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REGIONAL HETEROGENEITY OF SMALL AND MEDIUM-SIZED ENTERPRISES IN KAZAKHSTAN: EMPLOYMENT, LABOUR PRODUCTIVITY AND SPATIAL CONCENTRATION

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Abstract. Small and medium-sized enterprises (SMEs) are treated in Kazakhstan as the main source of new jobs, yet their economic weight is spread very unevenly across the country. The article assesses regional differences in the size, employment and labour productivity of the SME sector and examines how these differences changed during 2024. The study uses official data of the Bureau of National Statistics for 17 regions and 3 cities of republican significance as of 1 January 2024 and 1 January 2025. The methods include structural analysis, regional contributions to growth, the Theil index with a between/within decomposition, Spearman rank correlation and a two-dimensional typology of regions by employment dynamics and real productivity. Almaty and Astana together account for 29.7% of active SMEs, 33.9% of SME employment and 49.7% of SME output. Output per employed person differs across regions by a factor of 4.1. The Theil index fell from 0.105 to 0.087, but the decline took place among the oblasts, while the gap between the large cities and the rest of the country did not narrow. SME productivity is positively associated with the SME share in gross regional product ($\rho = 0.58$). The findings support a regionally differentiated SME policy.

Keywords: small and medium-sized enterprises, employment, labour productivity, regional inequality, Theil index, Kazakhstan.

РЕГИОНАЛЬНАЯ НЕОДНОРОДНОСТЬ МАЛОГО И СРЕДНЕГО ПРЕДПРИНИМАТЕЛЬСТВА В КАЗАХСТАНЕ: ЗАНЯТОСТЬ, ПРОИЗВОДИТЕЛЬНОСТЬ ТРУДА И ПРОСТРАНСТВЕННАЯ КОНЦЕНТРАЦИЯ

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Аннотация. Малое и среднее предпринимательство (МСП) рассматривается в Казахстане как основной источник новых рабочих мест, однако его вклад в экономику распределён между регионами крайне неравномерно. Цель статьи – оценить региональные

различия в масштабах, занятости и производительности труда МСП и выявить, как эти различия изменились в 2024 году. Исследование опирается на официальные данные Бюро национальной статистики по 17 областям и 3 городам республиканского значения на 1 января 2024 и 2025 гг. Применены структурный анализ, расчёт вкладов регионов в прирост, индекс Тейля с декомпозицией на меж- и внутригрупповую составляющие, ранговая корреляция Спирмена и типология регионов по сочетанию динамики занятости и реальной производительности. Установлено, что города Алматы и Астана сосредотачивают 29,7% действующих субъектов МСП, 33,9% занятых и 49,7% выпуска. Разрыв в выпуске на одного занятого между регионами достигает 4,1 раза. Индекс Тейля снизился с 0,105 до 0,087, однако сокращение произошло внутри группы областей, тогда как разрыв между мегаполисами и областями не уменьшился. Выявлена значимая связь между производительностью МСП и их долей в ВРП ($\rho = 0,58$). Сделан вывод о необходимости региональной дифференциации мер поддержки МСП.

Ключевые слова: малое и среднее предпринимательство, занятость, производительность труда, региональное неравенство, индекс Тейля, Казахстан.

ҚАЗАҚСТАНДАҒЫ ШАҒЫН ЖӘНЕ ОРТА КӘСІПКЕРЛІКТІҢ ӨҢІРЛІК ӘРКЕЛКІЛІГІ: ЖҰМЫСПЕН ҚАМТУ, ЕҢБЕК ӨНІМДІЛІГІ ЖӘНЕ КЕҢІСТІКТІК ШОҒЫРЛАНУ

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Аңдатпа. Қазақстанда шағын және орта кәсіпкерлік (ШОК) жаңа жұмыс орындарының негізгі көзі ретінде қарастырылады, алайда оның экономикадағы үлесі өңірлер арасында біркелкі бөлінбеген. Мақаланың мақсаты – ШОК ауқымындағы, жұмыспен қамтудағы және еңбек өнімділігіндегі өңірлік айырмашылықтарды бағалау және олардың 2024 жылы қалай өзгергенін анықтау. Зерттеу Ұлттық статистика бюросының 17 облыс пен республикалық маңызы бар 3 қала бойынша 2024 және 2025 жылдардың 1 қаңтарындағы ресми деректеріне негізделген. Құрылымдық талдау, өңірлердің өсімге қосқан үлесін есептеу, топаралық және топішілік құрамдастарға жіктелген Тейл индексі, Спирменнің рангтік корреляциясы және өңірлерді жұмыспен қамту мен нақты өнімділік серпіні бойынша типологиялау әдістері қолданылды. Алматы мен Астана қалаларында жұмыс істеп тұрған ШОК субъектілерінің 29,7%-ы, ШОК-та жұмыспен қамтылғандардың 33,9%-ы және өнім шығарылымының 49,7%-ы шоғырланған. Бір жұмыспен қамтылған адамға шаққандағы шығарылым өңірлер арасында 4,1 есе ерекшеленеді. Тейл индексі 0,105-тен 0,087-ге дейін төмендеді, бірақ бұл төмендеу облыстар тобының ішінде болды, ал ірі қалалар мен облыстар арасындағы алшақтық қысқарған жоқ. ШОК өнімділігі мен олардың ЖӨӨ-дегі үлесі арасында оң байланыс анықталды ($\rho = 0,58$). Нәтижелер ШОК-ты қолдау шараларын өңірлер бойынша саралау қажеттігін көрсетеді.

Түйін сөздер: шағын және орта кәсіпкерлік, жұмыспен қамту, еңбек өнімділігі, өңірлік теңсіздік, Тейл индексі, Қазақстан.

Introduction. Over the past decade Kazakhstan has moved small and medium-sized business from the margins of economic policy to its centre. The Concept for the Development of Small and

Medium-Sized Entrepreneurship until 2030, adopted in April 2022, sets three quantitative targets for the end of the decade: the SME share in GDP should reach 40%, the share of medium-sized firms in GDP should reach 20%, and the number of people employed in SMEs should rise to 5 million (Government of the Republic of Kazakhstan, 2022). Measured at the national level, the country is close to the first target. According to the Bureau of National Statistics, SMEs produced 39.3% of GDP in January–September 2024, which is 2.8 percentage points more than a year earlier (BNS, 2025b).

National averages, however, say little about where this contribution is produced. Kazakhstan is a large country with a highly uneven settlement pattern and an economy in which resource extraction, manufacturing and services are located in different parts of the territory. A single figure for SME share in GDP may therefore combine a dense, service-based SME sector in the two largest cities with a sector that in many oblasts consists mainly of one-person businesses and farms. For employment policy this distinction matters. The same number of jobs has very different implications for income and tax revenue depending on whether it is created in a medium-sized manufacturing firm or in a sole proprietorship in a rural district.

The literature on SMEs and job creation has long warned against treating firm size as a proxy for economic dynamism. Since the early claim that small firms create most new jobs (Birch, 1979), studies using better data have shown that the relation depends strongly on firm age and on how growth is measured (Neumark et al., 2011; Haltiwanger et al., 2013). Evidence for developing economies suggests that small firms do account for a large share of employment and job creation, but large firms tend to be more productive (Ayyagari et al., 2014). The observation that low-productivity informal and micro firms dominate the enterprise structure of poorer economies (Tybout, 2000; La Porta and Shleifer, 2014; Hsieh and Olken, 2014) is directly relevant for regions of Kazakhstan where individual entrepreneurs make up the bulk of registered SMEs.

The purpose of this article is to assess regional differences in the scale, employment and labour productivity of the SME sector in Kazakhstan and to determine whether these differences widened or narrowed in 2024. The study addresses three questions. First, how concentrated is SME activity across the 20 regional units of the country? Second, is higher SME productivity in a region associated with a larger SME share in its gross regional product? Third, did regional employment growth in SMEs in 2024 come together with productivity gains, or at their expense?

The contribution of the paper is empirical and methodological. It uses the most recent complete regional release of the Bureau of National Statistics, which reflects the new administrative division introduced in 2022 (Abai, Zhetisu and Ulytau regions), and applies a decomposable inequality measure to separate the gap between the large cities and the oblasts from inequality within the oblast group. This distinction has not, to the author's knowledge, been drawn in earlier studies of Kazakhstan's SME sector.

Literature review.

Research on the role of SMEs in economic development follows two lines. The first examines whether SMEs cause growth or simply accompany it. In a cross-country study, Beck et al. (2005) found a robust positive association between the SME share of manufacturing employment and GDP per capita growth, but no evidence that SMEs cause growth or reduce poverty once other factors are controlled for. The authors concluded that the business environment, rather than firm size as such, should be the object of policy. The second line concerns job creation. Neumark et al. (2011) confirmed a negative relation between firm size and net job creation in the United States, whereas Haltiwanger et al. (2013) showed that once firm age is taken into account, the size effect largely disappears: young firms, not small firms, generate disproportionate job growth. For developing countries, Ayyagari et al. (2014) reported that small firms employing fewer than 20 people have the largest shares of job creation, while large firms show higher productivity growth.

A related debate concerns the so-called missing middle. Tybout (2000) argued that manufacturing in developing countries is dominated by very small and very large establishments, with few firms in between. Hsieh and Olken (2014) revisited this pattern with data for India, Indonesia and Mexico and found no evidence of a missing middle; instead they observed a missing number of large firms and a mass of tiny, low-productivity units. La Porta and Shleifer (2014) described such units as

a structural feature of low-income economies that disappears as development proceeds, rather than as a reserve of potential growth. These findings suggest that counting the number of SMEs or the number of people formally attached to them is not sufficient to judge the quality of the sector.

The regional dimension of entrepreneurship has been studied mainly in developed economies. Glaeser and Kerr (2009) showed that local supply of suppliers and customers and the presence of many small firms in the same industry explain much of the spatial variation in new manufacturing establishments in the United States. Fritsch and Storey (2014) reviewed evidence that regional levels of entrepreneurship are persistent over long periods and shaped by historical and cultural factors, which limits the ability of short-term programmes to change them. The classic Williamson (1965) hypothesis adds a development perspective: regional inequality tends to rise in the early stages of national growth and decline later, as capital, labour and knowledge spread from leading to lagging regions.

Studies of Kazakhstan confirm both the growing macroeconomic weight of SMEs and the unevenness of regional development. Syzdykova and Azretbergenova (2025), using an ARDL model for 2000–2023, found a positive short- and long-run effect of SME output on economic growth. Anessova et al. (2023) compared regional dynamics of key economic indicators and identified persistent disproportions in financial conditions, business development and living standards across regions. However, the existing literature rarely separates the size of the SME sector from its productivity at the regional level, and it tends to rely on data preceding the 2022 administrative reform. The present study aims to fill this gap with a region-by-region analysis of the latest available data.

Materials and methods.

The empirical base consists of the official statistical bulletin of the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, "Small and Medium-Sized Entrepreneurship", published on 15 April 2025 (BNS, 2025a), and the accompanying monitoring release (BNS, 2025b). The data cover 17 oblasts and 3 cities of republican significance (Astana, Almaty and Shymkent). For each region the bulletin reports the number of active SMEs and the number of people employed in them as of 1 January 2024 and 1 January 2025, the value of SME output for 2023 and 2024, and the share of SME gross value added in gross regional product (GRP) for January–September 2024. SMEs are defined according to Article 24 of the Entrepreneurial Code of the Republic of Kazakhstan (2015) and include small and medium-sized legal entities, individual entrepreneurs and peasant or farm enterprises.

Five derived indicators were calculated for each region: (1) the average number of employed persons per active SME; (2) SME output per employed person as a proxy for labour productivity; (3) annual growth rates of the number of SMEs, employment, output and productivity; (4) the contribution of each region to national growth in SME employment and output, calculated as the absolute regional increase divided by the national base-year value; and (5) real productivity growth, obtained by deflating nominal output growth with the December-to-December consumer price index for 2024, which amounted to 8.6% (BNS, 2025c). The CPI is a rough deflator for business output, and the real growth figures should be read as approximate.

Regional inequality in SME labour productivity was measured with the Theil index weighted by employment:

$$T = \Sigma_i \, s_i \, (y_i / \mu) \, \ln(y_i / \mu),$$

where s_i is the share of region i in national SME employment, y_i is SME output per employed person in region i and μ is the national average. The Theil index belongs to the class of additively decomposable measures (Theil, 1967; Shorrocks, 1980), so total inequality can be split into a between-group component and a within-group component. Two groups were distinguished: the three cities of republican significance and the 17 oblasts. The coefficient of variation was calculated as a supplementary unweighted measure.

The relation between SME productivity and the SME share in GRP was tested with Spearman's rank correlation, which is less sensitive than Pearson's coefficient to outliers such as the oil-producing Atyrau region. Finally, regions were grouped into four types according to the sign of SME employment

growth and the sign of real productivity growth in 2024. All calculations were performed in Python (pandas, SciPy). The data refer to a single year, so the analysis is descriptive and does not claim causal relations.

Results.

National structure of the SME sector.

As of 1 January 2025 Kazakhstan had 2,071.7 thousand active SMEs employing 4,422.1 thousand people. During 2024 the number of active SMEs increased by 3.5%, employment by 2.2%, and nominal output by 19.2%, from 68.7 to 81.9 trillion tenge. Deflated by the CPI, output growth amounted to about 9.8%. Output per employed person rose from 15.9 to 18.5 million tenge, or by about 7.4% in real terms. At this pace of employment growth the 2030 target of 5 million SME workers is attainable: it would require an average annual increase of about 2.1% over six years, slightly below the 2.2% observed in 2024.

The composition of the sector is shown in Table 1. Individual entrepreneurs account for 69.7% of active SMEs and 43.2% of SME employment, but for only 15.1% of output. An average individual entrepreneur employs 1.3 people, including the owner, and produces 6.5 million tenge of output per worker. Small legal entities show the opposite pattern: 17.5% of units, 40.0% of employment and 64.7% of output. Medium-sized legal entities are few (3,135 units), but with an average of 129 employees they have the highest output per worker, 34.3 million tenge. Peasant and farm enterprises were the only category that contracted in 2024: their number fell by 3.3%, employment by 3.2%, and output by 1.2% in nominal terms.

Table 1. Structure and dynamics of the SME sector in Kazakhstan by type of entity, 2024

Type of entity	Active units, 01.01.2025	Share of units, %	Share of employment, %	Share of output, %	Employed per unit	Output per employed, mln tenge	Output growth, %
Small legal entities	363,012	17.5	40.0	64.7	4.9	30.0	12.4
Medium legal entities	3,135	0.2	9.1	16.9	129.0	34.3	14.7
Individual entrepreneurs	1,444,485	69.7	43.2	15.1	1.3	6.5	83.5
Peasant/farm enterprises	261,025	12.6	7.6	3.3	1.3	8.0	−1.2
Total SMEs	2,071,657	100.0	100.0	100.0	2.1	18.5	19.2

Note: compiled and calculated by the author based on BNS (2025a). Output growth is nominal, 2024 to 2023. Shares may not add up to 100 due to rounding.

A notable feature of 2024 is the jump in output reported for individual entrepreneurs, from 6.7 to 12.3 trillion tenge (+83.5%). This single category contributed 8.2 of the 19.2 percentage points of national SME output growth, almost as much as all small legal entities (8.5 percentage points). If individual entrepreneurs are excluded, nominal SME output grew by 12.2%. The change is too large to be explained by the 5.6% growth in their employment alone. Possible explanations include better coverage of this category in statistical reporting and the shift of activity into registered forms. Without microdata these explanations cannot be separated, and the result is treated below with caution.

Spatial concentration.

SME activity is strongly concentrated in the two largest cities. Almaty city and Astana together account for 29.7% of active SMEs, 33.9% of SME employment and 49.7% of SME output. The concentration therefore increases from the number of firms to jobs and then to output: an average SME in these cities is larger and substantially more productive than in the rest of the country. Almaty city alone contributed 8.2 percentage points of national SME output growth in 2024, i.e. about 43% of the total increase, while its output rose by 29.2% in nominal terms. The three cities of republican significance also host the regions with the highest SME share in GRP: 72.8% in Astana, 61.2% in Almaty and 54.8% in Shymkent (Table 2).

Table 2. Regional indicators of the SME sector in Kazakhstan, 2024

Region	Employed in SMEs, thous.	Employment growth, %	Employed per SME	Output per employed, mln tenge	Real productivity growth, %	SME share in GRP, %*	Type**
Atyrau	155.3	4.9	2.5	34.7	−6.6	25.4	E+P−
Astana city	528.2	2.5	2.1	30.0	−3.3	72.8	E+P−
Almaty city	972.1	2.4	2.6	25.6	16.2	61.2	E+P+
West Kazakhstan	133.9	6.7	2.3	20.6	2.8	34.7	E+P+
Almaty region	263.6	7.7	1.8	15.7	−2.3	46.0	E+P−
Mangystau	151.0	−0.2	2.0	14.5	5.3	30.5	E−P+
Karaganda	244.6	0.3	2.4	14.5	19.4	19.7	E+P+
Kostanay	163.3	−0.2	2.5	14.5	5.0	28.7	E−P+
Shymkent city	244.6	4.8	1.8	14.2	14.6	54.8	E+P+
Akmola	148.5	4.1	2.5	13.5	10.8	28.3	E+P+
Pavlodar	144.6	5.7	2.6	13.2	8.6	21.1	E+P+
East Kazakhstan	158.7	−3.3	2.5	13.2	16.4	22.9	E−P+
Aktobe	176.1	−1.9	2.1	13.0	−5.4	28.3	E−P−
North Kazakhstan	108.7	2.8	3.1	12.1	18.8	28.4	E+P+
Zhetisu	108.4	0.3	1.8	11.8	9.1	32.1	E+P+
Abai	106.4	1.2	2.0	10.1	−3.5	18.2	E+P−
Ulytau	31.3	0.7	1.7	9.9	22.3	7.3	E+P+
Zhambyl	166.3	−1.9	1.6	9.2	12.8	23.8	E−P+
Kyzylorda	121.3	0.2	1.9	8.7	24.3	20.5	E+P+
Turkistan	295.2	2.7	1.4	8.4	19.6	27.9	E+P+
Kazakhstan	4,422.1	2.2	2.1	18.5	7.4	39.3	E+P+

** January–September 2024. ** E – employment growth, P – real productivity growth; "+" increase, "−" decrease. Note: compiled and calculated by the author based on BNS (2025a; 2025b); real growth deflated by CPI of 8.6% (BNS, 2025c). Regions are ordered by output per employed person.*

The SME share in GRP varies from 7.3% in Ulytau region to 72.8% in Astana. Low values are typical of regions dominated by large mining and metallurgical enterprises: Ulytau (7.3%), Abai (18.2%), Karaganda (19.7%), Kyzylorda (20.5%) and Pavlodar (21.1%). In these regions the SME share in GRP is low not necessarily because SMEs are weak, but because the denominator is inflated by large industrial output. Karaganda illustrates this point: its SMEs employ 244.6 thousand people, which places the region fifth in the country, and output per employed person (14.5 million tenge) is slightly above the median, yet the SME share in GRP is below 20%.

Among the oblasts, the largest number of active SMEs is registered in Turkistan region (208.7 thousand), more than in Shymkent and not far behind Astana. At the same time Turkistan has the lowest output per employed person (8.4 million tenge) and the smallest average SME (1.4 employees). The combination of many units, small size and low productivity is typical of the southern regions: Zhambyl (9.2 million tenge per worker, 1.6 employees per SME) and Kyzylorda (8.7 million tenge, 1.9 employees) follow the same pattern. This is the Kazakh variant of what Hsieh and Olken (2014) call a mass of tiny firms.

Productivity differences and their dynamics.

SME output per employed person ranged in 2024 from 8.4 million tenge in Turkistan to 34.7 million tenge in Atyrau, a ratio of 4.1. The Atyrau figure reflects the service and construction firms that work for the oil and gas sector and should not be interpreted as a sign of broad-based entrepreneurial productivity. Among the cities, Astana (30.0 million tenge) and Almaty (25.6 million tenge) are well ahead of Shymkent (14.2 million tenge), whose productivity is at the level of an average oblast.

Regional disparities in productivity narrowed in 2024. The coefficient of variation fell from 0.52 to 0.45 and the employment-weighted Theil index from 0.105 to 0.087. The decomposition, however, shows that the entire decline came from the within-group component, which fell from 0.065 to 0.044. The between-group component, which reflects the gap between the three cities and the oblasts, slightly increased from 0.040 to 0.043. As a result, the share of total inequality explained

by the city–oblast divide rose from 38% to 49%. In other words, the oblasts became more alike, while the distance between them and the large cities did not shrink.

The convergence among the oblasts was driven by fast nominal output growth in regions with low initial productivity: Kyzylorda (+35.2%), Ulytau (+33.7%), Turkistan (+33.4%), North Kazakhstan (+32.7%) and Karaganda (+30.1%). In contrast, SME output grew slowly in Aktobe (+0.9%), Abai (+6.1%) and Atyrau (+6.4%), which in real terms means a decline.

Productivity and the weight of SMEs in the regional economy.

Across the 20 regions there is a significant positive association between SME output per employed person and the SME share in GRP: Spearman's ρ = 0.58 (p = 0.007), Pearson's r = 0.57 (p = 0.009). Figure 1 shows that the relationship is driven to a large extent by the three cities, which combine high SME shares with medium or high productivity. Among the 17 oblasts alone, the rank correlation weakens to ρ = 0.47 (p = 0.059), and Pearson's coefficient is not significant (r = 0.25, p = 0.33), mainly because Atyrau combines the highest productivity with a modest SME share of 25.4%. The average size of SMEs is also positively related to productivity (ρ = 0.48, p = 0.033): regions where SMEs employ more people per unit tend to generate more output per worker.

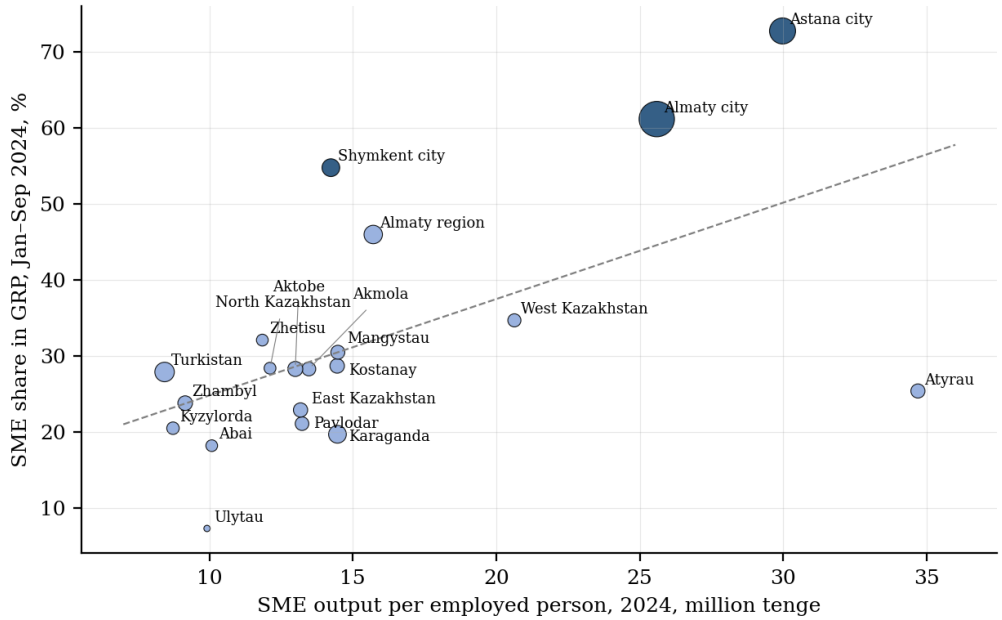


Figure 1. SME output per employed person and SME share in GRP by region, 2024

Note: compiled by the author based on BNS (2025a; 2025b). Bubble size is proportional to SME employment; dark markers denote cities of republican significance; dashed line is the linear fit.

Employment growth and productivity growth.

One concern of SME policy is that employment growth may be achieved by attaching people to low-productivity activities. The 2024 data do not support this concern at the regional level: the rank correlation between SME employment growth and productivity growth is weak and not significant (ρ = −0.21, p = 0.38). The typology in Table 2 makes the pattern more concrete. Eleven regions, including Almaty city, Shymkent, Karaganda and Turkistan, increased both SME employment and real productivity. Four regions (Astana, Almaty region, Atyrau and Abai) added jobs while real output per worker declined. In Almaty region, SME employment grew fastest in the country (+7.7%), but real productivity fell by 2.3%, which may reflect the absorption of labour from the Almaty metropolitan area into lower-value activities. Four regions (Zhambyl, East Kazakhstan, Mangystau and Kostanay) lost SME jobs but raised productivity; in East Kazakhstan, employment fell by 3.3% while real output per worker rose by 16.4%. Aktobe was the only region where both indicators decreased.

The number of active SMEs declined in five regions: Mangystau (−4.0%), Atyrau (−2.9%), Kyzylorda (−2.9%), Zhambyl (−2.7%) and Ulytau (−2.5%). In Atyrau and Kyzylorda employment

nevertheless increased, which points to consolidation: fewer but larger businesses. In Zhambyl the contraction affected both the number of firms and employment.

Discussion.

The results allow three observations. First, the national indicator of SME share in GDP is to a large extent a metropolitan indicator. Almaty and Astana produce about half of SME output, and the SME share in their GRP is two to three times higher than in most oblasts. Reaching the 40% target of the 2030 Concept therefore depends mainly on processes in these two cities, and progress towards the target may coexist with stagnation of SMEs in many regions. A regional breakdown of the target, or at least regular monitoring of regional SME productivity, would make the indicator more informative for policy.

Second, the growth of the SME sector in 2024 came mainly from the extensive margin in the southern regions and from productivity in the cities. The pattern observed in Turkistan, Zhambyl and Kyzylorda – many individual entrepreneurs with very small average size and low output per worker – corresponds closely to the structure described by La Porta and Shleifer (2014) for economies where self-employment functions as a substitute for wage employment. In such regions an increase in the number of registered SMEs does not by itself signal entrepreneurial development. Support programmes based on microloans and grants to start-ups are likely to increase the number of units further. Measures that help existing firms to grow, such as access to working capital, participation in procurement of large companies and cooperation among farm enterprises, would address the productivity gap more directly. This interpretation is consistent with Beck et al. (2005), who emphasised that the business environment, not the size structure as such, determines growth.

Third, the target for medium-sized business appears the most distant. Medium-sized legal entities produced 16.9% of SME output in 2024, and their contribution to GDP is therefore far below the 20% set for 2030. Medium-sized firms are, at the same time, the most productive segment of the SME sector. The small number of such firms – slightly more than three thousand in the whole country – confirms the observation of Hsieh and Olken (2014) that the real deficit in developing economies lies in the lack of growing firms rather than in the lack of small ones.

The finding that regional convergence in 2024 occurred within the oblast group while the city–oblast gap persisted is in line with the Williamson (1965) hypothesis for a middle-income economy: productivity spreads among similar regions faster than between the core and the periphery. It also echoes the conclusion of Fritsch and Storey (2014) about the persistence of regional differences in entrepreneurship, which suggests that the current gap between the cities and the oblasts should not be expected to close quickly without targeted measures.

The study has several limitations. The analysis covers only one year, so the results may reflect short-term factors, including price dynamics and the unusual increase in output reported by individual entrepreneurs. Output is a gross indicator and differs from value added; the use of the consumer price index as a deflator is approximate. Employment in SMEs is recorded on an administrative basis and may include people who are registered but work part-time or seasonally. Finally, the SME share in GRP refers to January–September 2024, whereas the other indicators refer to the full year. These limitations do not change the main conclusions about concentration and the structure of inequality, but they indicate that the growth estimates should be interpreted with care.

Conclusion.

The article has assessed regional differences in the SME sector of Kazakhstan on the basis of official data for 20 regional units in 2023–2024. The main conclusions are as follows.

1. The SME sector is strongly concentrated in space: Almaty and Astana account for 29.7% of active SMEs, 33.9% of SME employment and 49.7% of SME output, and Almaty alone provided about 43% of national SME output growth in 2024.

2. Labour productivity in SMEs differs across regions by a factor of 4.1. Regions with the largest number of SMEs relative to their economy (Turkistan, Zhambyl, Kyzylorda) have the smallest firms and the lowest output per worker.

3. Regional productivity disparities narrowed in 2024 (the Theil index fell from 0.105 to 0.087), but only within the group of oblasts. The gap between the cities of republican significance

and the oblasts remained unchanged and now explains about half of total inequality.

4. At the regional level, SME employment growth in 2024 was not associated with lower productivity. Eleven of the 20 regions increased both employment and real productivity; only Aktobe experienced a decline in both.

The scientific novelty of the study lies in applying a decomposable inequality measure to regional SME productivity in Kazakhstan under the new administrative division and in showing that the observed convergence is limited to the oblast group. The practical implication is that SME support should be differentiated by region: in the southern regions the priority is to help existing micro-businesses grow, in the industrial regions to link SMEs with the supply chains of large enterprises, and in the large cities to support the transition of small firms to medium size. Further research should extend the analysis to a longer period, use value added instead of gross output, and examine the sectoral structure of SMEs within regions.

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