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Financial tools for managing corporate capitalization in Kazakhstan: a qualitative analysis of strategies, institutions, and market realities

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Abstract: This study explores how companies in Kazakhstan manage their capital structure and financing in the context of an emerging economy undergoing financial reforms. It adopts a qualitative case study approach to examine the mix of equity, debt, and hybrid financial tools in use, with a focus on the influence of institutions like the Astana International Financial Centre (AIFC) and broader market conditions. Key theoretical lenses – the Trade-Off Theory, Pecking Order Theory, and Financialization Theory – guide the analysis of corporate financing decisions. The findings highlight that Kazakhstani firms predominantly rely on internal funds and bank loans, consistent with pecking-order preferences, while equity markets remain in a nascent stage despite recent initial public offerings (IPOs) and AIFC initiatives. Hybrid instruments such as convertible bonds are rarely utilised, reflecting market unfamiliarity and structural barriers. The research underscores the implications for corporate strategy (e.g. diversifying funding sources and managing currency risk) and for policy (e.g. strengthening capital markets, enhancing investor base). It offers context-specific insights into Kazakhstan's financial landscape and provides recommendations to improve corporate capitalization strategies and support economic development.

Keywords: Corporate finance, capital structure, equity financing, debt financing, hybrid instruments, AIFC, financialization, emerging markets, qualitative analysis

1. Introduction

Efficient corporate capitalization is crucial for economic growth in emerging markets, as it enables firms to fund expansion and innovation. However, companies in developing economies often face constraints in accessing diverse funding sources, relying heavily on bank lending. In emerging markets, bank financing comprises roughly half of corporate borrowing on average, compared to less than a quarter in developed economies (World Economic Forum, 2015). This overreliance on banks can leave firms vulnerable and constrain the private sector's growth, highlighting the importance of developing robust capital markets (World Economic Forum, 2015). Encouraging alternative financing avenues – such as equity issuance and bond markets – is therefore vital for emerging economies to meet corporate funding needs and spur broader economic development (World Economic Forum, 2015).

Kazakhstan presents a pertinent case of an emerging market striving to diversify its corporate financing landscape. Since gaining independence from the Soviet Union, Kazakhstan's financial system has been dominated by bank lending and state interventions. In recent years, the government has launched financial reforms to modernize the sector, reduce systemic risks, and deepen capital markets as part of the country's economic development strategy. A flagship reform was the establishment of the Astana International Financial Centre (AIFC) in 2018, envisioned as a regional financial hub. The AIFC aims to attract investment, create an investor-friendly environment, and develop Kazakhstan's securities market, integrating it with global capital markets (AIFC, 2020) Through the AIFC – which features its own stock exchange (AIX) and a regulatory framework based on English law – Kazakhstan seeks to improve access to equity and debt financing for firms, especially as it pursues large privatizations and diversification away from oil dependence.

This research examines the strategies and financial tools that Kazakhstani corporations use to manage their capitalization (i.e. their mix of equity, debt, and hybrid financing). The study is guided by the following research questions: How do firms in Kazakhstan choose among financing options such as equity issuance, bank loans, corporate bonds, or hybrids? What role do institutions (like AIFC and the National Bank) and market conditions play in shaping these decisions? And what are the implications for corporate strategy and national policy? Given the relatively under-explored context of Kazakhstan, a qualitative approach is adopted to gain in-depth insights. Rather than relying solely on quantitative models, this approach allows an exploration of context-specific factors – from regulatory frameworks to investor behaviour – that influence capital structure decisions. The qualitative analysis is supported by case evidence and secondary data, enabling a nuanced understanding of Kazakhstan's financial realities. In the following sections, we outline the theoretical framework guiding the analysis, review relevant literature, describe the methodology, present thematic case findings, and discuss the implications for both corporate strategists and policymakers in Kazakhstan.

2. Object and subject of research

The object of the research is corporate financial strategies and practices in Kazakhstan. The subject of the research is the use and effectiveness of financial tools (equity, debt, and hybrid instruments) in managing corporate capitalization, with a focus on the institutional and market context in Kazakhstan.

3. Target of research

The aim of the research is to explore how corporations in Kazakhstan manage their capital structure using various financial instruments, and to assess how institutional developments (such as the AIFC) and market conditions influence these financing strategies.

4. Literature analysis

Research on capital structure and financing in emerging markets and transition economies provide valuable context for this study. Globally, corporate finance scholars have extensively debated which theories (trade-off vs. pecking order, among others) best explain firms' financing choices. In developed markets, evidence is mixed: some studies find support for a target leverage ratio (trade-off) while others observe behavior consistent with pecking order preferences, especially among smaller firms. Emerging markets often present additional factors – such as market imperfections, higher risk, and institutional weaknesses – that can skew capital structure decisions. Global studies indicate that companies in developing countries tend to have lower overall leverage than in advanced economies and rely more on short-term bank loans, due to less developed bond markets and higher interest rates. Information asymmetry is typically more acute, making external equity costly and supporting the pecking order argument that firms avoid issuing stock unless absolutely necessary (Capital city & Training Consulting, 2024). Additionally, legal and institutional environments in emerging markets influence capital structure: strong investor protection and developed financial markets tend to enable more corporate bond and equity issuance, whereas weaker institutions push firms to rely on insider funding or bank lending relationship relationships.

Regional and post-Soviet studies: Within post-Soviet and Central Asian contexts, research is relatively sparse but suggests that historical legacies and state involvement significantly impact corporate financing. Many enterprises in these economies emerged from state-owned backgrounds, meaning that even after privatization, governments often remain as shareholders or implicit guarantors. For example, studies on Russia and Eastern Europe have found that state-linked firms can access loans on preferential terms (or bailouts in distress), which might reduce their need to follow a strict trade-off optimization. Transition economies also show slower development of capital markets – stock exchanges exist (e.g. Moscow MICEX, Warsaw Stock Exchange), yet listing rates among domestic companies are low, and market capitalization relative to GDP tends to lag behind that of more mature emerging markets. In Central Asia, banking sectors have dominated corporate finance, and episodes of banking crises (such as Kazakhstan's 2008–2009 crisis) led to deleveraging and a contraction of credit to the private sector. Researchers have noted that in such environments, companies become conservative, relying on internal funds or informal financing networks during credit crunches. The literature on capital structure in Kazakhstan specifically is limited. Most prior analyses focus on the banking sector health or macroeconomic stability, rather than firm-level financing strategy. For instance, a study on trade credit in Kazakhstan found that during crises, firms increasingly turned to supplier credit as banks pulled back (Adilkhanova et al., 2022), indicating adaptive financing behavior outside formal debt markets. However, there is a clear gap in scholarly literature examining how Kazakhstani companies choose between equity, debt, and other instruments in the post-2010 reform era.

Financing instruments in emerging markets: Globally, companies can raise capital through equity (e.g. IPOs, secondary share offerings), debt (loans and bonds), or hybrid instruments (convertible bonds, mezzanine finance, etc.). In emerging markets, equity financing is often constrained by shallow stock markets – firms that do go public are usually the larger, well-established ones, sometimes listing abroad to tap deeper pools of capital. For example, many emerging-market multinationals choose to list on the London or New York exchanges to reach international investors. Debt financing in developing countries mostly comes from banks, as corporate bond markets are underdeveloped. When bond markets exist, they are often skewed toward government and quasi-government issuers, as noted in some World Bank reports (World Bank, 2024). Hybrid instruments like convertibles require certain market sophistication and investor appetite, which may be lacking. A review of emerging Asia's markets showed that convertible bond issuance picks up only when domestic institutional investors (like pension funds or insurance companies) mature enough to demand such products. In post-Soviet economies, the use of hybrids has been minimal to date.

Literature gap in Kazakhstan: Despite Kazakhstan's ambitious financial reforms and its status as one of the largest emerging economies in Eurasia, academic literature on corporate capital structure in Kazakhstan remains limited. There is no comprehensive study to date focusing on how Kazakhstani firms balance equity vs. debt or how institutions like the AIFC are affecting financing strategies. Most available information comes from institutional sources (e.g. National Bank of Kazakhstan reports, World Bank assessments, and news coverage of specific IPOs or bond issues) rather than scholarly analyses. This gap justifies a context-specific qualitative exploration. By synthesizing insights from global theories and regional trends with detailed case evidence from Kazakhstan, this study aims to contribute where prior research is scarce. It will shed light on whether common capital structure theories hold in Kazakhstan's unique environment and identify the nuances that a quantitative analysis might overlook. The qualitative angle allows us to capture the interplay between corporate decisions and the evolving financial infrastructure in Kazakhstan – an interplay that is not well documented in existing literature but is crucial for understanding the country's economic trajectory.

5. Research methods

This research employs a qualitative case study approach to investigate corporate capitalization in Kazakhstan. The choice of a qualitative methodology is driven by the exploratory nature of the research questions and the context-specific factors at play. Given the limited prior literature on Kazakhstan's corporate finance environment, a qualitative design allows for an in-depth examination of multiple data sources and the extraction of themes and patterns that help explain how and why companies use certain financial tools.

Case study and data sources: Rather than focus on a single company, this study uses a multiple-case approach encompassing several prominent Kazakhstani corporations and financing transactions as illustrative examples. It relies on secondary data sources including corporate annual reports and financial statements, official documents from the AIFC and the National Bank of Kazakhstan (NBRK), reports by international institutions (such as the International Monetary Fund and World Bank), local media coverage of financial events, and relevant academic and industry publications. For instance, AIFC publications provided information on recent IPOs and the development of new financial instruments, while the World Bank's Financial Sector Assessment Program (FSAP) report on Kazakhstan offered insights into market structure and regulatory challenges (World Bank, 2024). These sources were selected to triangulate information: corporate reports illustrate firm-level outcomes, regulatory documents show the policy framework, and media/analyst reports often explain market reactions and ground realities.

Thematic analysis: The data collected were analyzed using thematic analysis. Key themes were identified based on recurring subjects in the data related to corporate financing – specifically, four major themes emerged: (1) Equity Financing, (2) Debt Financing, (3) Hybrid Instruments, and (4) Institutional and Macroeconomic Influences. Data were coded according to these themes. For example, all information regarding IPOs, stock listings, and equity market participation was grouped under Equity Financing, while data on bank lending, corporate bonds, and interest rates were grouped under Debt Financing. Themes were refined iteratively to ensure they captured the core aspects of Kazakhstan's financial strategies. The analysis involved comparing evidence across cases (e.g. comparing the IPO experiences of different companies) and relating the findings back to the theoretical framework. Patterns were noted, such as a common reliance on state-related financing or repeated mention of certain barriers (like investor base or regulatory issues), which then informed the interpretation of results.

Incorporation of quantitative indicators: To complement the qualitative analysis, the study also makes use of a dataset containing various macroeconomic and financial indicators for Kazakhstan from 2008 to 2022. These indicators include annual GDP growth rates, the average exchange rate of the Kazakhstani Tenge (KZT) against the US dollar, net inflows of foreign direct investment (FDI) and portfolio investment, portfolio equity inflows, stock market capitalization as a percentage of GDP, the number of listed domestic companies, stock trading volume, non-performing loan (NPL) ratios in the banking sector, inflation rates, and domestic credit to the private sector as a percentage of GDP. This dataset is used illustratively to contextualize the qualitative findings. For example, if a theme discusses high inflation and interest rates as constraints on borrowing, the dataset's inflation trend (which shows inflation spiking to double digits in certain years) provides evidence of that macroeconomic reality. Similarly, the data on market capitalization to GDP and credit to GDP help illustrate the relative development of equity vs. credit markets over time. (Figure 1, for instance, will visualize the contrasting trends of stock market capitalization and domestic credit to the private sector as percentages of GDP over the past decade, highlighting how credit levels have declined post-2008 while market capitalization remains modest.)

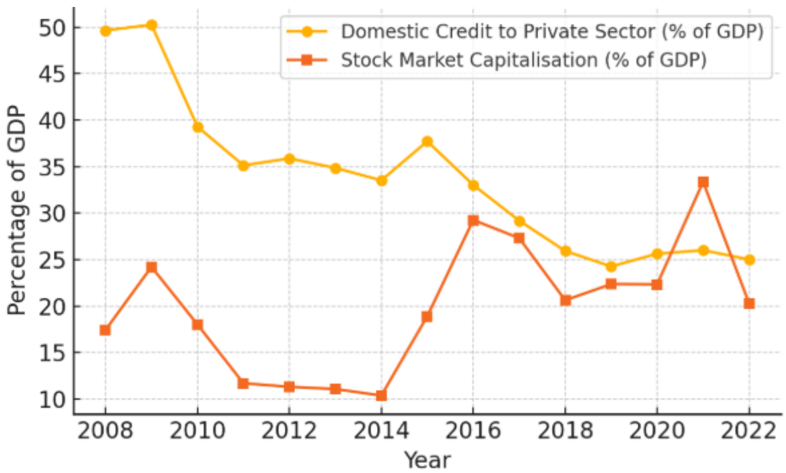

Figure 1. Domestic Credit vs Stock Market Capitalisation in Kazakhstan.

Figure 1 shows the trajectory of domestic credit to the private sector and stock market capitalization (both as % of GDP) from 2008 to 2022. Domestic credit (orange line) peaked at nearly 50% of GDP in 2009 but fell sharply after the global financial crisis and remained around 25–30% of GDP in recent years, reflecting a contraction in bank lending. Stock market capitalization (red line) has generally ranged between 10% and 30% of GDP, with a low base in the early 2010s and a temporary rise around 2016 and 2021 (partly due to currency movements and a few large listings), but it was about 20% of GDP in 2022. This figure provides a backdrop for our analysis, underscoring the relatively shallow equity market and the still-recovering credit environment in Kazakhstan (World Bank, 2024). Altogether, the qualitative and quantitative elements are integrated to present a comprehensive analysis. By using secondary data and thematic analysis, the study can capture rich details of Kazakhstan's financing landscape, while still grounding observations in empirical macro-financial trends.The "Research methods" section should contain a description of the methods, techniques, and approaches that were used in the research and improvement of the object. The authors of the article should present the results of the research using graphical and tabular material.

Case Studies and Thematic Analysis

Organizing the findings into thematic areas allows us to discuss patterns across multiple cases and data sources. Four themes were identified as central to understanding corporate capitalization in Kazakhstan: Equity Financing, Debt Financing, Hybrid Instruments, and Institutional and Macroeconomic Influences. Each theme is discussed below, with examples and evidence to illustrate the current strategies, challenges, and developments in Kazakhstan's corporate financing.

Theme 1: Equity Financing

Equity financing in Kazakhstan has historically been limited, but recent developments show both progress and ongoing challenges. The country's main stock exchanges are the Kazakhstan Stock Exchange (KASE) in Almaty and the newer Astana International Exchange (AIX) within the AIFC. Traditionally, few Kazakhstani companies have been publicly listed, and those that tend to have low free floats (small portions of shares available to trade) with limited liquidity. According to a World Bank assessment, the number of companies listed on KASE declined in the past five years, dropping from a peak of 91 in 2020 to 83 by early 2023 as delistings outpaced new listings (World Bank, 2024). This decline was partly due to some companies opting out of the market (including several Russian firms delisted for geopolitical reasons) and reflects the struggle to sustain a broad equities market. The stock market capitalization of domestic companies has remained modest – roughly 19% of GDP as of 2021 – and stock turnover (trading volume relative to market value) is very low (~5% in Kazakhstan vs. ~38% average in emerging markets) (World Bank, 2024). These figures point to a shallow equity market that is still firmly in "frontier market" territory, lacking depth and liquidity.

Despite these challenges, there have been notable strides in equity financing through high-profile IPOs supported by government initiatives and the AIFC. One landmark was the IPO of Kazatomprom in 2018. Kazatomprom, the world's largest uranium producer and a national company, became the first major Kazakh SOE (state-owned enterprise) to dual-list shares internationally. In November 2018, Samruk-Kazyna (Kazakhstan's sovereign wealth fund and Kazatomprom's parent) sold about 15% of Kazatomprom's equity to investors via a dual listing on the London Stock Exchange and the AIX in Astana (AIFC, 2020). This IPO raised around US$450 million and was hailed as a test for the country's privatization program (Voloshin, 2018). Local investors were given a tranche through AIX, and initial demand was strong. Over 2019 and 2020, additional secondary offerings increased Kazatomprom's free float to 25% (AIFC, 2020), and importantly, about 35% of the demand in a 2020 secondary share sale came via AIX from domestic investors (AIFC, 2020). The Kazatomprom case thus demonstrates the growing (if still nascent) appetite of Kazakhstani retail investors when given the opportunity, as well as AIFC's role in facilitating such transactions. The AIX CEO noted that retail participation in equities was five times higher in the 2020 offering compared to the earlier one, calling it "a very promising sign for the development of the capital market of Kazakhstan." (AIFC, 2020). This suggests that, with the right incentives and awareness, local investment interest can be mobilized.

Another significant equity financing event was the IPO of Kaspi.kz in 2020. Kaspi.kz is Kazakhstan's leading fintech and e-commerce ecosystem (built around Kaspi Bank) and by the late 2010s had grown into one of the country's most valuable companies. Kaspi.kz chose to list on the London Stock Exchange in October 2020, in what became the largest IPO out of Kazakhstan since the mid-2000s. The offering, priced between $28.50 and $33.75 per Global Depositary Receipt, valued Kaspi at around $6.5 billion market capitalization (Reuters, 2020). Kaspi raised approximately $870 million (selling about 13.4% of the company's shares) in London (Rapoza, 2020). Notably, Kaspi also made its shares available on the AIX for local investors, and it was already listed on KASE prior to the IPO. However, before this IPO, Kaspi's KASE listing had a "tiny" free float and very little trading activity (Rapoza, 2020) – meaning it was effectively a nominal listing with the vast majority of shares held by the founders and private equity investors. The Kaspi case underscores a pattern: Kazakh companies with the scale and ambition to go public often seek international markets for capital and prestige, while using the AIFC platform to enable some domestic investment. This dual approach helps them achieve higher valuations (accessing global investor pools) while also aligning with Kazakhstan's policy goal of involving local investors in big privatizations.

A further example is the late-2022 IPO of KazMunayGas (KMG), the national oil and gas company. Unlike Kaspi, KMG's IPO was primarily on the domestic market (AIX and KASE) and aimed at local citizens as part of the "People's IPO" concept. The government sold a small stake (roughly 5% of shares) to the public. The offering attracted considerable interest from retail investors in Kazakhstan – thousands of individuals placed orders – indicating a positive response when a well-known national champion's shares were made accessible. According to the World Bank, the KMG IPO "attracted great interest and actual investment by domestic investors," although it cautioned that maintaining consistent investor interest and improving liquidity post-IPO remains a challenge (World Bank, 2024). Indeed, one IPO by itself does not transform market liquidity; KMG's listing has had a limited impact on daily trading volumes so far (World Bank, 2024). Even so, the success of KMG's sale has encouraged the government to consider IPOs of other state enterprises (such as Air Astana or energy companies) in the coming years (World Bank, 2024). The pipeline of IPO candidates could, if executed well, gradually broaden the equity market and attract both local and foreign investors – a strong series of IPOs is anticipated to bring in new liquidity (World Bank, 2024).

While these cases show progress, challenges in equity financing persist. One major issue is the limited domestic institutional investor base. Kazakhstan's pension system was consolidated into a single state-run fund (UAPF), which invests conservatively, mostly in government bonds (World Bank, 2024). Private asset management is underdeveloped, and life insurance and mutual funds are small (World Bank, 2024). This means there are few large local investors to anchor demand for equities, aside from the sovereign wealth entities themselves. Retail investor participation, though growing, is still sporadic and influenced by the performance of high-profile offerings or global market trends (World Bank, 2024). Additionally, corporate governance and disclosure standards among some local firms remain weak by international investor expectations, making them hesitant to invest. These factors contribute to low valuations and liquidity – a vicious cycle where companies are wary of listing because the market is shallow, but the market remains shallow because few good companies list. To sum up, equity financing is slowly gaining traction in Kazakhstan through government-led IPOs of big firms and support from AIFC's internationalized platform. However, for most private companies, especially mid-sized ones, issuing equity is still seen as a last resort or not feasible, aligning with the pecking order idea that other funding means first. Until market depth and investor confidence improve significantly, equity financing will likely remain a supplementary tool used mainly in special cases (privatizations, offerings of top-tier firms) rather than a routine capital source for the average business.

Theme 2: Debt Financing

Debt financing in Kazakhstan is dominated by bank lending, with a relatively minor role played by corporate bonds. For much of the 2000s and early 2010s, Kazakhstani firms – especially small and medium enterprises (SMEs) – depended on domestic banks for credit. The Kazakh banking sector experienced a boom-and-bust rapid credit growth up to 2007 followed by a severe banking crisis and restructurings around 2009–2010 (several major banks defaulted on external debt). This legacy, coupled with a sharp currency devaluation in 2015, led to a prolonged period of deleveraging. As seen in Figure 1 earlier, domestic credit to the private sector fell from nearly 50% of GDP in 2008 to about 30–35% in the mid-2010s, and further down to ~25% by 2018.

High non-performing loans (which peaked above 20% of total loans around 2010-2011) forced banks and regulators to clean up balance sheets (World Bank, 2024). By the late 2010s, banks were more cautious lenders and in aggregate were flush with liquidity (partly due to substantial deposits, including from government-related entities).

For large corporations, bank loans are often available through the country's top banks (like Halyk Bank, Kaspi Bank, Bereke Bank until its recent exit, etc.) or through government-affiliated development institutions. The cost of borrowing, however, has been relatively high. The National Bank of Kazakhstan's base interest rate has frequently been in double digits (for example, it was 9.75% at end-2021 and was hiked to around 16–17% in 2022 in response to inflation) (Focus Economics, 2023).

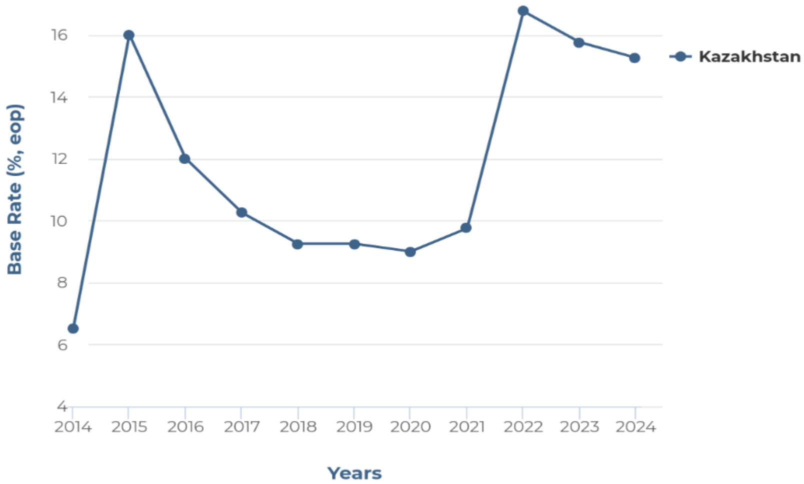

Figure 2. This chart displays Policy Interest Rate (%) for Kazakhstan from 2014 to 2024. Source: (Focus Economics, 2023).

Commercial lending rates to businesses can be higher still, reflecting risk premiums. Such rates make long-term investment loans expensive and discourage heavy leverage. SMEs particularly struggle, as they often face even higher rates or collateral requirements. This has led to a financing gap for smaller businesses – a problem not unique to Kazakhstan but pronounced there given the banking sector's focus on a few large corporate clients and consumer lending. In response, the government (through institutions like the Damu Entrepreneurship Fund and the Development Bank of Kazakhstan) provides subsidized loan programs and credit guarantee schemes for SMEs. While this helps, they also indicate that the market alone is not providing sufficient affordable credit to broaden swaths of the private sector.

The corporate bond market in Kazakhstan remains in an early stage of development. Legally and technically, the framework for issuing corporate bonds exists and KASE lists corporate bonds, but volumes are relatively small. A key insight from the World Bank's FSAP report is that the corporate bond market is "largely dominated by quasi-government bond issuers," which account for nearly 80% of corporate debt issuance between 2018 and 2022 (World Bank, 2024). In other words, most corporate bonds have been issued by companies that are either fully state-owned or subsidiaries of state entities (for instance, development institutions or large national companies). Private sector companies have issued far fewer bonds. The dominance of state-linked issuers can crowd out private issuers and means pricing is often influenced by government credit ratings or guarantees, rather than pure market risk assessment. The supply of private corporate bonds is low because many companies do not either meet the credit rating criteria, or they find bank loans more convenient (especially if they have established bank relationships). On the demand side, institutional investors like the pension fund prefer government and quasi-government bonds for safety (World Bank, 2024), and there is limited appetite for private corporate credit risk. Consequently, when a genuinely private company considers issuing a bond, they face the reality of a small investor base demanding high yields, making it less attractive relative to other financing methods.

Another factor affecting the bond market is the ample liquidity among banks. As of 2022, Kazakh banks had excess liquidity, which meant they could satisfy corporate borrowing needs without much competition from bonds (World Bank, 2024). In fact, the spread between bank loan rates and corporate bond yields widened to over 350 basis points (3.5 percentage points) in 2022 (World Bank, 2024). This indicates that issuing a bond would require offering a significantly higher interest rate than the cost of a bank loan for an equivalent borrower, rendering the corporate bond market a less appealing source of funding for companies. Banks can lend at lower rates (especially to prime clients) due to their deposit base and the abundance of subsidized funding programs, whereas a corporate bond has to attract investors with higher returns. The authorities are aware of this and, under the Financial Sector Development Plan 2030, have initiatives to encourage more bond market activity – for example, by gradually reducing direct state lending programs and subsidies that currently make cheap bank loans available to certain companies (World Bank, 2024). The idea is that as state subsidies and directed lending recede, companies might turn to capital markets for funding, and investors will demand less of a premium as the market grows more liquid. However, such changes are gradual, and it remains to be seen if they will significantly shift the balance.

For now, bank financing remains the cornerstone. Large firms with good credit can negotiate sizable loans from local banks or even international ones (some Kazakh corporates tap global syndicated loans, particularly in extractive industries). State-owned enterprises often borrow from state banks or via government channels at preferential rates. Smaller firms rely on local banks or microfinance (with government support in many cases). The pecking order theory's prediction that firms prefer debt to equity holds true in Kazakhstan insofar as debt (loans) is indeed the first external financing choice for most companies, given the underdeveloped equity market. But interestingly, many Kazakh firms also avoid excessive debt due to the volatility of interest rates and exchange rates. A significant portion of corporate debt in Kazakhstan has historically been in foreign currency (especially U.S. dollars), which posed huge risks when the tenge was devalued (e.g. in 2015 the tenge lost half its value after the move to a free float). Companies learned hard lessons from these devaluations, as those with unhedged USD loans saw their debt burdens double in local currency terms. Nowadays, there is more caution: regulators and firms try to match debt currency with revenue currency, and NBK has pushed dedollarization to reduce FX loans.

In summary, debt financing in Kazakhstan is readily available for established firms but can be costly. The corporate bond segment is nascent and overshadowed by state players, while bank lending is ample yet unevenly distributed (large corporate and consumer loans vs. limited SME credit). The dependency on banks means any banking sector stress (as seen in the past) directly constrains corporate financing. It also means that improvements in Kazakhstan's corporate financing environment hinge on banking sector health and reforms, as well as efforts to nurture the bond market to complement bank lending. Until such a complement matures, companies will continue to operate in a somewhat constrained financing space where loans are accessible but not always ideal, and alternative debt instruments are scarce.

Theme 3: Hybrid Instruments

Hybrid financial instruments, which blend characteristics of debt and equity, have had little presence in Kazakhstan's corporate finance landscape so far. Instruments such as convertible bonds, mezzanine financing, and preferred shares are common in more developed markets as ways to tailor financing to a firm's risk profile or growth stage. In Kazakhstan, however, several factors have hindered the adoption of these hybrids: lack of market familiarity, a small, sophisticated investor base, and underdeveloped legal frameworks for complex instruments.

Convertible bonds (debt that can convert into equity) could in theory be attractive in an emerging market context – they offer investors potential upside if the company grows, while giving companies lower interest rates (because of the conversion option value). Yet, to work well, convertibles require a reasonably liquid and reliable equity market (since eventual conversion involves stock). With Kazakhstan's equity market liquidity issues noted earlier, investors may be wary that even if they convert, selling shares later could be difficult. Moreover, many Kazakh companies might not want to issue convertibles because they either are not publicly listed (so conversion would be impractical) or they do not want to dilute ownership given the often-concentrated ownership structures. To date, there have been virtually no high-profile convertible bond issuances by Kazakh corporates reported in the financial press. This suggests that the instrument is not yet part of the standard toolkit. Legal and accounting treatment of convertibles can also be complicated; it's possible that Kazakhstani financial regulation hasn't fully fleshed out guidelines for such securities, making both issuers and investors hesitant.

Mezzanine financing – typically a private, subordinated debt often with equity warrants or profit participation – has seen some interest from development institutions in Kazakhstan. For instance, the Development Bank of Kazakhstan (a state development finance institution) and the Kazakhstan Investment Development Fund have indicated they can provide "intermediate and mezzanine financing" for projects (Development Bank of Kazakhstan, n.d.; Qazaqstan Investment Corporation, n.d.). These are usually aimed at companies or projects that are beyond the reach of traditional bank loans (due to higher risk or lack of collateral) but still have growth potential. Mezzanine loans in Kazakhstan would likely come with higher interest (in the high single digits or low teens, possibly subsidized to around 8% in some programs) (Qazaqstan Investment Corporation, n.d.) and sometimes equity kickers. While initiatives exist on paper, the uptake has been limited. One reason is that few private mezzanine funds operate in the region; most potential providers are government-linked or multilateral (like IFC or EBRD), which have strict due diligence and tend to select only a handful of projects. Companies, on the other hand, might prefer straightforward loans if available, because Mezzanine often implies giving up a share of future profits or control (if warrants are exercised). The corporate culture in Kazakhstan is still adapting to the idea of outside investors sharing in ownership – many businesses are family-owned or state-owned, and the concept of allowing a lender to potentially become a shareholder (as in a mezzanine deal with warrants) is unfamiliar and perhaps unappealing to some.

Another hybrid form, preferred stock, is scarcely used in Kazakhstan's context. Preferred shares (which pay fixed dividends and have priority over common stock) could be a way to raise equity-like capital without diluting voting control. Some Kazakh banks had issued preferred shares in the past to boost capital (for example, during the 2009 crisis recapitalizations), but in the corporate domain, preferred stock issuance is rare. This again ties back to the thin capital market – there isn't a broad class of investors seeking such instruments.

The barriers to adoption of hybrid instruments in Kazakhstan can be summarized as follows:

- Investor Understanding and Demand: Local investors (both institutional and retail) have low familiarity with complex securities. They are still grappling with basic equity and bond investing. Introducing hybrids could be confusing or seen as too risky. Foreign investors in Kazakhstan typically stick to either straightforward equity (buying shares of the major listed firms) or buying sovereign and quasi-sovereign bonds. They have not pushed for convertible or other hybrid issuance, possibly because the market is too small to bother with bespoke instruments.

- Regulatory Environment: The regulatory framework is improving under AIFC's auspices – AIFC courts and AFSA (AIFC's regulator) follow principles of English commercial law, which is favorable for complex financial contracts. However, outside AIFC, Kazakh corporate law might not clearly accommodate things like conversion rights enforcement, priority in bankruptcy for mezzanine lenders, etc. If a convertible bondholder needed to enforce conversion or an equity kicker needed to be honored, it's uncertain how smooth that would be legally under domestic law. This uncertainty reduces issuer and investor willingness to engage in hybrids. One advantage AIFC brings is that companies incorporated in AIFC could potentially issue such instruments under English law governance, which might gradually open the door to hybrids in a secure legal setting.
- Market Conditions: Hybrids often flourish in more stable macro environments. Kazakhstan's macro volatility (currency swings, inflation variability) makes plain vanilla debt and equity already challenging; adding hybrid terms could complicate valuation. For example, valuing a convertible bond requires assumptions about future equity value; in a volatile market, this is hard and both issuer and investor may disagree on terms (either the conversion price or interest rate).

In practice, when Kazakh companies need quasi-equity capital, they have tended to rely on strategic partnerships or private equity rather than public hybrid instruments. A few growth companies have brought in private equity investors who inject funds in exchange for minority stakes (effectively an equity infusion that strengthens capitalization). This is outside public markets but is a form of intermediate financing. For example, Kaspi.kz had private equity backing (Baring Vostok fund) before its IPO (Ivashina & Çekin, 2019), which helped it grow without needing hybrids. Similarly, several mining and natural resources companies have joint ventures with foreign firms, which is another way of getting capital without debt.

In conclusion, hybrid instruments are not yet a notable part of Kazakhstan's corporate financing arsenal. The absence of convertibles and mezzanine financing usage indicates the market's early stage; companies and investors stick to more straightforward options. This could change in the future if the AIFC successfully deepens the market and attracts more sophisticated investors – for instance, if AIFC lures international funds that are comfortable with convertible bonds, we might see some trial issuances (perhaps by AIFC-registered firms). Additionally, as the privatization pipeline progresses, the government might consider convertible bonds for partial privatizations if outright equity sales are politically or financially less feasible. But as of the time of this study, hybrids remain more theoretical in Kazakhstan, highlighting a gap between the range of financial tools available globally and those practically utilized in this emerging market.

Theme 4: Institutional and Macroeconomic Influences

The final theme encompasses the broader institutional and macroeconomic factors that influence corporate capitalization strategies in Kazakhstan. This includes the role of newly created institutions like the AIFC, as well as macro-level conditions such as interest rates, inflation, exchange rates, and economic growth trends. These factors set the context in which the equity, debt, and hybrid financing decisions (discussed in previous themes) are made.

Role of AIFC and regulatory developments: The Astana International Financial Centre, launched in 2018, represents a concerted effort by Kazakhstan's leadership to modernize the financial sector and integrate it with global markets. The AIFC provides an independent legal jurisdiction (based on English common law) and has its own regulatory authority (the Astana Financial Services Authority) to oversee participants. It also established the Astana International Exchange (AIX) in partnership with foreign shareholders (such as Nasdaq and Shanghai Stock Exchange) (AIFC, 2020). The AIFC's stated mission is to develop an active capital market in Kazakhstan by providing favorable conditions for both issuers and investors (AIFC, 2020). In practice, AIFC has been pivotal in enabling the recent IPOs (Kazatomprom, Kaspi, KMG, etc.) by attracting international underwriters and providing a venue that meets international standards. Companies that might have been reluctant to list on the domestic KASE due to concerns about local regulations have found AIFC/AIX a more palatable alternative. AIFC also offers tax incentives and simplified procedures for companies (especially fintech and financial firms) which join the centre. By 2025, AIFC has drawn hundreds of firms to register within its zone, ranging from finance to IT startups, aiming to create an ecosystem that could support more diverse financing solutions.

From an institutional perspective, AIFC has become a catalyst for financialization in Kazakhstan – exemplifying the financialization theory's point about the increasing presence of financial institutions and markets in guiding economic activity (Epstein, 2019). The centre is working to introduce new concepts such as green finance (e.g. green bonds, as evidenced by a few initial green bond issuances by development banks through AIX) and to enhance corporate governance practices by requiring better disclosure for AIX-listed firms. However, it's important to note that AIFC is still in its infancy. It operates somewhat like an enclave: companies and investors within AIFC benefit from advanced rules, but these practices need to spill over into the broader domestic economy to have a systemic impact. The success of AIFC will be measured in coming years by whether it can substantially increase the volume of non-bank financing. So far, the results are promising but modest – a handful of IPOs and bond listings have been done, and market capitalization/turnover remain in frontier-market range (World Bank, 2024). Still, Kazakhstan's approach to use a special jurisdiction to leapfrog financial development is seen as innovative in the region, and if it continues to deliver reputable deals (with the likes of Goldman Sachs as partners in AIX and big four auditors involved, etc.), it could gradually change attitudes of both corporates and investors.

Macroeconomic conditions: Kazakhstan's macro environment has been a double-edged sword for corporate financing. On one hand, the country has enjoyed strong economic growth for much of the 2000s and 2010s (apart from occasional slowdowns), driven by oil exports, mining, and increasingly, services. GDP growth has generally been positive (e.g. averaging around 4–5% in the late 2010s, aside from a contraction in 2020 due to the COVID-19 pandemic). A growing economy creates more opportunities for companies to expand and need capital. On the other hand, growth has been volatile and tied to commodity cycles, which means risk for financiers. The inflation and interest rate cycle are a critical factor. Inflation in Kazakhstan has fluctuated significantly: it was very high in 2007–2008 (annual CPI inflation over 15%), then moderated to mid-single digits by 2013, spiked to ~14% in 2016 after a large currency devaluation, settled around 5-8% in late 2010s, and then jumped again to over 15% in 2022 in the wake of global inflation pressuresfile-2ehigzrsubafa7skmyqk4bfile-2ehigzrsubafa7skmyqk4b. High inflation has forced the National Bank to maintain a tight monetary policy stance, with base rates often elevated (e.g. raising to 16–17% in recent times) (Focus Economics, 2023). For companies, this means the cost of borrowing domestically can be steep, and real interest rates (interest minus inflation) have sometimes still been positive, making debt service burdensome. High and variable inflation also complicates long-term planning – lenders become unwilling to offer long tenors at fixed rates, and businesses become wary of locking in high rates. The macroeconomic instability thus nudges companies to prefer financing that can be flexible or short-term, or to use foreign currency loans if those offer lower rates (with the trade-off of currency risk).

The exchange rate is another macro element with a direct impact on capitalization decisions. The Kazakh tenge (KZT) has seen major devaluations: notably in 2015 when the NBK moved to a free float, the tenge lost about half its value against the US dollar (going from roughly 180 KZT/USD to around 340 KZT/USD), and again pressures in 2020–2022 took it to around 470 KZT/USD. Such currency swings affect companies in multiple ways. Firms with revenue in tenge but debt in dollars suffered increased leverage in local terms. This experience likely made firms more cautious about taking foreign loans unless they have matching foreign currency income (for example, exporters). It also may encourage some companies to seek equity financing as it has no currency repayment obligation, though equity brings dilution. Additionally, currency risk increases the required return investors seek on any tenge-denominated securities, pushing up yields and making capital more expensive. The government and NBK have tried to stabilize expectations and promote tenge instruments (for instance, developing a yield curve up to 15-year government bonds (World Bank, 2024), but confidence in the tenge is a work in progress. Dollarization of deposits in Kazakhstan has been high historically, indicating trust issues with the local currency (World Bank, 2024).

The macro data provided earlier give a sense of these trends: for example, inflation surges correspond with NBK rate hikes and credit slowdowns, while exchange rate drops in 2015 and 2020 align with dips in market confidence. The macroeconomic trends influence investor sentiment too – during stable periods, there is more interest in local equities and bonds, but during volatility, investors flee to safety (often meaning withdrawing or sticking to government bonds). This in turn feeds back into how companies can raise capital. A stable, low-inflation environment would be the best backdrop for Kazakhstan to deepen its capital markets, whereas a volatile environment pushes everyone back towards short-term and often state-backed solutions.

Sector-specific vs. systemic influences: It's also worth noting that institutional and macro influences can vary by sector. For example, the extractive sector (oil, gas, metals) historically had better access to external finance (through joint ventures or export credit) and was somewhat insulated from local financial constraints. Meanwhile, sectors like construction and real estate were heavily reliant on domestic banks and thus were badly hit by the banking crises. The government's policy has been to diversify the economy – to grow sectors like agriculture, logistics, manufacturing – but these new sectors often face financing hurdles. Institutions like Baiterek Holding (which oversees development institutions) have targeted these areas with subsidized loans and guarantees (World Bank, 2024). This quasi-fiscal support is an institutional influence that shapes corporate finance: many companies will first look at what subsidized credit programs are available (for example, a program offering 6% interest for agribusiness) before considering market loans or issuing securities. In essence, the state remains a key player, directly or indirectly, in providing capital to many parts of the economy. While this ensures funding in priority areas, it can also sideline market mechanisms.

In conclusion, Kazakhstan's corporate financing strategies cannot be divorced from the institutional and macro context. The emergence of AIFC is a positive institutional change that has begun to provide more options and confidence for non-bank financing – it signals a commitment to aligning with global financial norms. Macroeconomic realities, however, often dictate the pace: periods of stability see more market development (as in the late 2010s when inflation was moderate and IPOs were launched), whereas shocks can revert attention to stability and bank-centric measures. For companies, this means that financing decisions are sometimes less about an optimal capital structure in a vacuum and more about navigating the environment – taking cheaper state-facilitated loans when available or opportunistically tapping equity markets when conditions permit (like doing an IPO when valuation is favorable), and otherwise holding on to earnings to fund projects. The interplay of institution-building and macro management in Kazakhstan will continue to shape the corporate financing arena in the years to come.

6. Research results

In the "Results of research" section, the authors of the article should present the results of the research using graphical and tabular material with an emphasis on the fact that the result was obtained or its implementation is expected. The obtained result should be accompanied by explanations of how exactly this result will be useful, how the obtained results can be explained.

In this section, you can indicate: how the updated object is better than analogues, how internal factors have changed (energy consumption, time, cost), what profit the research object can bring, what the research can be interesting for other countries, what additional costs will be incurred product of this object of research, what analogues of this object of research exist.

7. Prospects for further research development

The findings from Kazakhstan's experience with corporate capitalization reveal a complex interplay between theoretical expectations and practical constraints. When we assess the evidence against classic finance theories, we find partial alignment as well as notable divergences shaped by Kazakhstan's unique context.

Alignment with Pecking Order Theory: The pecking order theory appears to hold considerable explanatory power in Kazakhstan's case. Firms exhibit a clear preference for internal and easier funds over external equity. Retained earnings and government-provided funding (a form of internal or quasi-internal capital for many firms) are usually the first resort. Debt financing, primarily through bank loans, comes next – and indeed we saw that many companies lean on bank credit lines or state loans rather than issuing new equity. Equity issuance is relatively rare and typically observed only among the largest companies or as part of state-driven privatization efforts. This mirrors the pecking order's prediction that equity is a last resort due to high costs and information asymmetry. For example, family-owned or privately held businesses in Kazakhstan often avoid the stock market because they are concerned about undervaluation and loss of control, which is exactly the scenario pecking order theory envisions (managers reluctant to issue equity that they feel is underpriced). Even some large successful companies like Kaspi.kz delayed going public until they had exhausted other growth funding options (it grew for years via retained profits and private equity investments before finally doing an IPO). Thus, the hierarchical financing preference is evident.

Partial Alignment with Trade-Off Theory: The trade-off theory's notion of firms targeting an optimal debt-to-equity balance is less directly evident, but there are signs that some trade-off considerations are at play. Kazakhstani firms, especially those with foreign exposure, are aware of the costs of financial distress – memories of past crises make them cautious about over-leveraging. For instance, companies in sectors like consumer goods or telecom (which rely on steady local revenues) tend to maintain moderate debt levels, arguably to avoid the risk of insolvency if another shock hits. The banking sector's requirement for collateral and relatively short loan tenors also naturally limits how much leverage firms take on. On the other side, the tax benefit of debt is acknowledged (corporate tax is 20%, so interest deductibility is valuable), which encourages some debt use rather than pure equity. However, because many big firms are still government-influenced, the classical trade-off calculus may be skewed – a state-owned enterprise might borrow heavily not because of tax shields, but because the state implicitly guarantees it, changing the risk dynamic (creditors lend knowing the state stands behind the company, as in the case of many quasi-sovereign bonds). In the private sector, optimal leverage is hard to pinpoint as a behavior; it seems more constrained by external availability than by an internal target ratio. We did not find strong evidence that firms deliberately adjust their capital structures to reach a specific leverage optimal point – rather they often take what they can get. So the trade-off theory is only partially observed; it might explain why firms avoid extreme debt levels (bankruptcy costs fear) but not a fine-tuned optimization.

Financialization and systemic changes: The concept of financialization provides a broader lens to interpret Kazakhstan's financial reforms and their implications. We see that the state is actively trying to shift the economy from a bank-dominated system to a more market-based system (one hallmark of financialization is the rise of capital market financing over relationship-based banking) (Epstein, 2019). The creation of AIFC and the push for IPOs of state companies signify an attempt to inculcate capital-market discipline and shareholder value orientation in the corporate sector. In time, this could lead to more companies strategizing around stock performance and investor expectations, hallmarks of a financialized corporate sector. Some early signs include how companies like Kaspi.kz and Kazatomprom structured their offerings to attract global investors – they had to adopt international accounting, dividend policies, and investor relations, which changes management's priorities towards meeting market benchmarks. Moreover, the increasing presence of foreign institutional investors (even if still small) in Kazakhstan's equity and bond markets means that global financial conditions (like U.S. interest rates or EM risk sentiment) have more influence on local corporate financing conditions than before. This connectivity is a key aspect of financialization, tying Kazakhstan into the international financial cycle. While beneficial for access to capital, it also means vulnerability to external shocks (e.g., if emerging markets go out of favor, Kazakh issuers will struggle regardless of local conditions). Thus, Kazakhstan is gradually walking the path of financialization, though it is in an early phase given the modest scale of markets currently.

Sectoral differences and capital structure choices: The discussion of themes suggests that not all sectors are equal in financing. For example, extractive industry firms often have relatively high leverage but backed by hard currency revenues (so they balance currency risk with revenue matching, a form of optimizing their capital structure for their context). Banks themselves in Kazakhstan have been restructured to lower leverage after crises (with capital injections), which indirectly affects how much they can lend – tying into corporate capital because less bank lending means companies either do with less debt or seek alternatives. SMEs, lacking access to equity or bond markets, often either stay under-levered (unable to get loans) or rely on informal financing, which is outside formal theory considerations but a reality in emerging markets (trade credit, borrowing from friends/family, etc., might be significant for small businesses). This underscores that classical theories mainly consider formal finance, whereas in Kazakhstan's developing context, informal or semi-formal channels can play a big role for certain segments (though less so for the big companies).

Implications of findings for theory and practice: A key insight from Kazakhstan's case is the importance of institutions in enabling theory to play out. The trade-off theory assumes access to debt and equity is available – in Kazakhstan, equity was barely available until institutional reforms (AIFC, privatization program) provided it. Similarly, pecking order assumes a firm could issue equity if needed (just that it doesn't want to); here many firms realistically couldn't even if they wanted, before recent developments. Now with AIFC, more firms may consider equity as a viable last resort, so pecking order becomes more practically applicable. Financialization theory reminds us that these changes are not just economic but also political and social – Kazakhstan's embrace of global finance is part of a strategic development narrative. However, it comes with the need to ensure regulatory capacity, transparency, and investor trust, or else it could lead to instability (for instance, if fast liberalization happened without proper oversight, it might create speculative bubbles – something policymakers are cautious about).

Comparisons beyond Kazakhstan: Comparing to other emerging markets, Kazakhstan's pattern is not unusual – many emerging economies have shallow capital markets and bank-heavy finance. What stands out is the heavy involvement of the state in both problems and solutions: the state dominated the corporate sector (thus initially limiting need for external finance when everything was state-budget funded), then banking crises which were partly due to directed lending had to be solved by state bailouts, and now the state is the main driver of capital market development (via AIFC and privatizations). This trajectory shows a strong top-down influence. In contrast, in some countries, private sector demand or foreign investor interest might drive capital market growth more spontaneously. In Kazakhstan, it is orchestrated. This influences how capital structures are formed: companies respond to government signals (e.g., "we will IPO you now because it's policy") as much as to market signals. Over time, as the market matures, one would expect a shift where market forces play a larger role and state role diminishes to more of a regulator/facilitator.

Finally, systemic issues such as the thin institutional investor base and high dollarization remain fundamental challenges. Until pension and insurance funds can invest more freely and skillfully in domestic corporate securities, and until trust in tenge instruments increases, the full range of financing options will not be utilized. Companies will continue to prefer what is familiar (banks or internal funds), and investors will stick to government paper or a few blue-chip equities. Thus, bridging the gap – through policy reforms – between the current state and a more efficient financial system is crucial.

In summary, Kazakhstan's corporate financing landscape shows a cautious evolution from a state-and-bank-centric model towards a slightly more market-driven model. The effectiveness of financial strategies appears to depend heavily on external stability and institutional support. Companies that leveraged new opportunities (like Kaspi.kz leveraging a hot fintech narrative to IPO globally) fared well, while those stuck in traditional modes may be missing out on capital. The discussion highlights that while textbook theories provide a baseline, the real-world capital structure in Kazakhstan is shaped by transitional dynamics – blending pecking order preferences, constrained trade-off adjustments, and early-stage financialization processes. This comprehensive view is essential to formulating relevant policy and strategic recommendations for the country.

Policy and Strategy Implications

The analysis of Kazakhstan's corporate capitalization practices yields several implications for different stakeholders – policymakers, corporate managers, and investors – on how to improve the effectiveness of financial strategies and foster a healthier financing ecosystem.

Implications for Policymakers and Regulators: The Kazakhstani government and financial regulators have a central role in addressing structural issues that currently hinder a deeper and more efficient use of financial tools. Key policy recommendations include:

- Deepening Capital Markets: Authorities should continue efforts to broaden and deepen the stock and bond markets. This could involve incentivizing more private companies to list (for example, by subsidizing listing costs for SMEs or establishing a junior board for smaller firms), and encouraging bond issuance by streamlining prospectus requirements for qualified issuers. Regulatory clarity and supportive infrastructure (like credit rating agencies and bond insurance facilities) can make capital markets more accessible. The AIFC, as a hub, should expand outreach and education to domestic firms about the benefits of market financing. Moreover, maintaining momentum in the privatization IPO program is crucial – each successful IPO (like KazMunayGas) not only raises capital but also adds to market breadth and brings new investors. That said, the government must ensure these IPOs are executed with transparency and fairness to build trust (e.g. avoiding overpricing shares just for fiscal gain, which could burn investors).
- Strengthening Institutional Investors: Policymakers should strengthen the institutional investor base. This could mean gradually liberalizing the investment mandate of the pension fund (UAPF) to allow a prudent increase in equity and corporate bond holdings (World Bank, 2024). Currently, very conservative mandates limit demand for non-sovereign assets. If the UAPF and insurance companies can allocate more to corporate securities, it would provide a steady source of demand, improving liquidity and pricing. Encouraging the development of private pension plans or mutual funds can also channel more savings into the market. The government might also consider partial privatization or reform of the pension fund to involve experienced international asset managers who can bring portfolio diversification skills. In parallel, financial literacy programs can help grow retail investor participation in a sustainable way, so that more citizens are willing and able to invest beyond bank deposits (this was hinted by the strong retail response to high-profile IPOs). Over time, a diverse investor base will reduce the market's reliance on state interventions and make financing more market driven.
- Improving Credit Infrastructure: To support debt financing, regulators can enhance credit infrastructure. Establishing a credit bureau and improving collateral registries can reduce information asymmetry for bank lending, helping SMEs access loans on better terms (banks can price risk more accurately). Additionally, promoting alternatives like leasing and factoring could ease financing for businesses that lack real estate collateral. The state might also look at gradually phasing out blanket interest rate subsidies and instead use risk-sharing schemes (like partial credit guarantees) that still encourage banks to lend but without distorting the pricing of risk. This would make the transition to a market-based credit system smoother and prepare banks and companies for a time when subsidies are reduced (World bank, 2024).
- Currency and Macro Stability: On a macro level, maintaining a stable macroeconomic environment is itself a policy priority that will facilitate better corporate financing. Continued prudent monetary policy to anchor inflation expectations (with a clear communication strategy by NBK) and measures to reduce dollarization (perhaps through developing hedging markets or issuing more inflation-indexed bonds to give local investors protection) will help. Fiscal policy also matters; as the government reduces its direct lending role, it should ensure that any freed resources are used to bolster market confidence (for instance, by capitalizing risk funds or supporting market infrastructure) rather

than creating uncertainty. In essence, macro stability is a prerequisite for any policy to deepen financial markets to succeed, as investors need confidence in the currency and economic trajectory.

Implications for Corporate Strategy (Companies): Company executives and financial managers in Kazakhstan should adapt their strategies to the evolving financial landscape:

- Diversifying Funding Sources: Companies, especially larger ones, should actively seek to diversify their sources of capital. Reliance solely on a few local banks can be risky (banks can face their own issues or limit exposure after a point). Exploring bond issuance for those with stable cash flows could lock in funding for longer tenors. Even if initial bond issuances are small or need partial credit enhancement, it builds a track record. Similarly, companies should not view equity as entirely off the table; if expansion plans outstrip what debt can safely provide, preparing for an equity offering (perhaps on AIX or even regionally) could be prudent. This may involve improving corporate governance and disclosure well in advance, to be IPO-ready when an opportunity arises (for example, high growth firms might target an IPO during a window when emerging market tech stocks are in favor). Essentially, treating the capital structure as a strategic mix – balancing bank loans, bonds, and potential equity – will yield more resilience than sticking to one channel.
- Managing Currency and Interest Rate Risks: Firms need to strengthen their financial risk management. For any company with foreign currency exposure, it's critical to align the currency of revenue and debt (natural hedging) or use financial hedges where available. While hedging instruments (like forward contracts) are not widely used in Kazakhstan, companies could work with banks to gradually develop this practice, especially now that the tenge floats and can be volatile. On interest rates, if long-term fixed-rate funding becomes available (say via bonds or development bank loans), firms might consider taking it even if slightly costlier, to protect against rate spikes. An example strategy is prepaying or refinancing expensive debt when rates fall; some companies already did this in 2019–2020 when NBK had lowered rates – those who locked in lower rates before the 2022 hike saved on financing costs.
- Engaging with AIFC and Investor Relations: Companies, particularly those with regional or international ambitions, should engage with institutions like AIFC. By becoming an AIFC participant, a firm might gain access to networking with foreign investors, training on international financial practices, and potential partnerships. Moreover, even privately held firms can benefit from applying quasi-public discipline: publishing financials, getting credit ratings, or adopting IFRS accounting can make them more credible and ready to tap new funding when needed. Building an investor relations capability (even if initially just for banks and ratings agencies) can pay off. The case of Kaspi.kz shows that a company that actively tells its story to investors and builds a solid narrative can achieve a successful large-scale financing. Kazakhstani firms can take inspiration and become more transparent and outward-looking, which in turn will attract a wider pool of capital.
- Sector-Specific Strategies: Each industry might tailor strategies. For example, fast-growing tech or service firms may not have collateral for loans – they should consider equity financing earlier in their life cycle (perhaps venture capital, then IPO) to fuel growth, following a Silicon Valley model but localized. Industrial firms with steady cash flow might leverage project finance structures or consider sale-and-leaseback to free capital. Agricultural enterprises could tap into specialized financing (like commodity-backed finance or international agribusiness funds). The overarching point for corporate strategists is to be proactive in exploring financing options beyond the traditional, as Kazakhstan's financial sector opens up new avenues.

Implications for Investors (Domestic and Foreign): Investors also have a role and stand to benefit from the changes:

- For domestic investors, including retail and institutions, the implication is that there will be more opportunities to invest in local businesses through stocks and bonds, which can yield better returns than bank deposits over the long run. However, this requires improved financial literacy and risk management. Institutions like the pension fund should enhance their analytical capacity to evaluate corporate credits and equities, potentially collaborating with experienced foreign asset managers. Retail investors would benefit from diversification – rather than chasing the next IPO only, consider diversified funds or ETFs when those become available (perhaps AIFC could help launch a Kazakhstan market index fund to pool domestic investor money into a broad portfolio).

- For foreign investors, Kazakhstan's efforts are making it more investable. The presence of AIX, with its international standards, means foreign investors can invest with some comfort (e.g., legal disputes can be settled in AIFC courts in English). Therefore, foreign institutional investors should keep an eye on Kazakhstan's market reforms as they might unlock value in a frontier market that has relatively low correlations with global markets. That said, investors should advocate for continued reforms – for example, by demanding better ESG (environmental, social, governance) practices in Kazakh companies, they can nudge the market toward greater transparency, benefiting all parties. The government's issuance of green bonds and talk of ESG is a sign that investors' expectations are being heard (World Bank, 2024). Foreign investors might also partner with local institutions to create new investment vehicles (like joint PE funds or credit funds) which can bring capital and expertise to Kazakhstan while earning returns from sectors banks aren't serving.

In summary, the policy and strategy implications revolve around creating a virtuous circle: policy reforms lead to more financing options, companies utilize them and grow, investors gain confidence and participate, which then feeds back into more market development. For Kazakhstan, specific actions such as enhancing the regulatory environment, nurturing investors, and encouraging good corporate practices are critical steps. If executed well, these recommendations will help transition Kazakhstan from its current state – where corporate financing can be a bottleneck – to a more robust system where capital is allocated efficiently, risks are managed, and companies have the funds needed to innovate and expand. The ultimate goal is aligning Kazakhstan's financial system with its development ambitions: a diversified, resilient economy less dependent on any single sector or funding source, capable of weathering shocks and seizing opportunities in the dynamic Central Asian and global environment.

8. Conclusions

This study set out to examine the financial tools and strategies used for managing corporate capitalization in Kazakhstan, through a qualitative analysis of the country's evolving financial landscape. The investigation, grounded in capital structure theories and informed by case studies and data, yields several key insights and contributions.

Firstly, we find that Kazakhstan's corporate financing patterns do reflect general theories – such as a strong preference order of internal funds and debt over external equity (pecking order) – but these patterns are heavily moderated by the local context of an emerging, transition economy. The capital structure choices of Kazakhstani firms are less a purely autonomous optimization and more a response to the availability and development of financial markets. Historically limited equity and bond markets meant companies leaned on banks and the state; now, as reforms gradually open new channels, firms are cautiously beginning to use a broader mix of financing. This underscores the importance of institutions in enabling theoretical financial behavior: without a functioning stock exchange or institutional investors, the option of issuing equity was largely theoretical for many companies. Our qualitative approach highlights this context, adding to the literature by documenting how an emerging market's institutional maturation interacts with corporate behavior.

Secondly, the role of the AIFC and related reforms emerges as a pivotal factor in Kazakhstan's financial trajectory. We have shown that the AIFC is not just a new marketplace but a mechanism for integrating Kazakhstan into global financial networks and practices. This has led to successful IPOs and could catalyze increased use of instruments like corporate bonds and perhaps hybrids in the future. The study contributes a detailed look at AIFC's early impact, something not extensively covered in academic literature yet. The fact that major IPOs (Kazatomprom, Kaspi, KMG) took place with AIFC's facilitation is evidence of concept for this policy experiment. Our analysis suggests that if sustained, such institutional innovation can gradually overcome the structural "gap" identified in literature for Kazakhstan – that gap being the lack of context-specific understanding of capital structures in the country. We fill this gap with an up-to-date qualitative portrait as of 2025.

Thirdly, the research highlights several persistent limitations and challenges that need addressing. These include the shallow pool of domestic investors, the crowding-out effect of state-linked entities in financing, and macroeconomic volatility. In doing so, it also identifies the limitations of the study itself: our analysis relied on secondary data and illustrative cases, and notably, we did not conduct primary interviews with corporate CFOs or investors, which could provide further nuanced insight into decision-making processes. Future research could build on this by interviewing finance executives in Kazakhstan to capture their perspectives on why they choose certain financing tools and what hurdles they face. Another avenue for further study is to quantitatively test capital structure determinants in Kazakhstan using firm-level data as more becomes available post-reforms (e.g., seeing if profitability, size, and tangibility correlate with leverage in Kazakhstan in line with or different from global patterns). Additionally, as Kazakhstan's market evolves, comparative studies with other emerging markets (for example, comparing Kazakhstan with similarly resource-rich economies or with other post-Soviet states like Ukraine or Uzbekistan as they start to reform) would be valuable.

In conclusion, Kazakhstan's experience illustrates the dynamic interplay between strategy, institutions, and market realities in corporate finance. Companies in Kazakhstan are learning to navigate a changing financial system – balancing traditional reliance on the state and banks with new opportunities in capital markets. Policymakers are acting as both referees and players, shaping the field on which corporate financing takes place. Investors are gradually coming in, testing the waters of a frontier market that is charting a path toward emerging market status. The contributions of this study lie in documenting this transitional moment and drawing out lessons: that developing local capital markets can empower firms with more tools (benefiting corporate resilience and growth), that institutional trust and macro stability are prerequisites for success, and that a one-size-fits-all theory must be adapted to on-the-ground realities. As Kazakhstan continues its journey, the hope is that companies will be able to choose financing strategies from a well-stocked toolbox, rather than a constrained set – enabling more optimal capitalization that supports both corporate and economic development objectives. The findings and recommendations herein aim to support that journey by informing stakeholders of where attention is needed and how each – government, firms, investors – can contribute to building a robust financial ecosystem in Kazakhstan

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