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"From Inequality to Inclusivity: An Analysis of Social Enterprises Leading to Economic Development in Kazakhstan"

by Zhibek Serik

Mentor: Nurlyaiym Zhaksybayeva

Astana, Kazakhstan

Abstract

The paper focuses on the role social enterprises could play in reducing economic inequality and improving inclusivity in Kazakhstan. This paper will assess how social enterprises have reduced social disparities through access to basic services, job creation, and community development by surveying 60 respondents and case studies on social enterprises. The survey underlines that most respondents consider social enterprises to play a very positive role in reducing economic inequality, with some limitations concerning their effectiveness at broader systemic levels. Key findings are that social enterprises are an important means of supporting disadvantaged groups and driving economic growth. However, it could be further amplified with supportive policies, improved training programs, and more public awareness. It calls for reforms in policies and strategic partnerships to enhance the role of social enterprises in achieving economic inclusivity and sustainable development.

Key words: Social enterprises, economic inequality, inclusivity, Kazakhstan, community development, employment opportunities, policy recommendations, sustainable development

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1. Introduction

Economic inequality can be defined by people's different positions in the financial distribution regarding income, wage, and wealth. It also depends on people's gender, age, presence of disability or disorder, race, and even ethnic background. Economic inequality is affected by income distribution, educational attainment, social policies, and employment opportunities. This issue takes place globally and has significant consequences: increased poverty, crime, violence, reduced social mobility overall low economic growth, and even more.

The research aimed to determine the social enterprise's ability to reduce economic inequity and achieve social inclusivity in Kazakhstan. This paper delves into comprehending the perceptions that emerge about the impact a social enterprise can have on economic inequality within a community and how it contributes to the appetite for social inclusivity. It also assesses how effective these social enterprises are in contributing to economic growth while comparing their impact on the quality of general life. Through measuring the public's reactions and the concrete impact of social enterprises, the research establishes the magnitude of their contribution to the reduction of economic imbalance and the positive change in social and economic welfare in the country.

The paper is structured in the following manner: Context and Background outline the economic landscape in Kazakhstan and detail the impact of the resource boom. The Literature Review undertakes existing research on economic inequality in Kazakhstan, drawing on statistical data and trends. It is followed by a detailed description of the methodology utilized to undertake the analysis, sources, and methods of data. The results present the main results of the study. Conclusion: The implications of the findings are as follows. The conclusion summarizes the main conclusions of the study.

1.1 Context and background

The issue of economic inequality in Kazakhstan can be similar to the problem in Africa. Almost half of the residents of Kazakhstan have an average monthly per capita income below the minimum wage (85 thousand tenge). At the same time, people are forced to spend more than half of this income on food. However, the richest 10% people in the country own almost 60% of all household assets, which puts Kazakhstan on par with African countries regarding wealth inequality. Consequences of this issue include high unemployment and underemployment, disparities in access to financial services, weak community resilience, inadequate access to essential resources for marginalized groups, and even more. (Inequality in Kazakhstan as in Africa – research)

Social entrepreneurship is spreading all over the world, including Kazakhstan. Four key features describe this movement: social impact, innovation, financial stability, and scalability. Shortly, it connects entrepreneurial activity with a social mission to provide economic development. The key social entrepreneurship sectors are education, health, and environmental sustainability. Social enterprises are mostly non-profit, they provide employment, respond to social problems, and increase community development.

As one can observe, social enterprises play a significant role in attending to the vital issues and problems of economic inequality in Kazakhstan. The concept of "Almaty – the city of social entrepreneurship, supported by Almaty Management University and its Centre for Social Entrepreneurship, reveals the increasingly existing ecosystem of support for social entrepreneurship. This is an important ecosystem for expanding the role that social enterprises play in Kazakhstani society, making sure they can continue to innovate and lead positive social change.

In addition, it is possible to view the Nazarbayev University's Research Center for Entrepreneurship dedicated to empowering innovation and creating more social enterprises for sustainable development in the future. The NURCE community has contributed brilliantly to women's involvement in social entrepreneurship and played a crucial role in bridging social development in Central Asia. Even more interesting is that they published their book on trans locality and entrepreneurship.

"NURCE will strive to develop strong external connections with regional, national and international enterprise research in universities, economic development, business and other networks."

Shumaila Yousafzai,
Director and Founder of NURCE

Social entrepreneurship contribution to poverty reduction and economic growth

Social enterprises significantly impact job creation and employment opportunities, particularly in underserved communities, which can lead to a decrease in unemployment rates in Kazakhstan. Their main objective is to help society and create a resilient local economy. They often source all of their materials locally and reinvest all profits back into business development. Social enterprises are nonprofit organizations demonstrating successful business models to inspire entrepreneurs to create more ventures with substantial social value, further leading to economic growth and development. Social entrepreneurship aligns with the Sustainable Development Goals (SDGs), including Goal 1: No Poverty, which can be addressed by providing access to

essential services and helping marginalized workers gain skills and confidence. Additionally, Goal 10: Reduced Inequality is also supported by creating businesses with social value that address both social and economic disparities through mission-driven activities. (United Nations in Kazakhstan 2024)

2. Literature review

Review on Economic Inequality in Kazakhstan, Statistical Data and Trends

According to the World Bank, the current state of the economy of Kazakhstan is considered to have significant disparities. Here are the more specific details and data that can help to define the state of the economy of Kazakhstan. In 2021, the value of the Gini coefficient was 29.2 which determines the moderate level of income inequality in Kazakhstan. Regarding the graph, the lowest Gini index was 26.8 in 2015. This measures income inequality within a population, with 0 representing perfect equality and 100 representing perfect inequality.

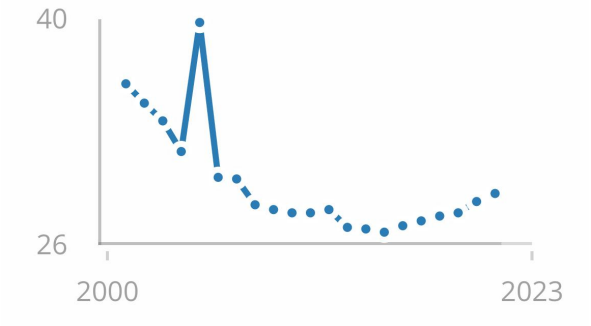


Figure 1: Poverty and Inequality Platform
Source: World Bank (2021)

In 2023, The GDP per person employed, adjusted for purchasing power parity (PPP) indicated a high level of productivity and output per worker ($77,190). The employment rate was 4.8%. An annual household income per capita was relatively low in Kazakhstan 4,026.825 USD in December 2022. This is a modest income level and can highly reflect the standard of living. As of 2021, income inequality is evident with the top 1% of adults receiving 15% of total income, almost as much as the bottom 50% combined (16.4%). Wealth inequality is even more pronounced, with the top 1% holding nearly 30% of the wealth compared to just 5% for the bottom 50%.

In the modern world, economic inequality is a concept that includes several different categories at once (inequality of income, wealth, inequality of opportunities). It is considered one of the most important indicators for assessing the economic development of a country. Inequality has a significant impact on the economy, social structure, and political environment of society since it directly affects the standard of living of the population, social well-being and justice, and labor productivity.

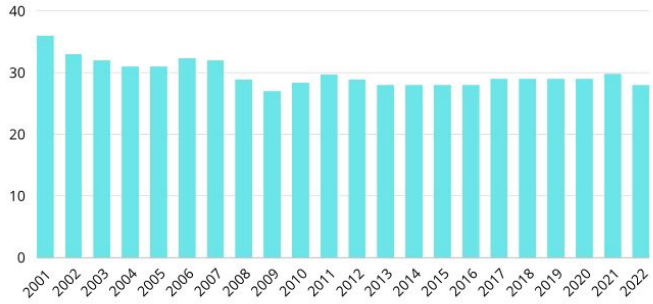


Figure 2: Gini coefficient (2001-2022)
Source: Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

Income inequality denotes the difference in the level of monetary income among various groups in the population. One of the famous indicators for assessing income inequality is the Gini coefficient. The value of the coefficient changes between 0, which stands for absolute equality, and 1, meaning absolute inequality. It simply means that the closer it is to one, the more income is concentrated in the hands of a population group. As of the results of the 2nd quarter of the year 2023, the Gini coefficient in Kazakhstan equaled 0.291. From the early 2000s until the global financial crisis of 2008-2009, the indicator decreased and reached a minimum in 2009 of 0.267. All in all, that period in the history of Kazakhstan was accompanied by record economic growth rates, which led to a considerable decline in income inequality. However, This growth was not qualitative; it was founded on commodity exports and high oil prices. The implications of the GFC contributed to a decline in household incomes and a reverse rise of the Gini coefficient in the following years. Since then, not without some fluctuations, in general, the coefficient has remained relatively stable during the last decade: Figure 5: Neither the new fall in commodity prices in 2014-2015 nor the COVID-19 pandemic was followed by any noticeable decrease or rise of the indicator.

Gini coefficient in different countries in 2021:

1. Denmark - 0.268
2. Finland - 0.273
3. Norway - 0.285
4. Sweden - 0.286
5. **Kazakhstan - 0.294**

Such low values of the Gini coefficient in Kazakhstan do not indicate a solution to the problem of income inequality. This is rather explained by the income level in the country itself, which is very low by OECD standards, so the differences between individual population groups are not so pronounced. The same Northern European countries, with incomes much higher than Kazakhstan, demonstrate low inequality rates, which is explained by various income redistribution systems within these countries. In addition, given the insufficiently representative data on individual labor market indicators (unemployment rate, significant differences between the average and median wages), as well as based on international comparisons, there are certain doubts about the reliability of official income inequality statistics in Kazakhstan.

Wealth inequality can also be measured using the Gini coefficient. Instead of income, it uses the extent to which the distribution of wealth (or asset value) between individual population groups deviates from the uniform distribution line. Its value also varies between 0 and 1, where 1 is perfect inequality.



Figure 3: Gini coefficient of wealth (2024)
Source: World Inequality Database

Thus, in 2022, the Gini coefficient for wealth in Kazakhstan was about 0.75. It is interesting to note that historically, the value of the coefficient has always been high - more than 0.7 - and from the early 2000s until the GFC, it only increased. That is, in contrast to income inequality, the growth of the Kazakh economy during this period led to an increase in the gap between rich and poor. The sharp drop in 2009 is explained not by a decrease in inequality, but

by a fall in the value of the assets themselves, owned by the wealthiest groups. Although there was some reduction in the coefficient between 2010 and 2016, after that, it began to grow again, and in recent years, it has almost returned to the 2010 values. A slight decline was also observed in 2020, which, as in the case of the IFC, is explained by the impact of the COVID-19 pandemic on asset values. In general, wealth inequality is a more acute problem worldwide than income inequality, reflected in the Gini coefficient for wealth.

Inequality of opportunities: The more general definition refers to inequality as a consequence of differences in access to opportunities regarding jobs, education, healthcare, assets, and social mobility. This type of inequality is known as inequality of opportunity. Although there are several mechanisms to measure the inequality of opportunity, due to the data availability, we will confine ourselves to analyzing only regional inequality, that is, inequality that originates depending on where a person resides. While there are not equal opportunities between various regions in any country, there is inequality in Kazakhstan. One of the indicators that measure such disparities, as before, is the Gini coefficient of income. According to the results of the 2nd quarter of 2023, the highest values of the Gini coefficient were observed in the East Kazakhstan, Ulytau, Pavlodar, and North Kazakhstan regions, where its level was 25 exceeded 0.3. They are followed by Almaty and Astana, as well as the Karaganda and Abay regions. At the same time, the lowest rates were observed in the western regions of the country, Mangistau and Atyrau, which is probably due to the high level of income in these oil-producing regions. It should be noted that the Gini coefficient was also low in Shymkent, although it, along with others, is also a large metropolis of the country. (Gini coefficient in various regions in the 2nd quarter of 2023, Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan)

Defining Social Enterprises in Kazakhstan: Key Characteristics and Features

1. GreenTAL

GreenTAL is a project aimed at training and employing people belonging to socially vulnerable categories, such as people with disabilities, single mothers, orphanage graduates, and people with mental disabilities.
They started their work in 2015 by opening a workshop to produce wicker products. Currently, the project covers 4 areas, including carpentry and welding, sewing, felt-felting workshops, and printing. Today, 62 people are involved in various areas of our project (53 of them belong to socially vulnerable categories). Masters of the sewing, carpentry, and felt-felting workshops produce unique products, such as eco-bags, branded accessories, wooden furniture and interior items, and souvenirs in the national style. The

successfully implemented Green TAL project proves that social entrepreneurship can occupy a worthy competitive niche in the business sphere of our country. The Green TAL project has received broad support from the head of state. The President of the Republic of Kazakhstan pays great attention to social entrepreneurship as one of the important vectors of developing the country's economy.



Figure 4: Askerov Emin Khalilovic, Founder of the GreenTAL, Director, popularizer of social entrepreneurship, business coach, and Founder of the first School of Social Entrepreneurship in the Republic of Kazakhstan

Project goal:
To create an infrastructure that allows for the maximum development of the potential of "special employees". To make Green TAL a model company that solves the issue of employment of socially vulnerable categories in Central Asia.

By placing an order with a social enterprise, the client supports the development of an inclusive society. Unlike large factories, their production can work out individual customer requirements to the smallest detail, creating a product that perfectly meets the request. This is a convenient localization of the production and sales department. Everything is in one place, and accordingly, adjustments occur without delays. (official GreenTAL website)

2. Kunde Cafe
One socially useful business is Kude Cafe, which helps people with neuropsychiatric disorders fit into society. The target group includes people with mental disabilities, parents, workshop workers, and workshop clients. The project, founded by Maulen Akhmetov, has a budget of 5,000,000 tenge, (10,416.36 US dollars). It is located in Astana, Kazakhstan, at Nazarbayev University and has been actively operating for three years — the first social

cafe in the capital, employing people with intellectual disabilities.

Not so long ago, this project reached the final of the international special projects competition Top-10 Innovators from Shell LiveWIRE, where there is a chance to win $10,000. Of 136 participants, two Kazakhstani projects made it into the final list: Reffilme and Kunde Cafe. Kunde Cafe seeks to create opportunities and an all-inclusive society for people with special needs. In Kazakh, "Kunde" means 'every day', corresponding to their philosophy of sustainable and effective altruism—making a difference and being the change every day.

Kunde Cafe is a pilot project — a special place for the rehabilitation, training, socialization, and finally, integration of people with mental disabilities into society. It started a year ago with therapeutic workshops for people with special needs at the Medical Center of Mental Health of Astana. These workshops, including those on art therapy and woodworking, are open spaces where people with mental disabilities, their parents, and professionals can work together. Their parents, along with psychologists, created the NGO Bakhyt — the Kazakh word for "happiness"—aiming to ensure equal rights and opportunities for special-needs people.

In a country with some 600,000 people suffering from mental health illnesses, most of whom had no jobs before Kunde Cafe, the project touches on a bigger issue. At the same time, most states treat a person with a mental health disability like a convicted criminal due to his or her diagnosis, social prejudice together puts them in a very unfavorable situation. Among people with disabilities in Astana, only 3% have jobs, and even fewer have mental disabilities. The Kunde Cafe exists due to the concept of providing equal work opportunities and letting people be a part of society to chase happiness. (Nazarbayev university social development fund, Let's open a Kunde - a cafe for everyone!)

3. Methodology

Research questions and audience responses:
A questionnaire was created in a Google Form to determine whether social entrepreneurship has a good impact and is useful for the public. Specifically, it sought to find out if social enterprises can attempt to bring down or close the gap of economic inequality within Kazakhstan. This paper had four questions to fetch data on how social enterprises influence economic inequality and create inclusiveness in communities, which was conducted on nearly 60 Kazakhstani nationals. Such methodology is useful in disclosing the role that social enterprises can play in mitigating economic and social challenges.

The research is focused on the following questions:

1. How do people perceive the impact of social enterprises on economic inequality in their community?
2. In what ways do social enterprises promote inclusivity within the community?
3. How effective are social enterprises in driving economic development in their region?
4. How do social enterprises affect the overall quality of life in their community?

Among these, two questions were specifically aimed at understanding the detailed ways social enterprises contribute to inclusivity and economic development. (The results of the survey are in the "Results" section)

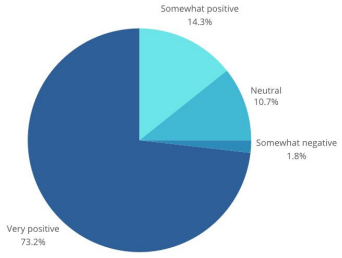
Thematic analysis provided further insight into the qualitative features of the responses to the survey. This entailed systematically perusing any open-ended responses for recurring themes and patterns. This kind of analysis is essential in bringing out subtle views of respondents on how they perceive social enterprises could play a part in promoting inclusivity and reducing economic disparities. Such responses were organized under key themes, which were then analyzed to point out significant findings and draw connections between different elements within the data obtained from the survey.

Interpretation of Findings: The findings were interpreted to establish the general effect of social enterprise as perceived by the respondents. The survey was compared with the available literature and theoretical frameworks about social entrepreneurship, economic inequality, and social inclusion. An analysis was conducted regarding how far social enterprises have contributed toward combating economic disparities and attaining inclusivity. The insights from the thematic analysis added more depth to the public's views and experiences.

Applying both quantitative and thematic methods resulted in insightful responses to how social enterprises were perceived to play a role in mitigating economic inequalities and enhancing community inclusivity. The interpretation of these findings gave an insight into how effective or influential social enterprise was in addressing critical social and financial challenges.

4. Results

Here are the 2 pie charts provided below:



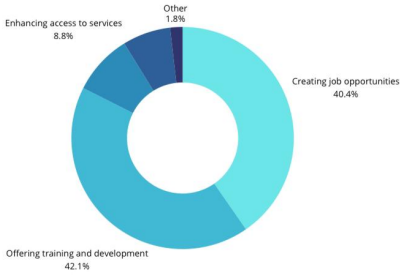


Figure 5: **Figure 6:**

Source: The author

Figure 5: Percentage of how people perceive the impact of social enterprises on economic inequality in their community. As the chart shows, there 73.2% of people consider it very positive and people think that it is still useful and somewhat positive is approximately 15%. Many respondents believe that these businesses play a central role and are considered instrumental in tackling economic inequalities by providing access to essential services and support to disadvantaged groups.

However, some respondents noted that, while social enterprises would make a positive contribution, their impact on wider economic inequality would be limited and that other issues at the system level needed to change. **Figure 6**, for example, explores in detail how social enterprises achieve inclusivity, and how they do this effectively. The largest proportion of the respondents, 42.1%, believe businesses with social value provide training and development that enable people and create better job opportunities for the future.In a nutshell, 40% of the respondents mentioned that social enterprises create jobs for socially excluded groups since this process helps in integrating those into the workforce, and decreases thereby the rate of unemployment.

The research enabled valuable insights regarding the role and influence of social entrepreneurship on social inclusiveness in Kazakhstan. For example, the study can assist in developing policies that create an environment where social entrepreneurship can be fostered. Improved policies may include tax incentives, funding, and supportive regulations that amplify the effectiveness of social enterprises. This will eventually inspire the possibility of creating a

sustainable environment for all social entrepreneurs. It is in the learning of such ways that social enterprises distinctly create social change that entrepreneurs can start working on harnessing and refining these strategies towards mission fulfillment in line with community needs. It is possible to notice that with the help of this research, the circle of the academic community and The awareness of the positive effect of businesses with great value will increase. More citizens will understand how businesses with social value operate and their important role in economic systems.

4.1 Recommendations

On these grounds, the research recommends: that policymakers and other relevant stakeholders scale up support for mechanisms of social enterprise in Kazakhstan. The way forward is to take the avenue of tax breaks, grants, and subsidies that encourage them to grow and be self-sustaining so that such organizations can avail more services to others in need of their impact. These training and development programs should also be conducted in larger numbers by the social enterprises themselves. If they are in alignment with the needs of the local labor markets and partnerships are encouraged with the educational institutions for the social enterprises to better set up the disadvantaged groups for future job prospects, then these can contribute more towards economic inclusivity. Their effects can also be enhanced by linking social enterprises with the general economic policies and having more effective sensitization in the public in terms of their role. There will be consistency between national economic policies provided by the coordination of actors within the social enterprise and levels of government. Essentially, through enlightenment programs, the general public can be more informed and supportive. Monitoring and evaluation frameworks for the impacts of social enterprises would further provide valuable insights to allow for continuous improvement and alignment with societal needs.

5. Conclusion

The research underlines the potential for social enterprises to be truly transformative in reducing economic inequality and increasing inclusivity in Kazakhstan. Social enterprises have huge potential for lowering disparities because they perform this dual function of social impact and economic development by creating jobs and providing essential services to disenfranchised communities. It returned a strong feeling among the public that such enterprises contribute positively to community well-being and economic stability. It also, however, underlines the limitations of their impact, thus suggesting that as much as social enterprises are important, they cannot single-handedly resolve broader systemic issues.

Automatically, this indicates the research that should be carried out to support a policy environment where there will be growth and the effectiveness of social enterprises. This will include making their activities sustainable and able to grow through tax incentives, grants, and subsidies, which will be directed to them. Besides, links with vocational institutions and the dimension of vocational training must be done while focusing on the local labor market demand. Raising more public awareness and anchoring social enterprises in broader economic policies will strengthen their potential contribution to promoting an inclusive environment along with economic development. These opportunities will open ways for Kazakhstan to fully tap into the potential of social entrepreneurship for enormous, positive, and sustainable change.

This could be furthered by surveying and interviewing diverse sample of social enterprises to allow a greater understanding of the impact. Case studies of individual successful social enterprises may provide an in-depth insight into the best practices and strategies for maximizing their effectiveness. Further, in-depth studies that trace the long-term outcomes of social enterprises would be able to give a clearer picture of their sustained impacts on economic inequality and inclusivity. This will open ways to enable Kazakhstan to tap fully into the potential of social entrepreneurship for enormous positive and sustainable change.

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Appendix

Google Form Questionnaire details

Questions:

1. How do you perceive the impact of social enterprises on economic inequality in your community?
Very positive: Social enterprises significantly reduce economic inequality
Somewhat positive: Social enterprises moderately impact the reduction of economic inequality
Neutral: Social enterprises have no noticeable impact on economic inequality
Somewhat negative: Social enterprises have a slight negative impact on economic inequality
Very negative: Social enterprises increase economic inequality

2. How do social enterprises contribute to inclusivity in your community?
Job creation: Providing employment to marginalized groups
Offering training and development: Ensuring skills and professional growth
Supporting local businesses: Partnering with or supporting other local businesses
Improving access to services: Providing essential services to underserved populations
Other:

3. How effectively do social enterprises contribute to economic development in your region?
Very effectively: Social enterprises significantly contribute to economic development
Moderately effectively: Social enterprises contribute to economic development, but to a minor extent
Slightly effectively: Social enterprises play a minor role in economic development
Ineffectively: Social enterprises do not contribute to economic development
Unsure: Insufficient information to assess the impact

How do you assess the overall effect of social enterprises on the improvement of quality of life in your community?
Excellent: Social enterprises significantly improve the quality of life
Good: Social enterprises have a positive impact on the quality of life
Satisfactory: Social enterprises have a modest influence on the quality of life
Poor: Social enterprises have a limited impact on the quality of life
Very Poor: Social enterprises negatively affect the quality of life