Entrepreneurship Development and Business Climate of Kazakhstan

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ABSTRACT

The goal is to explore the state of development of entrepreneurship and business climate for the formation of a clear mechanism of state support for small and average business in conditions of economy modernization. A special science-based methodology was developed to monitor the condition of entrepreneurship development and business climate in the country. This, in turn, will be the main lever for timely adoption of the necessary decisions by the state and targeted assistance to entrepreneurs. General research methodology of this research article is based on economic ideas and concepts. The basis for this is the management concept of small entrepreneurship in the Republic of Kazakhstan, which is determined through the use of system, functional, cluster-network scientific approaches to the formation and effective functioning of the management system. In the process of achieving the objectives of the study, a questionnaire survey was conducted, which is one of the forms of statistical observation. Of particular relevance is the development of a clear mechanism for monitoring the activities of state bodies in compliance with legislation in the sphere of entrepreneurship support in the Republic of Kazakhstan. This will allow determining clear priorities of the state policy to support entrepreneurship, to establish priorities in the development of new tools for the development of fast growing innovative small and medium-sized businesses, with the aim of providing targeted support point.

KEYWORDS

Business climate, small and medium business, 2016 the concept of management, affiliate programs, state support

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Introduction

Modernization of Kazakhstan economy in the entrepreneurship development is a strategic task that is an important indicator of the effectiveness of economic policy. The decision will determine the direction of the economy in the future.

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Objectives of the modernization are the focus of socio-economic policy of the leadership of Kazakhstan, announced by the President N. A. Nazarbayev in his message to the Kazakhstan nation. The new strategy of the President is, on the one hand, the continuation of the reforms that were carried out in the framework of the Development Program-2030, and on the other hand is a completely separate document. It is based on a deep analysis of the processes taking place in global politics and economy (Anon., 2012a). Tasks set by the President of Kazakhstan and methods of their implementation now are confirmed by the practice of the leading economies in the world (Anon., 2011; Tolmachev, Ulianova & Pleaner, 2015; Anon., 2015b).

The development of entrepreneurship is due to the fact that, firstly, it is one of the main directions of market reforms reconstruction (Auezkanov, 2009; Toxanova & Zhakupova, 2012; Anon., 2004); secondly, it is the structural state reform to regulate this economy sector (Buruy, Morford & Snider, 2002; Annoni & Dijkstra, 2013; Kew et al., 2013); thirdly, there is a need to study the peculiarities of those factors and conditions that develop entrepreneurial potential (The entrepreneurship barometer, 2012; Cooney, 2012; Abdymanapov et al., 2016). In this regard, the scientific analysis of factors affecting the development of entrepreneurship takes on new aspects in the solution of problems of social inequality, reproductive processes stabilization and sustainable economic growth (Medvedeva, 2015).

Since 2000, Kazakhstan demonstrates steady economic growth. The issues of structural reorganization replaced the purely institutional transformations (The entrepreneurship barometer, 2012). Economic modernization of Kazakhstan is focused on the transformation of the productive forces and of the institutional environment with the aim of increasing the sustainability of economic development and competitiveness of the country. Practice shows that achieving these objectives requires consideration of the role of small and medium-sized businesses in economic development (Tolmachev, Ulianova & Pleaner, 2015).

An example of this was the overcoming the crisis effects by the Kazakhstan economy, where small and medium business not only have a significant potential for sustainability, but also under certain conditions may become an important factor of economic growth, employment, increase in competition and innovation activity (Anon. 2015c).

Economic and social directions of production efficiency increase should go hand in hand and focus on reforms that will make the economy more productive and open to employment opportunities for all segments of the population (Anon., 2014c). The study of entrepreneurship development problems, including small and medium-sized, has found a wide coverage in scientific literature (Medvedeva, 2015; Tolmachev, Ulianova & Pleaner, 2015; Weaver, Liguori & Vozikis, 2011), which provides for the urgency of this problem.

The contribution of this article to the world science lies in the development of a complete concept of the state support for small and medium business, its role in the modernization of transitional economies in general and in the context of global financial instability, in particular. Moreover, this article contributes to the development of a clear mechanism to monitor the activities of state bodies in compliance with legislation in the sphere of entrepreneurship support in the Republic of Kazakhstan. This will allow determining clear priorities of the state policy to support entrepreneurship, establishing priorities in the creation of new
tools for the development of fast growing innovative small and medium enterprises (SMEs), to provide them with the target support. **Aim of the Study**

To examine the current state of small and medium business in conditions of economy modernization. **Research questions**

- What is the condition of business climate in Kazakhstan?
- What kind of support can the State provide to small and medium businesses?

**Methods**

General research methodology of this article is based on theoretical ideas and concepts. In the article, the authors have implemented a systematic approach to the study of processes, institutions and mechanisms of state support for small and medium business development, based on the modernization of the national economic system. In the work, we used such methods of scientific knowledge, as a comparative analysis, monitoring, systematization. To obtain qualitative information on entrepreneurship development, we conducted surveys, which are one of the forms of statistical observation.

A special science-based methodology was developed to monitor the condition of entrepreneurship evolvement and business climate dynamics in the country. This, in turn, will be the main lever for timely adoption of the necessary decisions by the state and targeted assistance to entrepreneurs. General research methodology of this article is based on economic ideas and concepts. They are based on the management concept of small entrepreneurship in the Republic of Kazakhstan, which is determined by the use of system, functional, cluster-network scientific approaches to the formation and implementation of effective functioning of the management system. **Data, Analysis, and Results**

Entrepreneurial activity is a complex phenomenon that describes the involvement of people in creating new companies, managing recently created and established companies, and closing a business. Entrepreneurial activity is a dynamic process, therefore, the Global Entrepreneurship Monitor (GEM) analyzes the different stages of business development: from idea of the company creation – to nascent entrepreneurs and to emerging and established companies.

Entrepreneurial activity and entrepreneurial potential can be realized only in the case of guaranteed stability of fiscal and regulatory terms.

The Recommendations of international rating agencies on the methodology for filling in the indicators characterizing business climate, use the general statistical theory, international recommendations and certain methodological materials that are used in the practice of socio-economic and industrial statistics (Anon., 2014d).

To obtain qualitative information about the development of businesses, we have conducted a questionnaire survey, which is one of the forms of statistical observation. Quantitative indicators of employees’ number and volume of industrial production are used in surveys as the statistical weight of the observation units.

Kazakhstan Statistics Agency currently conducts the following market surveys: in industry – monthly and quarterly 855 enterprises; in agriculture – quarterly 1,500 units; in building industry – quarterly 400 organizations; in trade –monthly 1,500 enterprises of wholesale and retail trade and purchasing agencies; in transport – quarterly 450 enterprises; in communication – quarterly 300 companies; in the provision of computer services – quarterly 300 enterprises; in the sphere of tourism – quarterly 200 tourist organizations; competitiveness of industrial products on the sales market 2 times a year (April, October) – 855
enterprises; innovation activity – biannually 855 industry enterprises, 400 construction and 260 scientific organizations.

The surveys' results of business activity of enterprises in such spheres as industry, construction and trade allow monitoring the status and development of entrepreneurship in the context of these industries. Based on the data, we can identify trends and determine “turning points” in development of the industry. In particular, one of the main indicators is the “index of business confidence”. In industry, a “business confidence index” is aggregated from three performance indicators (components): the expected output; actual demand; the current balances of finished products.

Analysis of data obtained through surveys of business activity of enterprises and organizations allows us to provide the authorities with timely information about qualitative changes in the leading sectors of the economy with the aim of making the right management decisions.

When writing the scientific article, the authors used materials of the "Damu" Fund and the Center of Business Information, Sociological and Marketing Research "BISAM Central Asia", which covers 16 regions of the country. The following information is presented (Anon., 2014b):

- sources of initial capital in terms of regions (% of working entrepreneurs);
- entrepreneurs' assessment of the business development level in terms of regions (% of working entrepreneurs);
- self-assessment of entrepreneurs (according to the groups of regions);
- assessment of the financial condition of their own business in terms of industries (% of working entrepreneurs);
- assessment of the appraised value of their own business in terms of industry (% of working entrepreneurs);
- business development strategy according to the status categories of entrepreneurs (% of working entrepreneurs).

Across the regions, there are large differences in survival and growth of SME sector. It has been proven that in regions with high potential of SME, the economic growth is be higher in comparison with regions that have relatively weak business sectors. Thus, we can conclude that each region needs its own strategy for the development of SME.

Sector monitoring of small and medium enterprises may include measurement of attitudes to the beginning and development of the business (Anon., 2013a). The approach definition is one of the components in the methodology development to monitor the state of entrepreneurship in the context of industries and regions.

Monitoring involves the routine collection of data, comparison of actual results with the goals, identifying problems and the obtained results, i.e. the evaluation. In particular, the assessment in relation to the monitoring methodology allows you:

- to analyze why results were not achieved;
- to estimate the contribution of various activities to results;
- to check the progress of activities;
- to explore achieved and not achieved results;
- to learn lessons, celebrate successes, potential;
to develop recommendations for improving implementation of the state policy of support and development of entrepreneurship.

In general, the monitoring methodology needs to provide the balanced compliance of principles, strategies, goals and objectives, which helps to improve the power of entrepreneurship and the business environment (Anon., 2007).

Let us consider the indicators on different management levels (Figure 1).

The business climate also requires a continuous monitoring, i.e. the complex environment, in which business operates. The main conditions conducive to entrepreneurship development are (Burry, Morford & Snider, 2002): political stability; macroeconomic stability; predictability or forecastability of the economic situation; the transparency of laws and regulations and their effective implementation in practice; developed production infrastructure, etc. Taking into account these conditions, the business environment is evaluated according to the international rating agencies – the World Bank and the World Economic Forum, which can be used for monitoring.

**Figure 1. Monitoring at different levels of management**

The developed program of forced industrial-innovative development of Kazakhstan for 2010-2014 considers a state policy for support and development of small and medium enterprises and builds a new ideology of relations between the state and business, the main purpose of which is to increase the competitiveness of the country. The following activities are involved in the Program implementation:

1. Delivery of "anchor" investment projects for long-term economic diversification of industry in one-company towns. The local executive bodies jointly with the authorized body in the sphere of state support for industrial and innovative activities will select from 1 to 3 "anchor" investment projects to implement them in each one-company town.

In addition, socio-entrepreneurial corporations (hereinafter – SEC) will consider the possibility of entering to the authorized capital of the companies established in these towns for the realization of "anchor" investment projects, based on the specifics of the company, and the financial, economic and production feasibility of the project (Anon., 2013b).
To include SPK in these projects, the increase of the share capital of SPK is implemented in single-industry towns, in the order established by the budget legislation of the Republic of Kazakhstan. State support of "anchor" investment projects will be implemented in the framework of entrepreneurship support programs (programs "business Road map 2020", "Productivity 2020" and other sectoral programs).

2. State support of projects of small and medium enterprises will be implemented through the provision of measures, placing the national holding companies and subsidiary service industries, orders in single-industry towns taking into account their specifics.

3. JSC "NWF "Samruk-Kazyna" JSC "NMH "KazAgro" will be taken on possible realization of investment projects in single-industry towns based on the specifics of the company, financial, economic and production feasibility of the project.

4. The restoration of the former specialisation in mono.

To enhance small and medium enterprises in these towns, the following additional steps will be taken (Anon., 2012b):

1) subsidizing interest rates on loans without sectoral restrictions and the increase in the size of interest rate subsidies on loans for single-industry towns with low and medium potential;

2) development of production (industrial) infrastructure;

3) providing grants for the creation of new industries in the amount of from 1.5 to 3.0 million tenge;

4) implementation of affiliate programs (States with town-forming enterprises) for development of small entrepreneurship;

5) establishment of business incubators with the microcredit organizations;

6) the creation of business support centers;

7) promote entrepreneurship of self-employed, unemployed and poor population.

In addition, the subject of private entrepreneurship in single-industry towns may be rendered comprehensive support in all tools. The conditions for the development of industrial infrastructure will be the summing up of the missing infrastructure and can be carried out for projects aimed at the modernization and expansion of production facilities for individual projects individually and within the organization of industrial sites.

The grant funds will be provided by the government through local Executive bodies (hereinafter – the coordinator) at the end of the contests for the selection of entrepreneurs for the provision of targeted grants.

The funds allocated from the Republican budget will be directed to local budgets with the definition of individual quotas for the towns.

A mandatory condition of the business project is co-funded by the entrepreneur costs to sell at the rate of not less than 20% of the amount provided by the Grant.

Implementation of affiliate programs state to the core enterprises will focus on the development and support of small and medium enterprises (SMEs) in the regions by bringing together large companies, government and financial institutions on the example of LLP "Corporation "Kazakhmys".

The mechanism for the implementation of affiliate programs:
1) development of a joint action plan with the large companies for the implementation of the partnership program; 
2) signing of memoranda of understanding and cooperation between the large company and local Executive bodies, JSC "EDF Damu" implementation of affiliate program; 
3) the creation of local associations of entrepreneurs; 
4) determination with a large company of the pilot areas for the purchase of local SMEs on the basis of the list of purchased goods and services, persons responsible, and format of interaction; 
5) establishment and maintaining of a current registry of local SMEs and their division according to types of products; 
6) conducting periodic meetings with SMEs company towns with the participation of strategic companies, the akimat, JSC "entrepreneurship development Fund "Damu"; 
7) selection of potential participants of the interested SMEs and the organization of specialized seminars and trainings for them in selected pilot areas, the organization of business trainings; 
8) long-term contracts with local SMEs; 
9) dealing with the provision of financing, assisting in the tabulation of the missing engineering infrastructure.

The business incubators will be created in all single-industry towns to support aspiring entrepreneurs. Business incubators will include the provision of premises, provision of comprehensive support budding entrepreneurs, including business, development, business plan, micro-credit, provision of services, establishment of linkages with a network of professionals and potential consumers. There will be constant training of employees of incubators with the involvement of the employees of JSC "entrepreneurship development Fund "Damu" and foreign experts in the framework of programs of international organizations and financial institutions, and their subsequent training in successful international counterparts.

To the creation and development of business incubators, a large company will be involved in the framework of the implementation of partnership programs. Business incubators will be created at the expense of local Executive bodies, as well as sponsorship of major companies in the framework of the implementation of partnership programs. Methodological support for business incubators will be carried out through JSC "entrepreneurship development Fund "Damu" with the involvement of resources of international organizations (Anon., 2015a).

The range of services the centers will include:
1) advice on opening and running a business; 
2) information about entrepreneurship support programs; 
3) clarification of conditions of work with financial institutions and advising on the collection of documents for support.

Currently, in the Republic of Kazakhstan in the sphere of the enterprises of small and medium-sized businesses, about 1 million people are employed. Enterprises of small and medium enterprises form 11 % of the budget, their share in GDP is 17%, and steadily increases the amount invested in those funds. For GDP, small and medium enterprises II takes place after the oil sector. The achieved level of formation of small and medium enterprises still needs to study the problems of its formation and growth: the development of effective and flexible
methods of evaluation, analysis, management and forecasting of the development of (Auezkanov, 2009).

The most important are financial support and support in the form of tax breaks for new entrepreneurs (Kew et al., 2013). Approximately, the same number of entrepreneurs (70%) include material support, informational, consulting support and protect businesses from bureaucratic arbitrariness in the category of most important. As can be seen from figures 2 and 3, most entrepreneurs appreciate the importance of the test directions of the state support.

![Figure 2. Evaluation of the importance of state support of entrepreneurship](image)

62% of respondents (businesspersons) believe that the state provides young entrepreneurs with targeted assistance (The entrepreneurship barometer, 2012). Overall, the importance of various directions of state support to a greater extent noted by the entrepreneurs, entrepreneurial experience which is more than 6 years. A statistically significant difference in the perception of importance of the various directions of the state support in regions of Kazakhstan is not fixed.

![Figure 3. Evaluation of the importance of state support of entrepreneurship development](image)

Summing up the conducted research, we can say that in addition to problems on the formation and implementation of state policy in the field of entrepreneurship, government functions are performed to provide financial, analytical and logistical support entrepreneurship. All of these forms of support are implemented by the state through the Executive bodies through various programs adopted at local and territorial levels, and with the help of specially created for this purpose with the participation of state capital organizations.

To assist in the implementation of the priorities of industrial development of Kazakhstan will actively cooperate with organizations, such as the United Nations industrial development (hereinafter – UNID), the International Bank for Reconstruction and Development (hereinafter – IBRD) and other international institutions. The country program will use the advanced international experience,
Let us consider the position of Kazakhstan in the global competitiveness index of the World Economic Forum (Table 1).

Table 1. Target ratings of the global competitiveness index (the place of Kazakhstan in the ranking)

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional development</td>
<td>55</td>
<td>52</td>
<td>49</td>
<td>47</td>
<td>45</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>62</td>
<td>59</td>
<td>56</td>
<td>54</td>
<td>52</td>
</tr>
<tr>
<td>The macroeconomic environment</td>
<td>23</td>
<td>23</td>
<td>23</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Health and education</td>
<td>97</td>
<td>93</td>
<td>89</td>
<td>85</td>
<td>82</td>
</tr>
<tr>
<td>Higher and professional technical education</td>
<td>54</td>
<td>51</td>
<td>48</td>
<td>42</td>
<td>44</td>
</tr>
<tr>
<td>Efficiency of the goods market</td>
<td>56</td>
<td>54</td>
<td>52</td>
<td>50</td>
<td>48</td>
</tr>
<tr>
<td>Efficiency of the labor market</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Financial market development</td>
<td>103</td>
<td>97</td>
<td>91</td>
<td>85</td>
<td>80</td>
</tr>
<tr>
<td>Technological readiness</td>
<td>57</td>
<td>54</td>
<td>51</td>
<td>49</td>
<td>45</td>
</tr>
<tr>
<td>The size of the market</td>
<td>54</td>
<td>54</td>
<td>53</td>
<td>53</td>
<td>52</td>
</tr>
<tr>
<td>The development of the business</td>
<td>94</td>
<td>92</td>
<td>90</td>
<td>88</td>
<td>86</td>
</tr>
<tr>
<td>Innovations</td>
<td>84</td>
<td>82</td>
<td>79</td>
<td>76</td>
<td>74</td>
</tr>
</tbody>
</table>

Further institutional reforms will provide a strong state protection of private property. Personnel policy should be conducted on the principles of meritocracy. Transparency at all levels of government taking into account the principle of inclusiveness minimizes the level of corruption in the state system.

The scientific novelty of this research is to develop a methodology of capacity building of small and medium business by creating incentives to increase entrepreneurial activity, human capital development, introduction of advanced technologies and management systems, selective support for cluster initiatives, creation of a network of associations, which is important for modern science.

Discussions and Conclusions

Scientific substantiation of complex of measures on support of small and medium businesses needs a more sophisticated system, which should include: development of programs for the development of cooperative relationships of SMEs with large manufacturing complexes; creating conditions for access to the scientific and technological achievements through the information dissemination and licenses granting; policy of accelerated depreciation for enterprises engaged in knowledge-intensive, dynamically developing industries; motivated by providing tax benefits to companies engaged in the development of new technologies, products and services; financial and investment support of the state for the development of scientific and technological achievements; assistance in training and retraining of professional personnel (Anon., 2004).

Studies have shown that a more stable and liberal business climate in Kazakhstan will create a new format of investment contracts with investors with the state support measures. The involvement of skilled technical personnel from other countries, will give impetus to increased competition in the labour market, increase in training of local personnel, emergence of new technical disciplines, to increase scientific and technological level of the country and development of the manufacturing industry of Kazakhstan on a new level (Anon., 2015b).
We can agree that the cluster policy is based on support for small and medium business in European countries. Clustering increases the level of interaction between a small, medium and large businesses that allows reaching the critical mass of human, financial and material resources necessary for the implementation of innovations in a short time (Tolmachev, Ulianova & Pleaner, 2015).

The problems interfering development of small business in Kazakhstan are characterized by their complexity and cannot be solved in a short time. The current state of development of the small business sector dictates the need to review the strategy for its public support (Annoni & Dijkstra, 2013). The new strategy should incorporate the sectoral and regional characteristics of small business development.

The following major components of this strategy can be offered: improvement of the existing regulatory compliance support; assistance in expanding the ways of interaction of small businesses and major companies; improvement of the taxation system; improvement of financial-credit mechanisms; elimination of administrative barriers; development of system of rendering services and providing information to small businesses (Business Development Service). Comprehensive implementation of these components will allow creating favorable conditions for development of small business in Kazakhstan in the medium term.

It should be noted that a distinctive feature in the development of entrepreneurship in the Republic of Kazakhstan is that it is regarded as a longterm, one of the key factors of economic development. **Implications and Conclusions**

The formation and development of entrepreneurship in Kazakhstan was happening in difficult and not always favorable socio-economic conditions of the transition period, against the backdrop of serious macroeconomic crisis and the decline in the living standards of people. However, to be precise, what is happening in the socio-economic life of Kazakhstan is an attempt of a secondary revival of entrepreneurship in our country.

Evidence-based evaluation of the enterprise development faces many challenges, in particular, information issues, financial, institutional, educational, and government (bureaucracy, corruption). All these problems can be solved. We believe that in the near future our country will cope with its task of solving these problems. Due to these decisions, we will develop the economy of our country as a whole.

Analysis of the status and trends of SME development in the Republic of Kazakhstan leads the author to the conclusion that as the defining imperatives of the system of state support of SME development, the following should be highlighted: the creation of incentives for sustainable growth of SMEs by creating incentives to increase entrepreneurial activity of the population; capacity development of SMEs through the growth of its competitiveness through human capital development, introduction of advanced technologies and management systems; implementation support the development of SMEs in the direction of cluster initiatives; facilitating the establishment of a network of associations.

**Disclosure statement**

No potential conflict of interest was reported by the authors. **Notes on contributors**
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