**DEVELOPMENT OF ENTREPRENEURSHIP IN THE PRODUCTION SECTOR OF THE REPUBLIC OF KAZAKHSTAN.**

***Y.K. Utegenov***

*PhD student, L.N. Gumilyov Eurasian National University, Nur-Sultan, Kazakhstan*

*erkebulan.utegenov@mail.ru*

***Abstract****. The purpose of the article is to analyze the application of mechanisms for the development of entrepreneurship in the production sector Of the regions of Kazakhstan and develop proposals for its improvement. The research uses General scientific research methods such as observation, description, analysis and synthesis, as well as comparative, formal-logical and other methods of cognition. As a research information base, we used statistical data and data on projects of the Damu entrepreneurship Development Fund JSC, which provides assistance in the creation and development of small and medium-sized business projects, as well as economic reviews of the world development Bank related to the ease of doing business in the Republic of Kazakhstan, and annual reports of the organization for economic cooperation and development with an analysis of the implementation of innovative reforms in the country.*

*This article demonstrates and analyzes current quantitative information on the number of enterprises in the field of small and medium-sized businesses in the regional and industry context. The forms and sources of financing are investigated, the features of development of small and medium-sized enterprises in the Republic of Kazakhstan are determined. The ways of development of entrepreneurship in the production sphere are suggested.*

***Keywords:*** *small and medium-sized businesses, business support, services, projects, business development, industry, production, economy, sphere, activity*

***ACM Computing Classification System:*** *Social and professional topics*

*Social and professional semiprofessionally themes*

**Introduction.** During the years of independence in the Republic of Kazakhstan was developed 10 policy documents on the basis of which was conducted and implemented the state program of agricultural development that led to increased entrepreneurial activity, the formation of a market economy and to the emergence of various organizational-legal forms of management in villages. In turn, the lack of funding and regular changes in legislation, as well as the Republic's entry into the customs Union and the EEU, affected Kazakhstan's producers, as the requirements put forward to them and new technological standards have a negative impact and restrict the activities of small and large producers[1].

The Kazakh market is filled with products from the customs Union and the CIS countries, and there is a shortage of condensed milk, cottage cheese and cheese of domestic production on the shelves [2]. At the same time the head of state set task to replace, missing the import of food products and to increase exports by half, hence the importance of finding effective directions of development of small enterprises, which meet the modern market economy, to improve self-organization, strengthen sectoral collaboration, to apply modern development strategies, making this study relevant[3].

The purpose of the work is to substantiate, develop methodological foundations and practical recommendations for the development of entrepreneurial activity in the production sector.

In accordance with this goal, the following tasks are set:

- to give a theoretical justification of the significance of the development of entrepreneurship in the field of production;

- research trends in the development of entrepreneurship in the field of production in the Republic of Kazakhstan;

- show the possibilities of developing entrepreneurship in the field of production;

- substantiate the development strategies of enterprises in the field of production;

- develop proposals for improving the infrastructure of small businesses.

Research methodology and methodology. The theoretical and methodological basis of the research consists of the works of domestic and foreign scientists, fundamental provisions of economic theory, as well as economic reviews and reports of the Executive bodies of the Republic of Kazakhstan. The study used the following methods: system analysis, economic and statistical, abstract-logical, monographic, etc.

**Literature review.** Entrepreneurship is an important economic phenomenon for any state living in a market economy. The development of entrepreneurship determines the level of economic growth and improvement of well-being, contributing to an increase in the material and spiritual potential of society. Experts have proved that the role of the State in the development of entrepreneurship is very significant and indisputable, since the creation of the necessary conditions and material support for the subjects of the market economy create the infrastructure of business relationships. Today, Kazakhstan has created all the necessary conditions for the development of entrepreneurship [4]. Among Kazakhstani scientists, the works of many scientists of Kazakhstan are devoted to the problems of entrepreneurship, including the problems of small and medium-sized enterprises in the agricultural sector - B. Chakmak, R. Bugubaeva [5], D. Zhenshan, Esenbayeva A. E. [6] Pavlova T. I., Ramazanova Z.Sh. [7] and others. Among Russian scientists, we can note the works of Rastegaeva F.S. [8], Vasiliev K. A. [9] and others.

The policy of purposeful development of entrepreneurship and support of small and medium-sized businesses in the Republic of Kazakhstan is a priority. Since 2002, the Damu entrepreneurship development Fund has been providing loans to small and medium-sized businesses [10]. Since 2012, important tools have been launched to support entrepreneurship in the regions: the business roadmap 2020 and the employment roadmap 2020, under which entrepreneurs have received support in the form of subsidizing the loan interest rate, partial loan guarantee, training, service support for doing business, foreign internships, etc., and since December 24, 2019, a new business support and development program "business Roadmap 2025"has been approved. All these programs are aimed at implementing the messages of the President of the Republic of Kazakhstan starting with the strategy "Kazakhstan-2030" And "Kazakhstan's way-2050: common goal, common interests, common future" [11]. The purpose of which is to ensure sustainable and balanced growth of regional entrepreneurship, as well as to maintain existing and create new permanent jobs.

**Main part.** As mentioned earlier, entrepreneurship is an important economic phenomenon that contributes to the development of strategically important industries in the country. Financial support measures for entrepreneurs include:

- subsidizing the interest rate on loans, financial leasing agreements of banks, the development Bank, and leasing companies;

- partial guarantee on loans from banks, the development Bank;

- development of production (industrial) infrastructure;

- creation of industrial zones;

- long-term leasing financing [12].

The list of priority sectors of the economy for potential participants of the Program includes the agro-industrial complex, mining, light industry and furniture production, production of building materials and other non-metallic mineral products, metallurgy, Metalworking, mechanical engineering and other industrial sectors. As well as transport and warehousing, tourism, information and communication, education, health and social services, art, entertainment and recreation, and other services [13].

Since 2010, Damu entrepreneurship development Fund JSC has subsidized 15,147 projects in the amount of 2,645 billion tenge in 3 areas of the program. (Including in 2018, 1,432 projects were supported for a total amount of loans of 173 billion tenge; in 2019, 2,396 projects for a total amount of loans of 154 billion tenge) [14].

Table 1. Industry breakdown of subsidy results from 2010-2019

|  |  |  |
| --- | --- | --- |
| Industry. Number of projects, units.. | Industry. Number of projects, units | The sum of credits KZT |
| Manufacturing industry | 4 202 | 1 215 588 426 |
| Transport and warehousing | 3 385 | 384 011 858 |
| Wholesale and retail trade; repair of cars and motorcycles | 2 061 | 268 456 407 |
| Agriculture, forestry and fisheries | 1 176 | 139 949 966 |
| Health and social services | 940 | 93 438 846 |
| Accommodation and food services | 937 | 163 933 214 |
| Education | 641 | 52 971 113 |
| Arts, entertainment and recreation | 367 | 73 044 719 |
| Real estate transactions | 264 | 59 355 324 |
| The construction industry | 198 | 17 346 804 |
| Provision of other types of services | 197 | 7 001 270 |
| Mining and quarrying | 173 | 47 449 628 |
| Professional, scientific and technical activities | 172 | 9 851 596 |
| Activities in the area of administrative and support services | 155 | 13 375 260 |
| Information and communication | 112 | 22 433 626 |
| Water supply; Sewerage system, control over waste collection and distribution | 112 | 18 805 563 |
| Electricity, gas, steam and air conditioning | 51 | 58 216 260 |
| Financial and insurance activities | 3 | 65 946 |
| Activities of households that employ domestic workers and produce goods and services for their own consumption | 1 | 55 222 |
| Grand total | 15 147 | 2 645 351 046 495 |
| Source Damu entrepreneurship development Fund JSC [9] |

As can be seen from table 1 "Industry breakdown of subsidy results", most of the subsidies are allocated to projects in the manufacturing industry (4,202 projects for a total of 1,215 billion tenge), transport and warehousing (3,385 projects for 384 billion tenge) and wholesale and retail trade (2,061 projects for 268 billion tenge) tenge)

|  |  |
| --- | --- |
| Industries that receivedthe most subsidies. | Percentage ofoperating enterprises by industry |

 

Fig.1. Industries that received the largest number of subsidies and the percentage of operating enterprises by industry

As can be seen from figure 1, in the first diagram, the largest number of subsidies was allocated to manufacturing projects, this is 27%, transport and warehousing 22% and wholesale and retail trade, car and motorcycle repairs 13%, while in the second diagram, the percentage of enterprises in the wholesale and retail trade prevails-27%, construction occupies 12%, provision of other services-9%, professional and scientific and technical activities-7%, education-7%, manufacturing industry – 5%, activities related to support services-5%, agriculture and fisheries - 4%.

Table 2. Number of operating enterprises in the SME sector for 2014-2020

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020/1 | 2016/2015 | 2020/2019 |
| Republic of Kazakhstan | 865 182 | 1304747 | 1182452 | 1156436 | 1233496 | 1330244 | 1318518 | -122295 | -11726 |
| Akmola region | 33 580 | 49 742 | 44 646 | 41 754 | 44 571 | 45 453 | 44 094 | -5 096 | -1 359 |
| Aktobe | 37 206 | 50 591 | 50 682 | 50 430 | 54 691 | 59 116 | 59 439 | 91 | 323 |
| Almaty | 96 221 | 159 687 | 118 551 | 111 528 | 114 919 | 122 368 | 121 362 | -41 136 | -1 006 |
| Atyrau | 31 916 | 46 644 | 44 118 | 43 388 | 46 779 | 49 917 | 49 389 | -2 526 | -528 |
| West Kazakhstan Region | 29 135 | 39 840 | 40 344 | 37 284 | 40 298 | 42 785 | 42 254 | 504 | -531 |
| Zhambyl | 41 833 | 69 154 | 56 789 | 59 706 | 63 148 | 69 961 | 67 769 | -12 365 | -2 192 |
| Karaganda | 62 027 | 86 253 | 84 686 | 80 589 | 84 067 | 88 299 | 87 220 | -1 567 | -1 079 |
| Kostanay | 43 604 | 61 167 | 53 031 | 49 185 | 51 573 | 52 516 | 51 674 | -8 136 | -842 |
| Kyzylorda | 25 747 | 42 106 | 38 079 | 37 700 | 42 585 | 46 297 | 46 268 | -4 027 | -29 |
| Mangystau | 31 462 | 47 216 | 46 515 | 47 239 | 51 012 | 52 949 | 52 400 | -701 | -549 |
| Pavlodar | 125 951 | 185 936 | 173 611 | 179 704 | 43 643 | 45 482 | 44 868 | -12 325 | -614 |
| North Kazakhstan | 32 140 | 45 920 | 43 903 | 41 638 | 29 059 | 30 071 | 29 575 | -2 017 | -496 |
| Turkistan | 25 018 | 34 454 | 28 548 | 28 146 | 124 762 | 141 992 | 141 099 | -5 906 | -893 |
| East Kazakhstan Astana | 73 882 | 102 514 | 98 863 | 81 310 | 88 252 | 88 938 | 86 124 | -3 651 | -2 814 |
| Almaty | 55 677 | 98 740 | 99 971 | 97 197 | 118 461 | 134 475 | 135 382 | 1 231 | 907 |
| Shymkent | 119 783 | 184 783 | 160 115 | 169 638 | 177 200 | 190 190 | 190 015 | -24 668 | -175 |
| Republic of Kazakhstan | \* | \* | \* | \* | 58 476 | 69 435 | 69 586 | - | 151 |
| Compiled by the author based on data stat.gov.kz [10] |

Based on the data in table 2, it can be seen that from 2014 to 2015, the country has seen an increase in the number of operating enterprises, and by 2016 there is a decline of 0.99% or 122,295 enterprises and 148,311 less compared to 2017, respectively. This was due to the fact that, as a result of lower oil prices and the weakening of the ruble in the Russian Federation since the end of 2014 and 2015 there was a decline in the economy leading to higher inflation and lower real incomes. As a result, a large number of Russian products were imported to Kazakhstan due to the depreciation of the ruble at significantly low prices, which negatively affected the competitive environment and Kazakhstan's producers[15].

The problem of the state and development of entrepreneurship in the Republic of Kazakhstan is more clear after we pay attention to the structure and ratio of enterprises by industry in European and Asian countries.



Fig.2. Industry structure of small and medium-sized businesses in developed countries.

From figure 2, it is clear that in Europe, the vast number of enterprises engaged in trading activities – 21%, but at the same time, there is a large number of enterprises in the industry is -18% of the total number of enterprises, transport and communications – 14%, construction 13%, services – 11% of population – 12% of enterprises in agriculture is 11% of the total number of enterprises. As for the industry structure of small and medium-sized enterprises in Asia, such as Japan, Malaysia, and China, we see that there is a high concentration of enterprises in industry – 41% of the total number of enterprises, agriculture – 21%, trade enterprises – 16%, transport and communications – 12%, and construction – 10%. As can be seen from figure 2, in the developed countries of Europe and Asia, small and medium-sized businesses cover all sectors of the economy, pay attention not only to industrial enterprises, or trade, but also to agriculture as a source of food security and a profitable industry, as well as pay attention to enterprises in the field of transport and communications, construction, and services.

In the Republic of Kazakhstan as already noted all necessary conditions are created for development of entrepreneurship, since entrepreneurship support programs at the state level, finishing services advice on one stop when the entrepreneur by contacting the office of "Damu" Fund can obtain the necessary assistance.

**Conclusions.** Based on the above, for the development of small and medium-sized businesses, following the example of developed countries, it is necessary to:

- actively increase innovative research and development programs, investing large amounts of money in them, to create advantages in the field of technology and ensure further sustainable development of its economy and export potential;

- differentiate the tax system taking into account the specifics of the field of activity (special attention is paid to high-tech and environmentally friendly technologies);

- pay special attention to the social status of entrepreneurs (special benefits for young people, women, disabled people, pensioners) and the development of the region (benefits for depressed regions);

- create special quotas for small businesses when distributing government orders, including military and space orders to large corporations;

- use the unique experience of venture financing and development of small innovative firms in universities, large corporations and state research institutes;

- pay great attention to financing start-up projects and maintaining business incubators in educational institutions.

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