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## **CURRENT INDICATORS OF THE DEVELOPMENT OF ELECTRONIC COMMERCE IN KAZAKHSTAN**

The modern development of human civilization is characterized by the next stage of the scientific and technological revolution – the introduction of information and communication technologies into all spheres of life, which change the way of life of people and form the foundation and material base for the transition to the information society, a society with high socio-economic, political and cultural development. The use of a high-tech telecommunications environment is a necessary platform for modern business and interaction with all participants in the process. E-commerce is currently the most important strategic direction for the further development of trade operations. For Kazakhstan, this becomes especially relevant during the period of membership in the World Trade Organization and the Eurasian Economic Union.

E-commerce in Kazakhstan is one of the drivers of economic growth in Kazakhstan, which has a multiplier effect on the economy and has a high development potential. E-commerce will give impetus to the further growth of the economy, and it is necessary to ensure its development as a holistic ecosystem. The article considers the current state and prospects for the development of electronic commerce in the Republic of Kazakhstan. The structure of the market, the level of Internet penetration and its impact on market volumes, factors influencing the development of electronic commerce in the Republic of Kazakhstan have been studied.

Today, the Internet has become an effective intermediary between merchants around the world. E-commerce is a major driver of economic growth in both developed and developing countries. The low cost of contracting over the Internet allows companies of all sizes to expand their overseas sales and sourcing through e-commerce.

According to the works of CIS scientists on the topic of e-commerce, the largest jump in the growth of the ICT and e-commerce development rating, along with the above-mentioned GDP growth, is observed in Kazakhstan. In the pre-crisis period, the IT sector of Kazakhstan was distinguished by extremely high growth rates (at the level of 40–50% per

year). From the point of view of the development of high-tech sectors of the economy, Kazakhstan has always been regarded as one of the most promising countries in the CIS. First of all, this follows from the level and nature of the development of its traditional sectors of the economy, which act as potential customers of high technologies, and the chosen course of the state economic policy, which stimulates the inflow of foreign investment and replenishes the already created economic backlog with new technologies<sup>1</sup>.

Despite the rather high rates of development of the ICT sector in the countries under study, the e-commerce market, which is directly dependent on the level of ICT development, is still at the beginning of its development and cannot withstand any competition in comparison with countries with a developed ICT sector: For example, in the United States, the volume of the online commerce market is \$150 billion, and the share of electronic sales in the total turnover is 6.4%. In Russia, the market volume is still equal to 5 billion dollars (0.9%), in Kazakhstan – only 240 million dollars (0.04%).

In Kazakhstan, potential consumers of Internet commerce communicate more on social networks than make purchases. In countries such as the UK, Germany, and the United States of America, e-commerce is far ahead of social media in terms of popularity. On a Pan-European basis, UK e-commerce accounts for approximately 30% of Pan-European revenue figures<sup>2</sup>.

In Kazakhstan, according to official statistics, in 2017 the volume of the e-commerce market amounted to 107 billion tenge, or 1.2% of the total volume of retail trade (total retail trade – 8.8 trillion tenge), an increase of 36.2%. According to current data, the volume of the e-commerce market for the 1st half of 2018 amounted to 101 billion tenge or 2.9% of the total retail turnover, which shows a 2-fold increase. Since the beginning of 2018, 261 new e-commerce entities have been registered, about 1,700 online stores are operating, and the number of customers has increased to 1.5 million people. According to Satu.kz, the leader of online trade in Kazakhstan, in 2017, Kazakhstanis bought goods

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<sup>1</sup> Seylkhanova A.S., & Zhumalina S.K. Development of Electronic Commerce in Kazakhstan. Modern Science: Problems and Prospects of Development, – 2(3). 2019. – P. 29–34.

<sup>2</sup> Kuzhukeyeva K.M. Development of e-commerce in Kazakhstan. Economics and Management in the 21st Century: Development Trends, – 3(2). 2020. – P. 82–89.

for 20.144 billion tenge on the marketplace, and the average check for one online purchase increased by 19% and amounted to 34,742 tenge<sup>1</sup>.

According to existing estimates, the volume of such trade will constantly increase and there are several reasons for this<sup>2</sup>. Firstly, goods in foreign online stores have a lower price and a wider assortment compared to national online stores, and the delivery time factor is not critical for non-premium price segment buyers. Secondly, foreign online stores are practically exempt from paying taxes, in particular VAT, which allows them to pursue a flexible pricing policy and transfer the released profit to reducing logistics and customs costs. In addition, the need to improve models of tax control over cross-border electronic commerce is determined by the following features of this type of trade:

- extraterritoriality of a commercial transaction;
- intangible representation;
- anonymity of the commercial transaction;
- buyer anonymity.

Due to the current situation, many states are looking for ways to balance trade in favor of national online and offline stores, as well as compensate for shortfalls in budget revenues and reduce the risks of money laundering. At the same time, it should be taken into account that in different countries the system of collecting various taxes, such as value added tax, sales tax, tax on goods and services, tax on purchases, is built around traditional business models. Therefore, recently there has been a growing discussion about the need to adapt existing models of tax collection to the actively developing electronic commerce, in particular cross-border.

As of the beginning of 2019, the online trading market of the Republic of Kazakhstan was estimated at 287 billion tenge, with a cumulative increase for the year of 23.2%. The share of online trading in the total trade amounted to 2.9% and the number of buyers approached 2.3 million people. More than 1.700 independent online stores operate on the market, of which a third – 509, these are those wishing to receive tax benefits (100% exemption from CIT and PIT). The structure of the e-commerce market in Kazakhstan consists of 68% trade in goods and 32%

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<sup>1</sup> Urazayeva E.R. Status and problems of development of electronic commerce in the Republic of Kazakhstan. *Journal of New Economy*, – 2(40). 2018. – P. 87–93.

<sup>2</sup> Urazayeva E.R. About some prerequisites for the development of electronic commerce in Russia, Belarus and Kazakhstan. *University Bulletin*, – 6(13). 2021. – P. 103–106.

in services. “In the world, one of the most dynamic areas of e-commerce is the trade in food and agricultural products. By 2023, this segment will grow by 64% compared to 2018, and its volume will reach \$134.5 billion. In Kazakhstan, the volume of electronic commerce in food products is 15.4 billion tenge and occupies 4% of all electronic commerce in goods. E-commerce has no territorial boundaries. Therefore, for our domestic agricultural producers, this is an unlimited opportunity to occupy new markets and find a buyer. E-commerce is a great opportunity for the development of trade in the countryside.” The growth of e-commerce, he said, will affect trade and the development of related industries, including transit.

Today, the e-commerce market in Kazakhstan is valued at \$450–600 million a year, or just under 0.5% of the total consumer market in the country. Over the past two years, this market has grown 2.5 times. Currently, there are about 500 online stores in Kazakhstan, and their number is increasing every month. But only one out of 10 tenge spent on the Internet in Kazakhstan will remain inside the country. The remaining 9 tenge are spent in stores in the USA, Russia, Europe and other countries. According to official statistics, the volume of the e-commerce market in Kazakhstan in 2017 amounted to 106.9 billion tenge or 1.2% of the total retail turnover, an increase of 36.2%<sup>1</sup>.

Since the beginning of 2018, 110 new e-commerce entities have been registered in the Republic of Kazakhstan. In the market of 1658 online stores, the number of buyers increased by 5%. The industry employs 71.6 thousand people. Based on modern international experience in creating the information society, its importance in its development, including e-commerce and other activities related to the modernization of modern Internet technologies in Kazakhstan, four main trends were identified:

1. ensuring the effectiveness of the public administration system;
2. ensuring the availability of information and communication infrastructure throughout the country;
3. creation of a high-quality information environment for the cultural and socio-economic development of modern Kazakhstani society;
4. development of the national information space.

The new available e-commerce opportunities for general vendors and customers can be grouped as follows:

<sup>1</sup> Urazayeva E.R. About some prerequisites for the development of electronic commerce in Russia, Belarus and Kazakhstan. University Bulletin, – 6(13). 2021. – P. 103–106.

- Global Participation/Global Choice -Increased competitiveness/quality of service;
- Customer satisfaction / personalization of goods and services.
- Shortening the path to the customer / quick response to demand – cost savings / price reduction;
- New business opportunities / new products and services<sup>1</sup>.

Thus, e-business, e-commerce and new types of market interaction mean much more than just automating business processes and selling goods and services over the Internet. This is the emergence of a huge number of new, previously unattainable opportunities, including: optimization of operations based on the principles of self-management and self-organization, building functional relationships with business partners (relationships that reduce costs and accelerate the introduction of innovations), improve the quality of services, exchange information. In other words, e-business forms an ecosystem, the essence of which is the interaction of various e-business participants. Important materials for the work were publications in specialized scientific journals devoted to innovations and national innovation systems, statistical data of national and international organizations, publications in the media and on the websites of government bodies, development institutions of Kazakhstan. The study was carried out on the basis of an analysis of the processes of formation of an innovative e-commerce ecosystem in Kazakhstan using the methodological provisions of the concept of an innovative ecosystem. When performing this study, methods of statistical and comparative analysis, methods of evaluation and forecasting were applied.

Currently, the sphere of electronic commerce is one of the important sectors of the development of the national economy. E-commerce is one of the growth drivers of the Kazakhstani economy, which aims to maximize the use of our infrastructure and create new jobs from 33,000 people in 2018 to 314,000 people, including related industries, in 2025. An analysis of the nature and forms of interaction between the main participants in the ecosystem shows that it is important to determine the principles of interaction between business in the field of e-commerce and the state. To solve these problems, the Digital Kazakhstan Association was created as a platform for communication

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<sup>1</sup> Solnceva A.E. Electronic Commerce: Problems and Development Prospects in the Republic of Kazakhstan. Science and Education in Economic World, – 6(12). 2021. – P. 18–25.

between business and the state on e-commerce issues. Now it includes the largest trading platforms in Kazakhstan. At the initiative of the ACC working group, the order of the MNE on the regulation of electronic commerce was excluded from the legislation. If domestic sellers are excessively regulated, business conditions are limited for them and additional requirements are created, then foreign competitors will be able to conquer the Kazakhstani market almost without hindrance.

In order to create a favorable business environment and stimulate the development of electronic commerce, legal entities and individual entrepreneurs are exempted from paying corporate and individual income taxes received in the field of electronic commerce, up to 0% until 2023<sup>1</sup>. This norm should become an additional incentive for the development of e-commerce and an increase in its share in the total volume of retail trade. The interaction between the state and e-business in Kazakhstan, which is a member of the EAEU, is synchronized with the development of the digital trade ecosystem in the EAEU. According to experts, Kazakhstan can become a logistics and e-commerce center for the countries of the Eurasian Economic Union, as well as achieve a global e-commerce share of 4% of the total retail trade in the country.

In general, the prospects for the development of e-commerce in Kazakhstan can be summarized as follows:

- improving the quality of Internet connection;
- increase the Internet audience;
- improving the quality of delivery of goods, first of all, increasing the delivery of mail;
- development of information technologies;
- expanding the range of goods and services.

The development of e-commerce is a new driver for the growth of trade, transit and development of the economy of Kazakhstan, which has a high potential for e-commerce. The country has prerequisites and factors for the formation of an e-commerce ecosystem: a Roadmap for the development of e-commerce for 2018–2020 was developed within the framework of the State Program “Digital Kazakhstan”, aimed at developing a digital ecosystem to achieve sustainable economic growth, increase the competitiveness of the economy and the nation, improving the quality of life of the population; there is a high potential in the

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<sup>1</sup> Urazayeva E.R. About some prerequisites for the development of electronic commerce in Russia, Belarus and Kazakhstan. University Bulletin, – 6(13). 2021. – P. 103–106.

development of the most dynamic areas of electronic commerce – trade in food and agricultural products; there is an increase in the share of the online market of the B2B segment; Kazakhstani legislation contains a full set of provisions that enable consumers of Kazakhstani Internet sites to protect their rights, which increases the level of trust; the state creates a favorable business environment and stimulates the development of electronic commerce through tax policy, the development of telecommunications and logistics infrastructure, and digital literacy of the population.

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