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Competitiveness of the Industry of Kazakhstan in the Context of ESG transformation

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ABSTRACT

The study of the competitiveness of Kazakhstan's industry in the context of ESG transformation is a relevant and important topic, given the growing global importance of ESG principles in business and investment. Currently, the principles of environmental, social and governance responsibility (ESG) are becoming an integral part of the international business community and financial markets. Investors, customers, consumers and society are increasingly demanding that companies take into account and actively implement the principles of ESG in their activities. For the industry of Kazakhstan, this becomes especially important, as ensuring competitiveness and sustainable development faces new challenges related to the need to reduce environmental impact, improve social responsibility and ensure effective management. The study is aimed at creating a more sustainable and responsible industrial base in Kazakhstan, improving the business reputation of companies and attracting investment, which contributes to achieving long-term growth and sustainable development of the country's economy. The purpose of the study is to analyze the competitive industries of Kazakhstan in the context of ESG transformation.

INTRODUCTION

Taking into account current trends and macroeconomic conditions, the improvement of management processes and mechanisms becomes necessary. Kazakhstan, as an attractive country for attracting fo-

reign investment, is able to successfully withstand new global challenges and threats through the use of strategic planning. Many large companies in the world attach great importance to sustainability, seeing it as a tool to minimize risks, increase competitiveness and open up new opportunities. In such an environment, strategic planning and process management become key factors for sustainability and long-term market success. The ESG strategy of companies, which is based on environmental protection, creating favorable social conditions, respect for employees and customers, as well as effective corporate governance, fully reflects their social responsibility and commitment to sustainable development.

In the context of a sharp aggravation of global resource, environmental and climate problems, an important area of integration cooperation between the countries of the Eurasian Economic Union (EEC) should be the development of coordinated approaches and organizational and managerial mechanisms to solve these problems. Strategies and measures based on the principles of the ESG will contribute to the sustainable development of the region and ensure harmonious interaction between the EEC countries, taking into account common interests and goals. Currently, the concept of impact business is becoming more relevant and important for companies, which suggests that the results of the company's activities are evaluated not only by financial indicators, but also by the impact on the environment, employees and society as a whole. The principles of ESG (Environmental, Social and Governance) have become a new trend in a world where people are aware that the ecological state is deteriorating, and the transformation of business models taking into account these principles is a boon for nature, ecology and humanity. The principles of ESG have also become an international requirement, and companies importing goods from abroad are also affected by these requirements. Thus, the transformation of business models of companies according to the principles of ESG becomes a necessity in order to meet modern standards and expectations of society, as well as to cope with challenges and improve their sustainability and competitiveness in the long term. The modern requirement for business is not only to strive to achieve financial profit, but also to be socially responsible and take care of the environment. This means that companies must consider their impact on society and the environment in the course of their activities.

1. LITERATURE REVIEW

In modern scientific literature, both foreign and domestic, there is a significant interest in the ESG concept. Works such as R. Gregory (2022), A. Plastun, E. Bouri, R. Gupta, Q. Ji (2022), P. Vilas, L. Andreu, J. Sarto (2022), E. Divaeva (2022), are examples of studies on the analysis and application of ESG principles in various fields and industries. Research in this area covers various aspects of the ESG concept, including the environmental, social and managerial responsibility of companies (Rozsa et al., 2022; Belas et al., 2023). These works explore the impact of ESG factors on companies' activities, their financial performance, management decision making and risk profile. Such studies play an important role in shaping the understanding of the importance of the ESG concept in modern business and investment. They help companies and investors make their decisions more consciously, taking into account not only financial performance, but also their impact on the environment, society and management aspects.

The ESG concept is becoming increasingly relevant and in demand in the context of a growing awareness of the need for sustainable development and social responsibility. The emergence of such a large number of scientific papers on this topic indicates the importance and relevance of this area and its impact on modern business and investment practice. Based on the analysis of current trends, it was concluded that it is important to introduce the concept of management from an ESG position at all levels of the economy. Scientific generalization of practical experience led to the conclusion that international trends in sustainable development will determine the general line in the ESG approach to management at all levels of the economy (Kudryashova et al., 2022; Zhidebekkyzy et al., 2022; Zhidebekkyzy et al., 2023). The European Commission's Sustainable Finance Disclosure Regulations and the US Securities and Exchange Commission's proposed amendments to ESG disclosure rules for registered funds and investment advisors provide for enhanced disclosure of ESG risks and strategies, long-term strategies (Kim & Park, 2022; Tancke et al. 2023; Yen-Yen, 2019; Christensen et al., 2021). The globalization of markets, as well as increasingly volatile economic conditions and changes, impose on companies the need to adopt strategies that not only provide them with a competitive advantage over other companies, but also, in addition to competitive advantages, enhance their sustainable development (Khediri, 2021). Business tries to adhere to the ESG principles of sustainable development, which means taking care and preventing damage to the

environment or creating good social conditions for employees, or conducting competent management activities (Chaffee, 2017). Also, a strong emphasis must be placed on ensuring that FDI policies do not adversely affect economic growth policies, and efforts must be made to reorient business in order to enhance economic growth and social development, with the objective of maximizing the impact on economic competitiveness (Abduvaliev, 2023). C. Bagic (2022) and Cayón & Gutierrez (2021) embracing sustainable practices and considering environmental, social, and governance factors can bolster a company's resilience, competitiveness, and long-term success. Furthermore, industries that prioritize ESG transformation are better equipped to adapt to changing market conditions, attract responsible investors, and build a positive reputation with stakeholders. The study by H. Cuevas-Vargas et al. (2019) provides information on monitoring-based strategy and decision-making processes in industrial enterprises. Particular attention is paid to encouraging the development of foreign economic relations and focusing efforts on corporate social responsibility in order to improve business performance. The study by L. Matraeva, et al. (2017) concerns the transition of developed countries to a "low carbon" and "green" economy, which leads to the inclusion of energy indicators in the environmental economic assessments at the present stage of development. This study uses a synergistic approach in the analysis of energy efficiency, which takes into account its impact on three main areas of activity: economic, social and environmental, which is of significant importance. ESG principles have become the main trend in the development of the entire global business community over the past few years (Zatonatskiy et al., 2024). The article presented a review of the literature on the development of ESG and CSR in the context of ESG. Each country is trying to introduce and put into practice different approaches and methods for developing this concept.

2. MATERIALS AND METHODS

ESG transformation provides opportunities for industrial companies in Kazakhstan to develop in a more sustainable and responsible direction, which can help strengthen their competitiveness both in the domestic market and on the global stage. Adopting ESG principles is becoming increasingly important to meet the demands of today's society and ensure the long-term success of industrial enterprises. In the context of ESG (Environmental, Social, Governance) transformation, the competitiveness of Kazakhstan's industry is becoming increasingly dependent on taking into account factors related to the environment, social aspects and the quality of enterprise management (Figure 1).

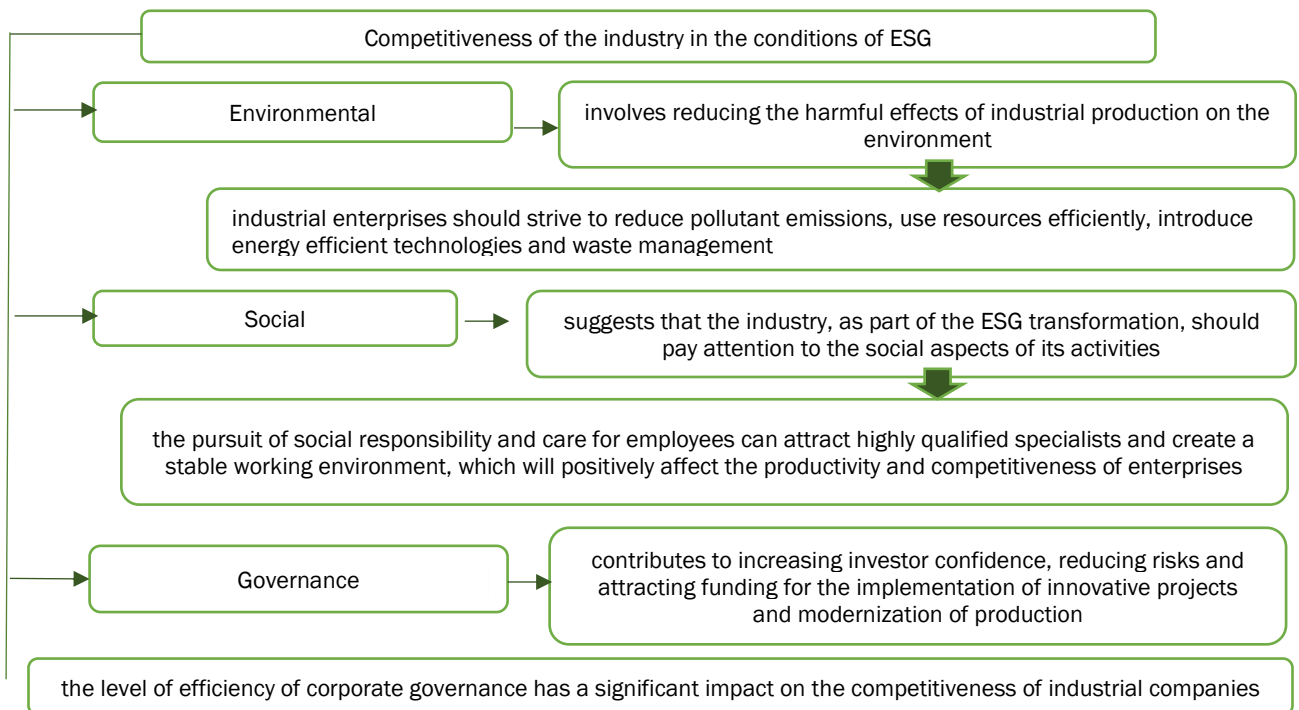


Figure 1. Industry Competitiveness in ESG

Source: Compiled by the author

The use of green technologies and solutions helps to increase the competitiveness of industrial companies in the global market and increases their attractiveness for investors, who are increasingly focused on ESG criteria when making investment decisions. Compliance with the principles of ESG is becoming an increasingly important factor for companies operating in global markets. Companies that actively integrate ESG aspects into their operations receive a number of benefits that help maintain their competitiveness (Table 1).

Table 1. Benefits of implementing ESG principles in companies that help maintain their competitiveness

<i>No</i>	<i>Principle</i>	<i>Advantages</i>	<i>Implementation result</i>
1	Building reputation	adherence to ESG principles helps companies form a positive image as responsible and socially oriented organizations	attracts more customers, investors and partners who prefer to work with companies that have a high social and environmental responsibility
2	Attracting investments	investors are increasingly guided by ESG criteria when making investment decisions	companies that are actively engaged in sustainable and responsible operations can attract more investment and capital
3	Risk reduction	compliance with ESG principles helps companies reduce the risks associated with possible environmental and social problems	responsible management of resources, environmental considerations and strengthening of social ties prevent potential conflicts and problems with stakeholders
4	Innovation and efficiency	integration of ESG approaches can stimulate companies to innovate, develop new technologies and improve production processes	can lead to an increase in the efficiency of enterprises and their competitiveness in the market
5	Access to new markets	in some countries and regions, companies that do not comply with ESG principles may be subject to restrictions or penalties	companies that actively integrate ESG aspects can benefit from and access new markets and opportunities

Source: Compiled by the author

Thus, adherence to the principles of ESG becomes an important factor for ensuring the competitiveness of companies in global markets. This allows companies to build their reputation, attract investment, mitigate risk, stimulate innovation and gain access to new markets. ESG transformation is becoming not only a responsible approach to business, but also a strategic step for the long-term sustainability and success of companies on the global stage.

The investor approach that favors organizations that adhere to ESG principles is reasonable and has good reasons. Compliance with these standards not only contributes to the sustainable development of companies, but also brings significant benefits in terms of minimizing risks and improving financial performance.

According to a RAEX-Europe study, the assignment of ESG ratings to the largest companies in the oil and gas sector of Kazakhstan indicates the growing importance of ESG principles and their impact on the valuation and reputation of companies. Organizations that strive to comply with ESG principles benefit from attracting investors, as adherence to these standards is considered a factor in reducing risk and improving long-term sustainability.

JSC NC "KazMunayGas" took first place in the rating, which confirms its leading position in the field of compliance with ESG principles in the oil and gas industry of Kazakhstan. Also, the consortia Karachaganak Petroleum Operating B.V. and North Caspian Operating Company ranked second and third, respectively, which indicates that they are also actively working to comply with the ESG principles and adhere to high standards of sustainability. Such assessments and ratings of ESG principles are becoming increasingly important for investors, which take into account not only the financial performance of companies, but also their attitude to social responsibility, environmental sustainability and corporate governance. This allows investors to make informed decisions and choose companies that align with their values and investment strategy (Figure 2).

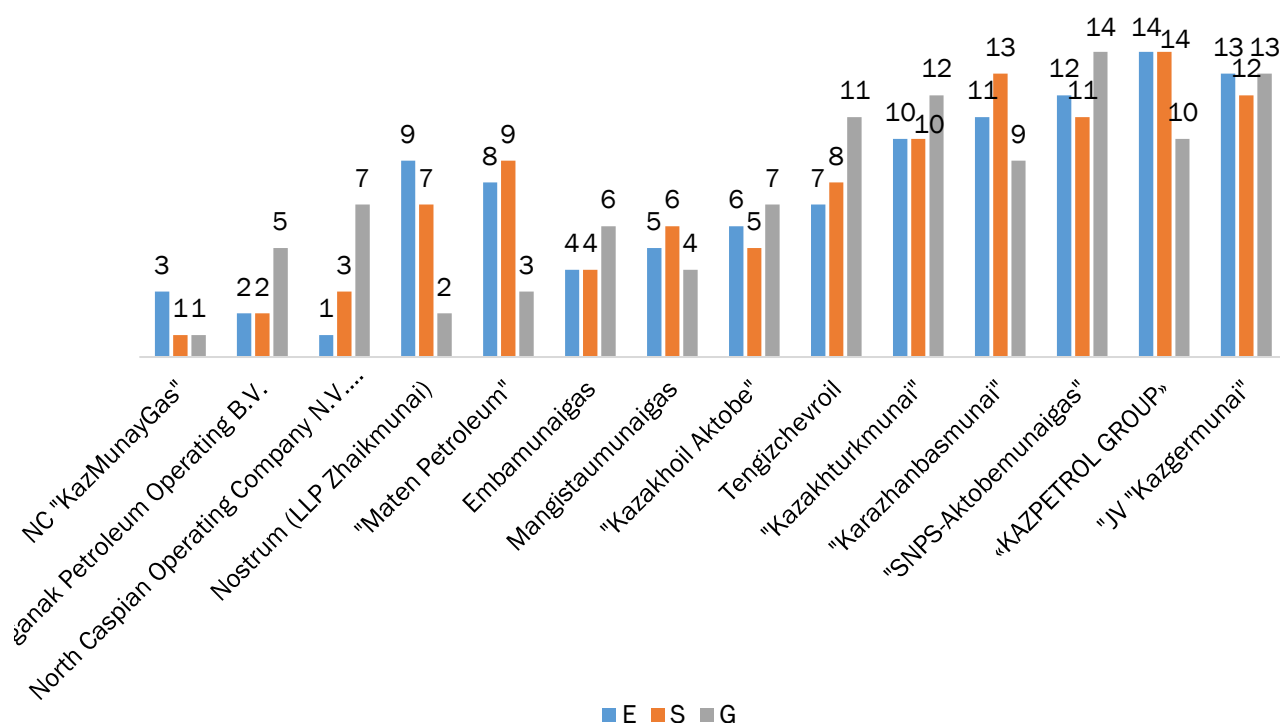


Figure 2. ESG ranking of Kazakhstan companies of the Republic of Kazakhstan

Source: Compiled by the authors

The activities of mining and metallurgical companies are often associated with high ESG (Environmental, Social, Governance) risks due to the nature of their industry. The main risks that these companies may face are as follows:

- Environmental risks. Mining and metallurgical companies tend to use intensive mining and processing processes, which can lead to negative environmental impacts. This includes water and soil pollution, emissions of harmful substances and gases into the atmosphere, destruction of ecosystems, degradation of natural resources and threats to biodiversity.
- Social risks. A number of social problems can arise in the activities of mining and metallurgical companies. This may be due to the eviction of the local population, violation of the rights of indigenous peoples and the labor rights of workers, conflicts with communities over the use of land and water resources.
- Management risks. Mining and metals companies, as large enterprises, face governance and transparency challenges. Insufficient corporate governance, lack of transparency in reporting and support for a share of savings on compliance with ESG standards can increase the risks for the company and its investors.

In order to mitigate ESG risks and increase the resilience of companies in this industry, it is becoming increasingly important to adopt responsible management approaches and the application of appropriate standards. This may include the introduction of environmentally friendly technologies, compliance with social norms and labor standards, involvement of stakeholders in decision-making processes, improved transparency and accountability, as well as active participation in activities aimed at sustainable development and support for the communities in which companies operate.

The top five industrial companies, including foreign ones, included the companies presented in Table 2.

Table 2. Information on the PSA: participants, their shares, country of origin, data on contracts at the end of 2020 of the largest companies

<i>No</i>	<i>Subsoil user</i>	<i>Field</i>	<i>Country</i>	<i>Participation share, %</i>
1	Kazakhstan branch of Karachaganak Petroleum Operating B.V.	Karachaganak oil and gas condensate field	Kazakhstan, Russia	
	Agip Karachaganak B.V.		Italy	29,2
	British Gas		Great Britain	29,25
	Texaco		USA	18,0
	JSC "Oil Company Lukoil"		Russia	13,5
	KMG Karachaganak		Kazakhstan	10,0
2	Branch of North Caspian Operating Company N.V.	Kaz. sector of the Caspian Sea	Netherlands	
	Agip Caspian Sea B.V.		Netherlands	16,81
	ExxonMobil Kazakhstan Inc.		USA	16,81
	Shell Kazakhstan Development B.V.		Netherlands	16,81
	"Total EiP Kazakhstan"		France	16,81
			Netherlands	8,33
	Branch of CNPC Kazakhstan B.V. "Inpex North Caspian SI, LTD"	16-a, K-X-4-b+K-X-8-a, K-XI-5- a+K-XI-6-a, K-XI-1-b.	Japan	7,56
3	KMG Kashagan B.V.	Chinarevskoye within blocks	Netherlands	16,87
4	Branch of Saigak Kazakhstan B.V.	Contract area Temir	Kazakhstan	
	Saigak Kazakhstan B.V.		Netherlands	60,0
	Saigak Investments B.V.		Netherlands	40,0
5	Sagiz Petroleum Company LLP	Joint agreement	Kazakhstan	
	First International Oil Corporation		Netherlands, Kazakhstan	100,0

Source: Compiled by the authors

Large enterprises play an important role in ensuring the economic and strategic security of the state, as well as in creating jobs and improving the living standards of the population. Industry is one of the key sectors of the economy and is essential for the development of the country in the new geopolitical conditions.

Investment support for industry is an important tool for its development and growth. Providing financial resources, technical support, tax incentives and other incentives allows industrial enterprises to expand their production base, introduce new technologies and improve production efficiency. This, in turn, contributes to an increase in production volumes, the creation of new jobs and an increase in the standard of living of the able-bodied population.

Industry is also a key source of export earnings for many countries, helping to strengthen their economic position in the world market. Especially in the context of globalization and competition, countries that actively develop their industry and provide it with investment support can strengthen their positions on the world stage.

According to a study by KPMG, of the 250 largest companies in the world publish information about sustainable development. Since 2011, the share of the largest companies providing information on sustainable development has exceeded 90% - this figure fluctuates slightly from year to year due to changes in the list of companies included in the top 250 companies in the world (Figure 3).

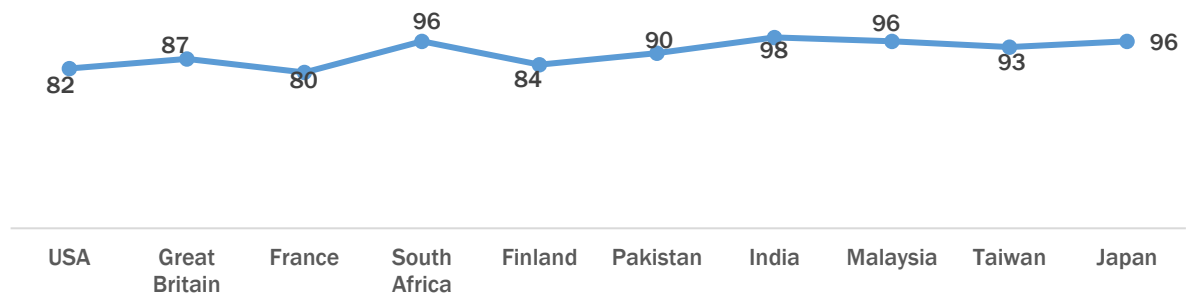


Figure 3. Share of companies that include information on sustainable development in their annual financial reports, TOP-10 countries or jurisdictions, %

Source: Compiled by the authors

The most noticeable increase in the share of companies that disclose non-financial information is observed in three countries: Kazakhstan (+34 p.p.), Slovakia (21 p.p.), Germany (+19 p.p.). It should also be noted that the development of industry helps to reduce dependence on imports and increase the country's self-sufficiency. This allows us to more confidently cope with economic challenges and global crises.

In general, paying special attention to the development of industry and providing it with significant investment support is an important strategic step to ensure economic stability, growth and well-being of the state. ESG rating agencies identify a number of criteria that allow assessing the level of compliance with the principles of ESG (Environmental, Social, Governance) by companies and organizations. Below are the main criteria that are used in the ESG assessment:

- Environmental criteria (Environmental):
 - management of environmental risks and opportunities;
 - efficient use of resources and energy;
 - level of emissions and environmental pollution;
 - participation in environmental initiatives and programs;
 - environmental responsibility and sustainability of the company.
- Social criteria (Social):
 - social investments and programs to improve the living conditions of society;
 - concern for employees, including working conditions and protection of workers' rights;
 - contribution to education and health care;
 - responsibility to consumers and society as a whole;
 - support of local communities and social initiatives.
- Management criteria (Governance):
 - Corporate governance and transparency of the company's activities;
 - the quality of the management team and the independence of directors;
 - system of corporate values and ethical principles;
 - reporting and publication of information about the company's activities;
 - the level of risks and their management.

Evaluation of companies according to these criteria makes it possible to determine the degree of their compliance with the principles of ESG and to assess the level of responsibility, sustainability and performance in terms of environmental, social and managerial responsibility. Recently, there has been an increase in the number of companies that adhere to the principles of ESG (Environmental, Social, Governance). This trend is especially typical for large companies that are export-oriented and raise financing in international capital markets. This is due to the fact that investors are increasingly aware of the importance of considering social and environmental aspects in the valuation of companies. The role of state regulation in the field of ESG is also becoming increasingly important. Many governments are developing and implementing laws, standards and regulations that require companies to comply with ESG principles. This

creates not only additional legal obligations for companies, but also encourages them to improve their sustainable development practices.

Infrastructure and planning tools that help companies implement sustainable change in their operations play a significant role in the spread of ESG practices. Also, communication platforms and an extensive information field allow companies to highlight their efforts to comply with ESG principles and inform stakeholders about their achievements in this area. All these factors together contribute to the wider adoption and dissemination of ESG practices in business, which contributes to a more sustainable and responsible development of companies and society as a whole. Ensuring economic and financial stability, as well as increasing the competitiveness of large enterprises are important priorities for the modern Kazakhstan economy. Large companies play a significant role in the development of the country, affect the level of employment and welfare of the population, and also provide economic and strategic security. To achieve sustainable and successful development of large enterprises in the new geopolitical conditions, it is important to pay special attention to the development of industries in which these companies are actively operating. This includes improving technology, innovation, improving the quality of products and services, and increasing productivity and efficiency.

Investment support from the state and other interested structures is an important factor for stimulating the growth and development of large enterprises. Providing financial and tax incentives, supporting innovative projects and initiatives, as well as creating a favorable investment climate help attract investment and strengthen the position of large companies in the market. The development of large enterprises, taking into account modern challenges and global trends, such as sustainability and ESG principles, also plays an important role in ensuring their long-term competitiveness. The introduction of innovative and environmentally responsible approaches into the activities of large companies helps them adapt to changing conditions and remain in demand in the market.

Active development and support of large enterprises are important for the stable and sustainable development of the economy of Kazakhstan in modern conditions. The correct direction of investments and assistance from the state will help to strengthen the competitiveness of large companies, including industrial ones, and contribute to their further development (Figure 4).

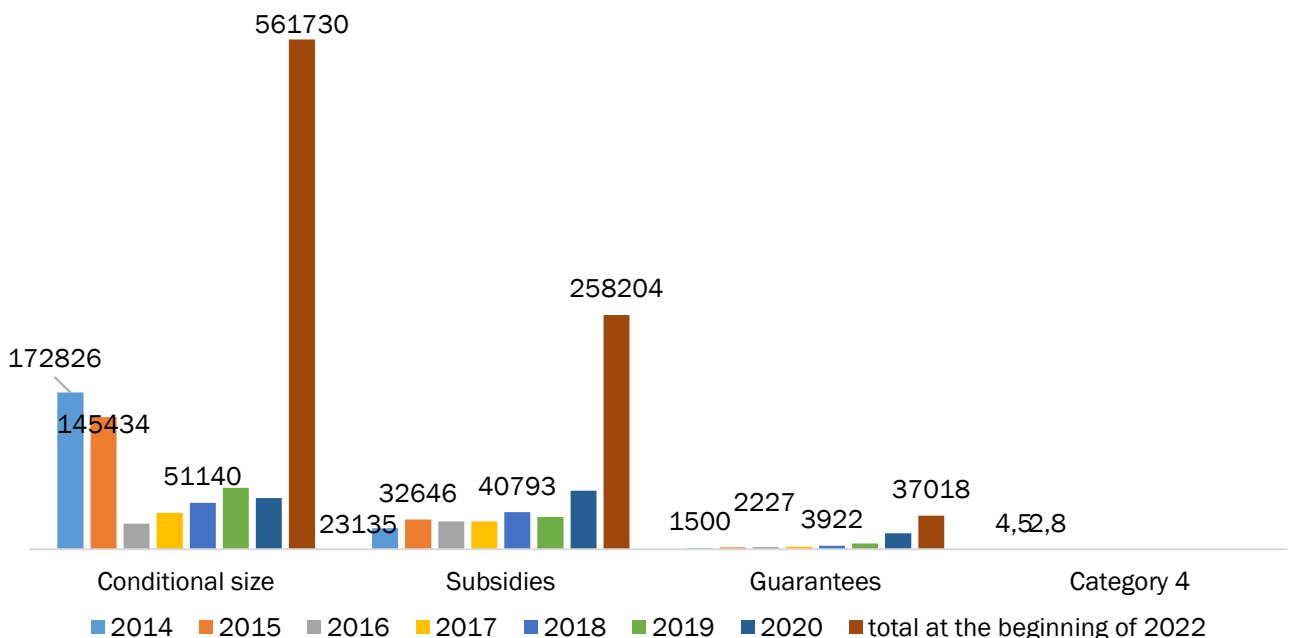


Figure 4. Growth of budgets and results of programs implemented through the Damu Fund, million tenge

Source: Compiled by the authors

An analysis of industrial production in the Republic of Kazakhstan provides information on the state and development trends of this sector of the economy (Figure 5).

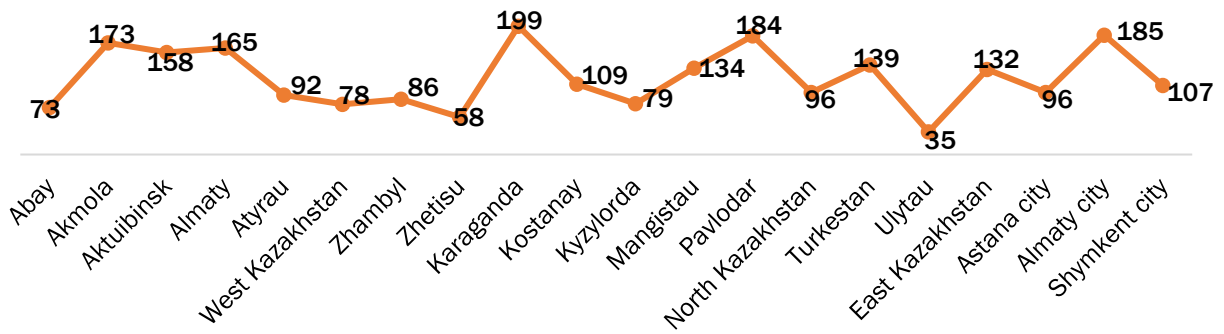


Figure 5. The number of industrial enterprises in the regional aspect for 2022
Source: Compiled by the authors

The volume of industrial production in the Republic of Kazakhstan (RK) contributes to several aspects of the development of the economy and society:

- Economic growth. The growth of industrial output is one of the key indicators of the country's economic growth. An increase in the production of goods and services in industry contributes to an increase in GDP (gross domestic product) and job creation, which contributes to overall economic development.
- Industrialization. The development of industry is the basis for the industrialization of the country, which contributes to the diversity of the economy, the improvement of the structure of production and the reduction of dependence on individual sectors.
- Infrastructure development. The production of industrial products requires a developed infrastructure, including roads, transport and energy systems, which stimulates investment in the development of the country.
- Export opportunities. The development of industry allows the country to produce more goods for export, which helps to increase export earnings and strengthen the country's international market position.
- Job creation. Industry is a significant source of jobs, which helps to reduce unemployment and improve the living standards of the population.
- Technological progress. The production of industrial products stimulates the development of technology and innovation, which contributes to the improvement of production efficiency and competitiveness.
- Social development. Industrial enterprises can support social programs and invest in education, health care and social infrastructure, which contributes to the development of society and the improvement of the quality of life of the population.

3. APPLICATION FUNCTIONALITY

Thus, the volume of industrial production in the Republic of Kazakhstan is important for the sustainable economic and social development of the country. Industrial enterprises should develop clear tactical and long-term goals so that the indicators of the volume of production (goods and services) tend to increase (Figure 6).

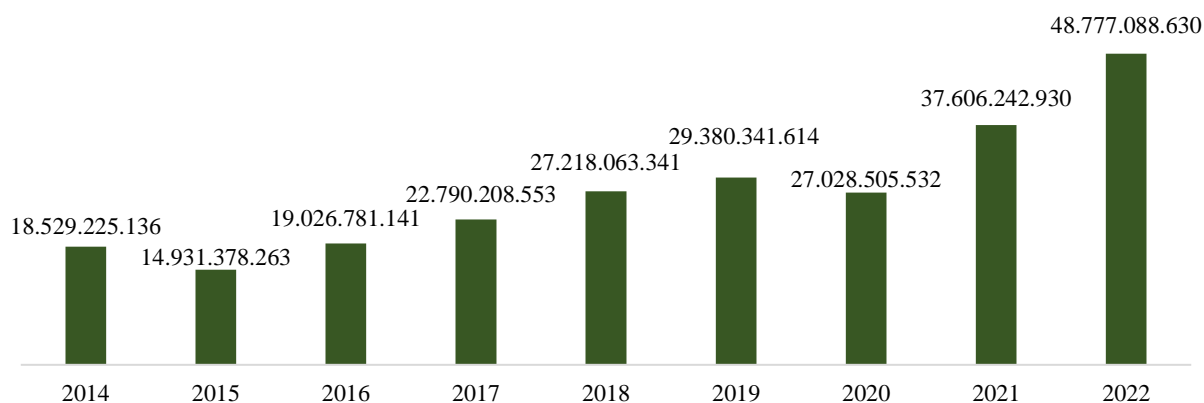


Figure 6. The volume of industrial production of the Republic of Kazakhstan for the period from 2014-2022

Source: Compiled by the author

In order to consider the further dynamics of the development of the volume of industrial production of the Republic of Kazakhstan, we will make forecast calculations using regression analysis and the Excel program. In accordance with the forecast calculations made, we obtain the following data (Table 3).

Table 3. Forecast values of development indicators of the Karaganda region for 2023-2027

(thousand tenge)

Indicator	2023	2024	2025	2026	2027
Trend	44888339723	48415166886	51941994050	55468821214	58995648377
Growth	48261225704	54777300259	62173154120	70567572241	80095377538
Prediction	44888339723	48415166886	51941994050	55468821214	58995648377
Linear	44888339723	48415166886	51941994050	55468821214	58995648377

Source: Compiled by the authors

Multiple R								
R-square								
Normal R-square								
Standard error								
Observations								
Analysis of variance								
	<i>df</i>	<i>SS</i>	<i>F</i>	<i>Value F</i>				
Regression	1	7,46311E+20	36,2144996	0,000532702				
Remainder	7	1,44256E+20						
Total	8	8,90567E+20						
	<i>Coefficients</i>	<i>Standard error</i>	<i>t-statistic</i>	<i>P-value</i>	<i>Min 95%</i>	<i>Max 95%</i>	<i>Min 95,0%</i>	<i>Max 95,0%</i>
Y-intersection	7,08988E+12	1,18267E+12	-5,9947989	0,000545079	9,88646E+12	4,29331E+12	9,88646E+12	4,29331E+12
Variable X 1	3526827164	586061149,8	6,017848419	0,000532702	2141012756	4912641571	2141012756	4912641571

Source: own

According to the calculations made and the data obtained for 2027, one can see an increase in the volume of industrial production of the Republic of Kazakhstan, by 10218559747 thousand tenge relative to the data of 2022.

Graphical predictive values of the calculated indicators can be seen in Figure 7.

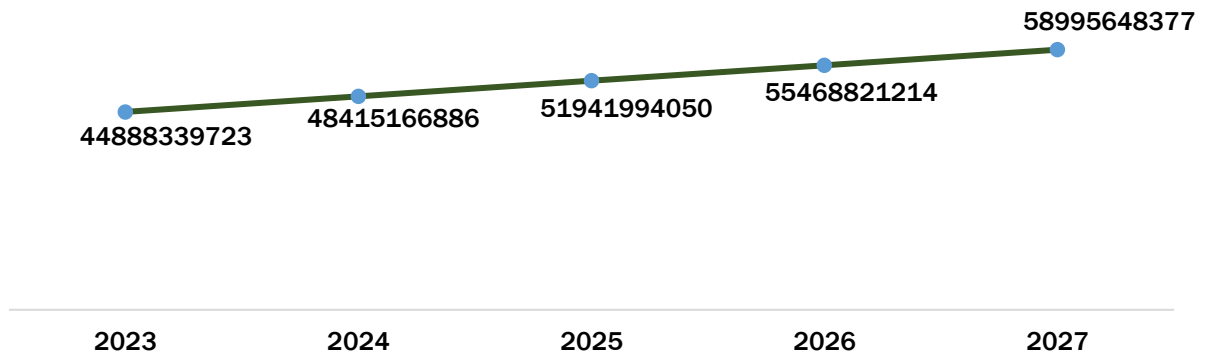


Figure 7. Forecast values of calculated indicators of the volume of industrial production of the Republic of Kazakhstan, thousand tenge

Source: Compiled by the author

For the growth of the forecast values of the calculated indicators of the volume of industrial production of the Republic of Kazakhstan (RK), it is necessary to take into account a number of factors and take measures to develop and maintain the industry:

- Investment in industry. Providing investments in various sectors of the industry allows you to modernize production, introduce new technologies, increase productivity and expand production capacity.
- Development of infrastructure. The provision of advanced infrastructure such as energy systems, transport networks, communications and logistics contributes to the more efficient functioning of industrial enterprises and better access to markets.
- Support for innovation and scientific and technological progress. Innovation and scientific and technological progress contribute to the development of new products and technologies, which can lead to increased production volumes and improved competitiveness.
- Training and development of personnel. Raising the qualifications of industrial workers and training highly qualified specialists contributes to increasing the efficiency of production and improving the quality of products.
- Export opportunities. Export orientation and the search for new markets for industrial products contribute to increasing production volumes and attracting additional income for the country.
- Sustainability. Implementing sustainable development principles (ESG) in the activities of industrial enterprises can lead to a reduction in the harmful impact on the environment and improve the social responsibility of companies.
- State support. The development of special programs and measures to support industry by the government can help stimulate the development and growth of production volumes.

Given these factors and taking into account the current macroeconomic conditions, it is possible to achieve an increase in the forecast values of the volume of industrial production in the Republic of Kazakhstan and stimulate the economic development of the country.

CONCLUSION

The modern economy of Kazakhstan faces a number of urgent problems, including ensuring economic and financial stability, as well as increasing the competitiveness of large industrial enterprises. Large

companies play a significant role in ensuring the economic and strategic security of the country, creating jobs and improving the living standards of the population in the context of ESG.

The study of the competitiveness of the industry of Kazakhstan, taking into account the ESG transformation, was considered as follows:

- Environmental Sustainability - assessment and analysis of the environmental performance of Kazakhstan's industry, such as emissions of harmful substances, use of natural resources, waste management and energy efficiency. Development of strategies to reduce the negative impact on the environment and attract investment in green technologies.
- Social responsibility - analysis of the impact of industry on society, working conditions, interaction with the local population and the implementation of social programs. Evaluation of measures aimed at improving the quality of life of employees and supporting social initiatives.
- Management efficiency - an assessment of transparency, efficiency and responsibility of the management structures of industrial enterprises in Kazakhstan. Development of corporate governance mechanisms that contribute to the implementation of ESG principles and improve the reputation of companies.
- Competitiveness - a study of the impact of compliance with the principles of ESG on the competitiveness of the industry in Kazakhstan. Analysis of trends in global markets and the reaction of investors and clients to the actions of companies within the framework of the ESG.

To increase their competitiveness, it is necessary to improve technologies, management processes, product quality and adherence to the principles of ESG, which will attract investors and retain loyal customers.

In today's global challenges, compliance with the principles of environmental responsibility (Environmental), social responsibility (Social) and management (Governance) is becoming an increasingly important requirement on the part of investors, customers and society as a whole. Companies that follow these principles contribute to sustainable development and the creation of long-term competitive advantages. Solving these problems requires integrated approaches, cooperation between the state and the private sector, innovative solutions and strategic planning. The implementation of ESG principles and sustainable development allows companies to ensure sustainability, growth and successful adaptation to a changing economic and social environment.

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