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Analysis of Socio-Economic Development and Regional Disparities in Kazakhstan

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Abstract

This study assesses the socio-economic development of Kazakhstan's regions, emphasizing its significance for understanding their current state and prospects. The study reveals significant regional differences in key economic indicators such as Gross Regional Product (GRP), investment levels and wages. These differences highlight the need to develop targeted strategies to reduce inequalities and achieve more balanced socio-economic development across the country. The methodology involves a comprehensive analysis using key indicators based on data from the Bureau of National Statistics of Kazakhstan for 2018-2022. This approach uncovers pronounced regional disparities in wealth, access to resources, infrastructure, education, and health services. The findings reveal significant socio-economic differences among Kazakhstan's regions. While some regions exhibit high levels of economic development and investment, others are markedly behind. These disparities underscore the need for targeted strategies to mitigate inequalities and ensure more balanced socio-economic development across Kazakhstan. Addressing these disparities effectively requires a holistic approach, encompassing improvements in infrastructure, education, healthcare, economic growth, and social mobility. The study found significant socio-economic differences between Kazakhstan's regions, with high GRP and investment rates in regions such as Almaty and Astana, while others lag behind. The study contributes to the understanding of regional planning and development strategies, highlighting the need for tailored approaches that consider the unique socio-economic characteristics of each region. It is recommended to develop strategies to reduce inequality and stimulate equal development of all regions, with improved infrastructure and economic growth.

Keywords: Socio-Economic Development, Regional Differences, Kazakhstan, Gross Regional Product (GRP), Investment Activity, Salary Levels, Development Strategies, Inequality

Jel codes: R1, R4, Q01



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1. Introduction

The study of the socio-economic development of the regions of Kazakhstan is important for assessing their current state and development prospects. In the last 25 years, special attention has been paid to aspects of social infrastructure, including education, science, health, culture, arts, sports and leisure. An important sub-indicator of the development of social infrastructure is the accessibility and quality of educational institutions, assessed by the level of literacy of the population, the number and quality of schools and higher educational institutions, as well as the level of education of the population.

The socio-economic development of regions plays a key role in the long-term development of the country. Differences between regions are associated primarily with the vast territories, as well as with the diversity of the distribution of mineral resources and industrial zones (Lavrinenko et al., 2019). In the international context, despite existing theories of regional development, such as Lungen Inn's spatial lag models and Krugman's agglomeration models, these theories do not fully reflect the specifics and current state of Kazakhstan, which differ from developing countries (Lončar & Marinković, 2015; Khirivskiy et al., 2020)

Regional development is a multifaceted research topic that does not have a single comprehensive theory. It is described as a process, primarily of an economic nature, involving the transformation of regional production factors into goods and services. However, this process is also extended by social, environmental, political and cultural aspects (Kloska et al., 2020).

Thus, the purpose of this study is to assess the level of socio-economic development of the regions of Kazakhstan, as well as to identify and analyze factors influencing regional differences. Particular attention is paid to the analysis of inequality between regions in key economic indicators and investment activity to understand how these differences affect the overall socio-economic development of the country.

2. Literature Review

Modern studies of regional development address issues of socio-economic development of regions but approach this issue from different theoretical and methodological positions. The works demonstrate a deep understanding of the multidimensionality and complexity of the processes of socio-economic development of regions.

Ohlan (2012)'s study focuses on assessing socioeconomic disparities at the district level in India, using quantitative methods to analyze a wide range of socioeconomic indicators. This approach can classify areas according to development levels and identify model areas for less developed areas, which has significant implications for understanding regional planning in India.

On the other hand, Huggins and Thompson (2014) in their work explore the influence of culture on regional development by focusing on. Their approach, with an emphasis on qualitative analysis, emphasizes the role of culture in the economic dynamics of a region. The work reveals the relationship between the economic and social culture of places, exploring how these cultural aspects interact with economic development. Particular attention is paid to the uniqueness of regional cultural characteristics and their impact on socio-economic development.

Some studies, using a limited number of indicators, reveal significant regional differences and focus on persistent differentiation and inequality in the socio-economic development of regions. Slepneva et al. (2016) and Zubarevich (2019) reveal significant regional differences in economic development, including GRP per capita, the volume of goods and services produced, the volume of investment in fixed assets and other indicators. Kozyreva et al. (2017) also analyze income, unemployment rate and industrial output, emphasizing central-peripheral relations in the country's economic space and propose a system of indicators for calculating integral and general indicators of economic and social development of Ukrainian regions.

3. Data & Methodology

The research methodology of current research includes a comprehensive approach to analyzing socio-economic development of regions of Kazakhstan based on the following indicators: gross regional product (GRP), capital investment, employment levels, wages, inflation, and the standard of living. The data for the analysis was collected from the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan and covered the period from 2018 to 2022. Regional inequalities in socio-economic development represent significant differences in levels of wealth, access to resources, infrastructure, education and health services between different areas or regions within the same country or between different differences.

This color can be caused by a number of factors, as shown in Figure 1.

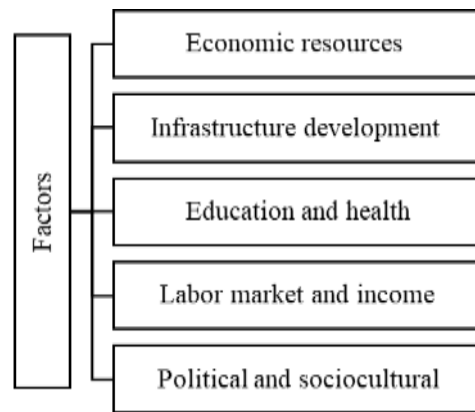


Figure 1. Factors influencing the socio-economic development of regions

Source: Compiled by the authors

Economic resources, as a factor, can influence regions in terms of investment levels, production base, access to finance and technological capabilities. The region's infrastructure also greatly influences its socio-economic development. Uneven development of roads, transport, communications, energy, and other infrastructure systems can lead to significant differences in access to resources and markets. Regions with varying levels of access to quality education and healthcare often experience disparities in opportunities for their residents. In addition, differences in wages, jobs, and professional development opportunities may also contribute to the gap between regions. Regional characteristics, such as the level of political stability, cultural characteristics, and level of public participation, can also influence inequality.

These differences in regional development can increase over time and have serious consequences, such as increased migration of people from less developed regions to more developed ones, as well as increasing social problems associated with inequality of opportunity. Tackling these disparities requires a comprehensive approach that includes improving infrastructure, access to education and health care, stimulating economic growth and promoting social mobility. Kazakhstan, as a multinational and multiregional country, is characterized by significant differences in the level of socio-economic development between its regions. Analysis of indicators of socio-economic development in various regions of Kazakhstan reveals significant differences in key areas. According to the data on the share of gross regional product (GRP), which is provided below, in different regions of the country, provided by statistical sources, the regions and cities of Kazakhstan show significant differences in economic contribution.

In addition, differences appear in other areas, such as employment levels, incomes, infrastructure and the availability of social services. These factors play an important role in shaping the living standards and well-being of residents of various regions of Kazakhstan, creating the need for targeted strategies to reduce inequalities and ensure more equal socio-economic development across the country.

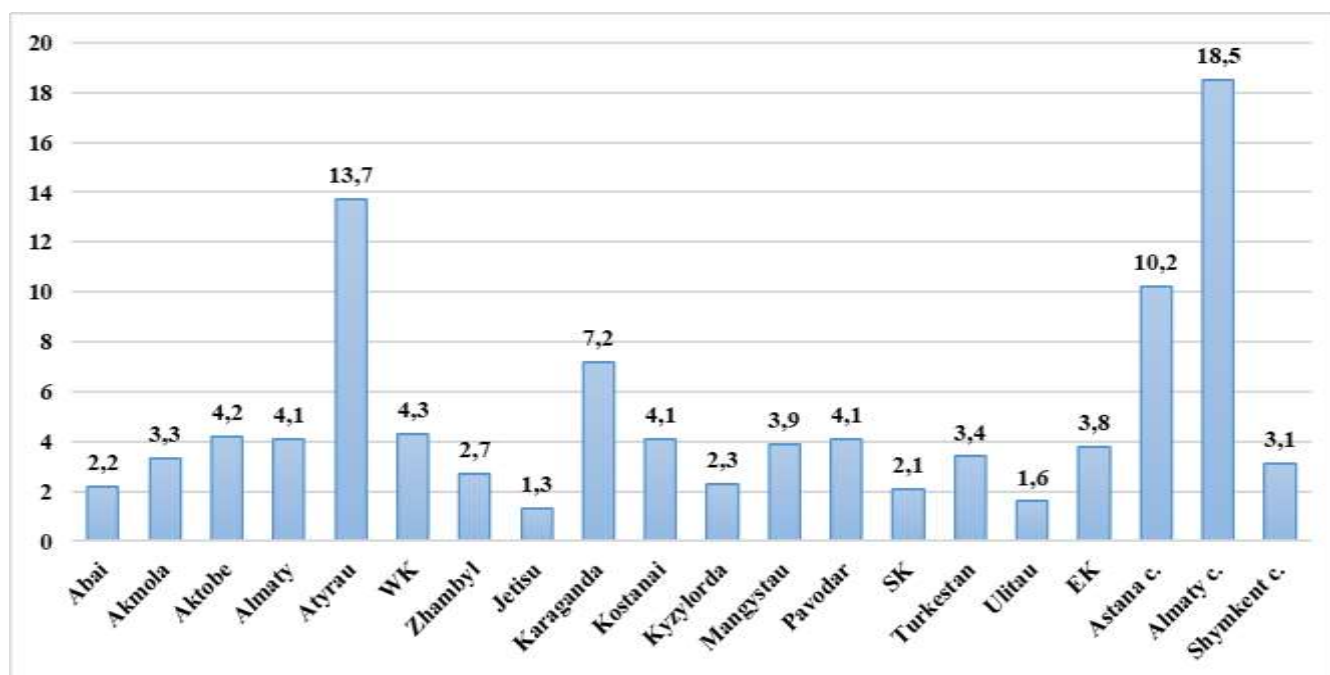


Figure 2. Share gross regional product of regions of the Republic of Kazakhstan by GRP

Source: compiled by authors based on Bureau of National Statistics (2022)

The data provided refers to the share of gross regional product (GRP) of various regions and cities in Kazakhstan as a percentage of the country's total GRP in 2022. Analyzing the data, we can identify regions and cities of leaders in GRP; the largest contribution to the country's GRP is made by cities such as Almaty (18.5%) and Astana (10.2%), as well as Atyrau region (13.7%) and Karaganda region (7.2%). They constitute a significant part of the country's overall economic performance.

The share of regions with higher GRP (over 4%) includes Akmola, Aktobe, Almaty, West Kazakhstan, Karaganda, Kostanay, Mangystau, Pavlodar and South Kazakhstan regions. Some regions, such as Zhambyl, Zhetysu, Kyzylorda, North Kazakhstan, Turkestan and East Kazakhstan regions, have lower GRP (below 4%). The data allows us to conclude that there is significant inequality in the economic development of different regions of Kazakhstan. Some regions and cities significantly exceed others in economic potential and contribution to the country's overall GRP.

These differences may indicate unevenness in investment, infrastructure development and economic growth in different parts of the country, which may require more targeted development strategies to support less developed regions and achieve more sustainable and equal economic development in Kazakhstan.

Next, we will analyze such an indicator as investment in fixed capital (Table 1).

Table 1. Investments in fixed assets by region, 2018-2022 million tenge

Regions	2018	2019	2020	2021	2022	In % to 2021
Republic of Kazakhstan	11179036	12576793	12270144	13242233	15064432	107,9
Abay					420405	108,2
Akmola	278177	333723	436633	514683	566555	104,3
Aktobe	516893	598864	648036	817136	959127	110,1
Almaty	578720	647330	682407	733426	609124	114,1

Atyrau	3691401	4328236	3178960	2910114	3030083	100,4
West Kazakhstan	450382	586265	481485	428742	501155	109,9
Zhambyl	264520	296398	350068	398609	423077	101,2
Zhetysu					269674	116,3
Karaganda	489030	811433	692347	796866	724871	110,6
Kostanay	249340	288737	336599	431179	486491	106,3
Kyzylorda	332655	400209	292344	308941	409484	126,8
Mangystau	504649	556558	582279	629138	762203	115,8
Pavlodar	411958	494620	487154	571927	698220	112,5
North Kazakhstan	214181	234490	286252	333149	366671	103,6
Turkestan	314114	443503	705722	659114	739521	108,6
Ulytau					155664	81,7
East Kazakhstan	494597	621913	729115	834080	545408	111,2
Astana c.	1067455	919107	1125211	1225027	1446786	112,7
Almaty c.	732930	820449	976795	1187620	1400561	112,1
Shymkent c.	588034	194958	278737	462482	549352	113,8

Source: compiled by authors based on Bureau of National Statistics (2022)

Data on investments in fixed capital by regions of Kazakhstan for the period 2018-2022. demonstrate the unusual volumes of investment between different regions. The total level of investment in fixed capital of the Republic of Kazakhstan in 2022 amounted to 15,064,432 million tenge, which is 107.9% higher than in 2021. The main share of investments in fixed assets was 48.4% in mining and quarrying, and 10% in manufacturing. In addition, the volume of investments in fixed capital fell on real estate operations (19.3%), transport and warehousing (11.3%). Investments in fixed capital increased in 18 regions. In the Kyzylorda and Zhetysu regions, the indicator increased by 1.3 times, Pavlodar and Mangistau regions - by 1.2 times. A decrease in investment in fixed capital was recorded in two regions of the republic - the Ulytau region (by 7.9%) and the Atyrau region (by 0.4%). At the same time, the largest amount of private investment is in the Atyrau region – approximately a fifth of the total. In Astana and Almaty, investments in fixed capital amounted to 1.5 trillion tenge each. In some regions, trends in changes in investment activity were also noted: the East Kazakhstan region showed an increase of 11.2% compared to 2021, but in 2022 showed a significant decrease of 34.6% compared to 2021. The Zhetysu region shows an increase in investment in 2020 to 116.3%, but then the data turns out to be disabled. Thus, the data show variability and differences in investment activity in the regions of Kazakhstan, which requires the need for additional analysis factors affecting the investment climate and the attractiveness of the regions as a destination.

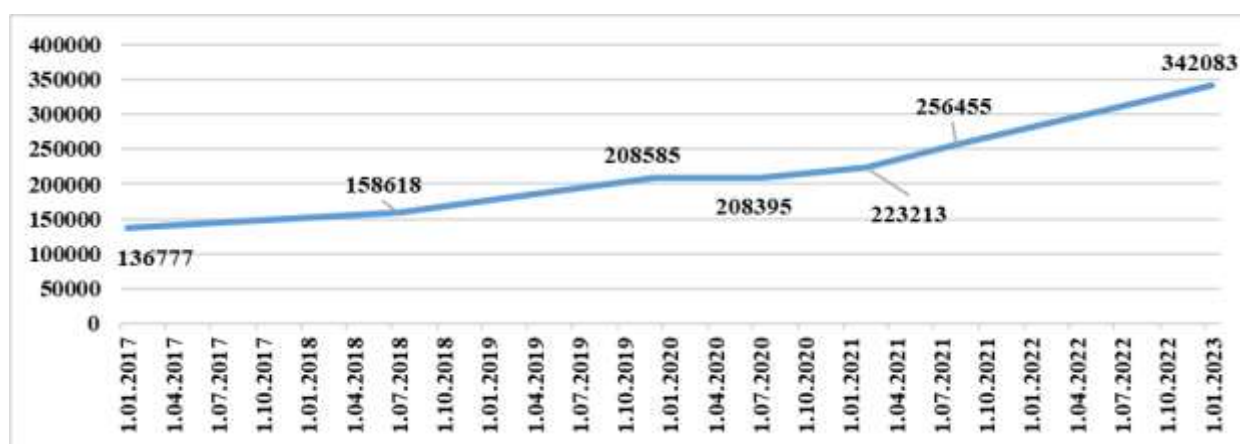


Figure 3. Average salary in Kazakhstan

Source: compiled by authors based on Bureau of National Statistics (2022)

According to the Ministry of Finance, wages in Kazakhstan are growing moderately every year, however, as throughout the world, the country has not been spared by accelerating inflation. Thus, annual inflation in Kazakhstan at the end of August 2022 amounted to 16.1%, while in June it was 14.5%. Prices are rising in all segments - food products (19.2%), non-food products (13.2%) and paid services (9.2%).

Table 2. Average monthly salary by regions of the Republic of Kazakhstan, tenge

Region	2018	2019	2020	2021	2022	Salary growth over 5 years (%)
Akmola	121 361	140 272	168 302	203 006	240 576	98.7
Aktobe	137 039	156 595	182 923	217 597	264 168	92.7
Almaty	115 101	136 212	168 313	207 592	257 430	123.4
Atyrau	293 572	351 103	367 799	406 166	509 600	73.6
West Kazakhstan	153 782	183 914	195 410	226 537	265 683	72.6
Zhambyl	109 720	127 043	156 846	195 922	231 420	110.9
Karaganda	149 916	172 239	203 806	240 608	272 561	82.1
Kostanay	125 995	145 890	171 319	201 923	239 684	90.1
Kyzylorda	130 391	152 085	178 174	212 777	263 695	101.3
Mangystau	275 679	294 099	317 611	349 503	441 458	60.2
Pavlodar	141 915	160 670	187 427	220 291	261 498	84.2
North Kazakhstan	110 686	130 233	157 497	187 501	222 558	101.0
Turkestan	104 136	123 853	158 762	195 302	235 943	126.8
East	140 126	162 182	190 287	224 700	276 207	97.6

Kazakhstan

Astana	240 320	266 796	302 504	344 691	387 744	61.2
Almaty	200 919	224 158	247 951	295 985	339 484	68.8
Shymkent	115 574	136 995	161 329	193 682	229 889	99.0

The greatest growth was shown by the Turkestan region, where the increase in wages amounted to 26.8% relative to the level of wages in 2021. This growth may be associated with investment projects, the development of economic sectors and changes in demand for certain specialties in this region. The cities of Almaty and Astana, although they are large cities, show moderate growth in wages. In 2022, they grew by 11.2% and 12.7%, respectively, compared to 2021. Zhambyl, Kyzylorda, North Kazakhstan regions and East Kazakhstan regions showed moderate growth from 1.0% to 11.0% by 2021. This may be due to economic factors such as investment activity and structural changes in the economy. Atyrau region shows the smallest wage growth for the period from 2018 to 2022, only 7.4%. This may be due to economic fluctuations in the oil industry, which has traditionally been a key industry in the region.

The study showed significant differences in the socio-economic development of different regions of Kazakhstan. Inequality manifests itself through differences in GRP, investment activity and wage levels. Some regions, such as Almaty, Astana, Atyrau and Karaganda regions, demonstrate high levels of economic development and investment, while others lag behind.

The study also revealed differences in the volume of investment in fixed assets between regions for the period from 2018 to 2022. Wages in Kazakhstan have seen moderate growth, but the country faces accelerating inflation. The increase in wages was most pronounced in the Turkestan region, which may be due to investment projects, the development of economic sectors and changes in the demand for certain specialties.

4. Conclusion

The analysis showed significant differences in the socio-economic development of different regions of Kazakhstan. Inequality manifests itself through differences in GRP, investment activity and wage levels. Some regions demonstrate high levels of economic development and investment, while others lag behind. These differences highlight the need to develop targeted strategies to reduce inequalities and achieve more equal socio-economic development across the country. Effectively addressing this problem requires a comprehensive approach that includes improving infrastructure, access to education and health care, stimulating economic growth and promoting social mobility.

Based on these findings, it is recommended to develop targeted strategies to reduce inequality and achieve more balanced socio-economic development in all regions of Kazakhstan. This includes improving infrastructure, access to education and healthcare, stimulating economic growth and promoting social mobility. It is also important to conduct additional analysis of factors influencing the investment climate and attractiveness of regions, taking into account differences in investment activity and development potential.

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