bank) to provide monetary support for the development of economic development zones in Kashgar and Khorgos cities (Shelest, 2018).

In addition to financial support for Kazakhstan's loss-making regions, China's experience in comprehensive and long-term planning of individual "point projects" in a regional context could also be adopted. The Korean government, being part of the development of the Gangwon region as the country's new tourism resource, is providing financial and advisory support to small commercial organisations operating in the hotel, sightseeing, and recreational sectors. In Kazakhstan, the implementation of state and regional measures of investment and organisational support for the development of tourist attractiveness of the Turkestan region achieves the result of attracting additional business entities to this area. This also indirectly forms the interest of small and medium businesses, which can increase the number of jobs created and the flow of funds received from tourists in the coming years (Shelest, 2018). Innovation and technological development of industry and agriculture, following the example of Singapore, is certainly an important area for the development of Kazakhstan's regions. As part of the implementation of the Innovation Development Plan, the Economic Development Board of Singapore has developed several programmes, in particular, "Companies Research Incentive Programme" aimed at financing research in science and technology, and "Tax Incentives for Innovative Companies and Development and Expansion Incentives" (Nimanov and Varavin, 2021).

For instance, businesses seeking to increase their efficiency and investigate new development prospects are assisted by the Innovation and Productivity pillar. Companies must possess at least 30% of their local share capital, be registered and functioning in Singapore, and have the financial resources to launch and finish a project to qualify for the Enterprise Singapore program (EDG). EDG provides up to 70% funding for SME

qualification costs and up to 50% for non-SMEs. These costs include hardware, software, internal labor, and consulting fees for qualification. Enterprise Singapore's program helps Singaporean companies grow and transform by enhancing their business fundamentals, improving productivity, supporting innovation, and expanding into overseas markets. EDG focuses on three key areas: core capabilities, innovation, and market access, to help companies achieve their growth goals.

Start-ups in Singapore that meet legal requirements, such as implementing innovative initiatives, are eligible for-profit tax incentives. These benefits are offered under the 2022 Singapore Startup Law. Startups and their main investors, including venture capital companies and angel investors, may benefit from tax reductions in some countries (Abuselidze & Sarjeladze, 2025). Angel Investors receive benefits through income taxes when they buy shares in startup companies, while startups often benefit from reductions in income and profits taxes. The highest corporation tax rate is 17%, while the highest individual income tax rate is 24%. 11.9% of GDP is devoted to taxes. Also, Technoparks in Turkey may only receive VAT exemptions for software projects. However, the fact that all Technopark activities are tax-free may attract more people to this location. Consequently, this case will help the Turkish economy expand, generate knowledge, and increase international competitiveness (Avci, 2021).

The implementation of digital initiatives of the government and other authorities of Kazakhstan, taking into consideration the timely financing of projects of representatives of the business community in this area of the state economy development, will allow achieving new indicators of economic growth of the regions and the Republic as a whole in the future. The State Program "Digital Kazakhstan" provides, in case of implementation of all planned measures, a real possibility to create additional added value and reduce costs in the enterprises of unprofitable and other areas of the country, which will ensure the growth of GDP up to 4.5-5% per year, starting from 2025. Moreover, 1.8%-2.1% of this growth, more than a third of Kazakhstan's GDP growth, will be in the economy of large organisations, small and medium enterprises operating in the field of information technology and digital, high-tech businesses. These activities involve additional investments from various public management structures, and government-assisted advisory and support services from various institutions and organisations, including those accountable to the Ministry of National Economy of the Republic of Kazakhstan. However, the coordinating and guiding involvement of the authorities in the instruments and activities of the state programme will result in a direct return on the investment made in the country's budget in the future. At the same time, there will also be an increase in the quality of life of the population, the development of investment, innovation, and other areas of business environment development (Measures of state..., 2022).

The Ministry of Digital Development, Innovation, and Aerospace Industry of the Republic of Kazakhstan, summarising the results of the past short phase of digitalisation of the country, notes the importance of expanding state support for business start-ups in the country. It points to the presidential initiative that led to the implementation of the Astana Hub International Technopark for IT (information technology) start-ups in 2018 as part of one of the main activities of the state programme entitled "Digital Kazakhstan" – the development of the innovation ecosystem. The support of relevant and high-tech IT projects offered by small businesses and individual entrepreneurs allowed forming a new

structure of start-ups in the country, characterised by the following indicators (Figure 3) (Measures of state..., 2022).

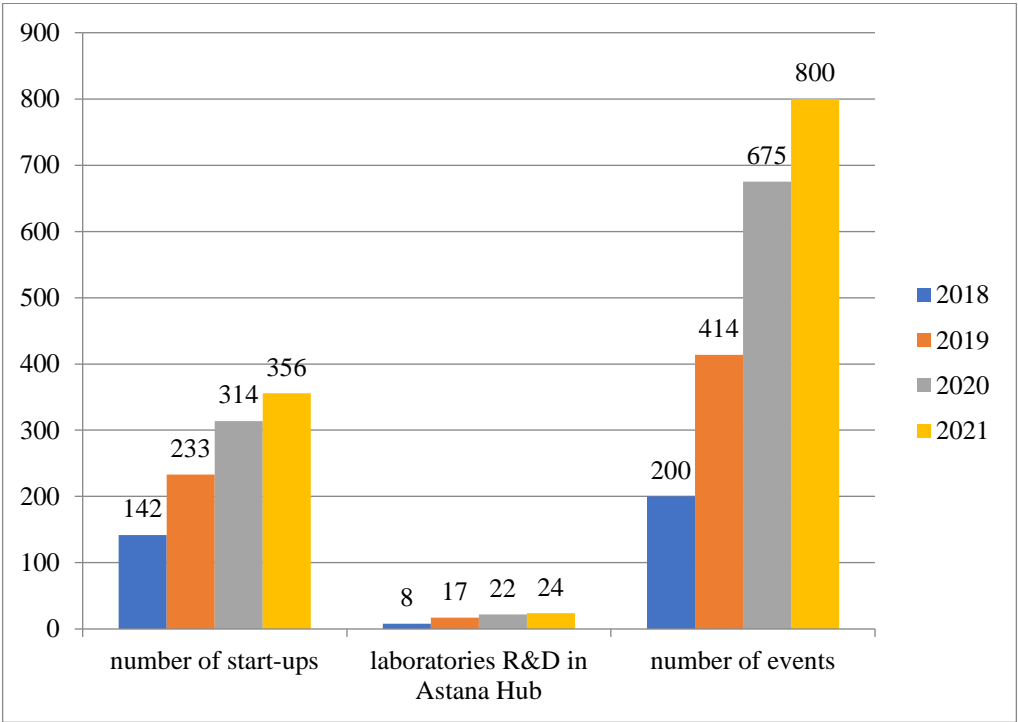


Figure 3. Growth statistics for business development achievements in Astana Hub IT start-up technology park
Source: Made by authors, from Crunchbase database, 2024.

The overall conclusion is that digitalisation and the introduction of innovative technologies in the established sectors of Kazakhstan's economy, in the form of the agricultural and industrial, oil and gas sectors, and also the development of new market areas in the country, will attract numerous business entities interested in state support, additional public funding, and additional revenues.

According to the authors, taxes are the biggest issue that is negatively affecting investors. They argue that it needs to be changed to create a more favorable environment for startups, both for investors and businesses (Abuselidze, 2020; Abuselidze & Gogitidze, 2020).

Honduran scholar De Gouvea Scot de Arruda (2021), in “Essays on Development Economics and State Capacity”, highlights the importance of comprehensive and thoughtful planning with regard to the implementation of effective tax policies in Honduras and the use of preferential taxation instruments to promote entrepreneurial initiatives in the emerging new society. Public service delivery specialist and academic practitioner Elliot (2019), in a paper, published a year ago, addresses the planning and implementation perspectives of various state and federal programmes in the USA in improving investment and other financial and material support for community social

services, which is aimed at enhancing the regional development of the country's energy sector enterprises. Snell and Baldwin (2020) with a research colleague highlight the most relevant aspects of the lack of funding from the USA federal budget for certain sectors of the regional economy and shortcomings of other material and informational support to the regional authorities by the central government. The analysis is based on an examination of various policy and planning official documents. American and European experts and practitioners also often study financial phenomena in the interconnection of monetary and political aspects of the formation and growth of a new type of small entrepreneurship, and the emergence of start-up companies (Lewis *et al.*, 2020).

Among Kazakh specialists studying the problems of financial and economic, technological, technical, and other material support from the state of various subjects of entrepreneurship, one can highlight the opinion of Alzhanova, Nurlanova and Dnisev (2020), who conducts the authors' assessment of the current level of innovation development of Kazakhstan in the regional context and points to the problems of insufficiency of attracted sources of financing of various small and medium enterprises. The regional peculiarities of the development of agriculture and individual agricultural and industrial complexes in Kazakhstan are considered in detail, taking into consideration the latest social and economic indicators (from 2018 to 2022) of activity and identifying the problem points in the study by Kekchebaev, Zhakupova (2021). The work of Turginbayeva and Tanasoglo (2020) is devoted to various aspects of the study of regional specifics of innovative goods creation in the country. On the example of Kazakhstan and its regions, the main trends of regional development of the state are highlighted, the urgency of creating new principles of spatial modernisation of the regional economy in order to reduce social and economic disparities of individual administrative and territorial public entities is substantiated. Thus, a study of the experience of other countries in managing and regulating the regional structure of the economy and the social and economic development of territories, outlined in the works of the above scholars, has highlighted certain problems and trends in improving the system of state support for entrepreneurial activity in the Republic.

6. Conclusions

This work is of significant scientific interest, practical relevance, and social and economic purpose since it actualizes the study of the relationship between the nationwide plans of effective public policy with regard to the creation and improvement of the enterprise support system in Kazakhstan and the real opportunities for the development of small and medium businesses based on new technologies and information resources of the country. Therefore, this publication can be useful for the study of issues and directions of improvement of the policy of power structures of Kazakhstan about ensuring the development of areas of small and medium enterprises, including measures of financial and organizational support, and also through the transformation of digital technologies for the country's public needs. The practical and scientific significance of the publication lies in the identification of current practical shortcomings in the implementation of government policy aimed at supporting entrepreneurship and the development of recommendations for improving the various areas of economic modernization, taking into

consideration the factors of the innovation process and the emerging social and economic crisis caused by current processes in the world.

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