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Barriers to ESG Standards Implementation in Kazakhstan

Assel K. Jumasseitova
ORCID: 0000-0002-2193-9418
Kazakh British Technical University, Almaty, Kazakhstan

Dana Alybayeva*
ORCID: 0009-0005-7531-2011
Kazakh British Technical University, Almaty, Kazakhstan

ABSTRACT

This research examines the barriers impeding ESG reporting standards implementation in Kazakhstan through expert analysis (n=10). Utilizing a two-phase evaluation methodology, experts assigned weights (1-5) to factors based on general importance and rated their manifestation (1-10) in Kazakhstan specifically. The study identifies financial limitations (score: 40) as the most significant obstacle, followed by regulatory deficiencies (32), human resource constraints and knowledge gaps (28), information asymmetry (24), methodological limitations (20), organizational resistance (15), and greenwashing (6). The findings reveal a multidimensional challenge landscape where economic constraints and institutional deficits predominate. Based on these results, the research proposes a comprehensive strategy for Kazakhstani companies, including phased implementation with distributed financial burden, proactive regulatory positioning, personnel development, enhanced information transparency, methodological adaptation, and corporate culture transformation. This approach would potentially transform ESG compliance from a regulatory burden into a strategic competitive advantage, enhancing business sustainability and stakeholder appeal in Kazakhstan's evolving economic landscape.

Keywords: ESG implementation, corporate sustainability, regulatory barriers, sustainable finance, corporate governance.

INTRODUCTION

The implementation of environmental, social and corporate responsibility (ESG) standards in Kazakhstan faces numerous obstacles due to both global trends in this area and local features of the country's economic development. An analysis of expert assessments, quantified by degree of significance, allows us to identify key barriers that impede the integration of ESG principles into the corporate practices of Kazakhstani enterprises. Figure 1 shows scientific research conducted on the topic we have chosen in different countries.

* Corresponding Author: a.dzhumaseitova@kbtu.kz

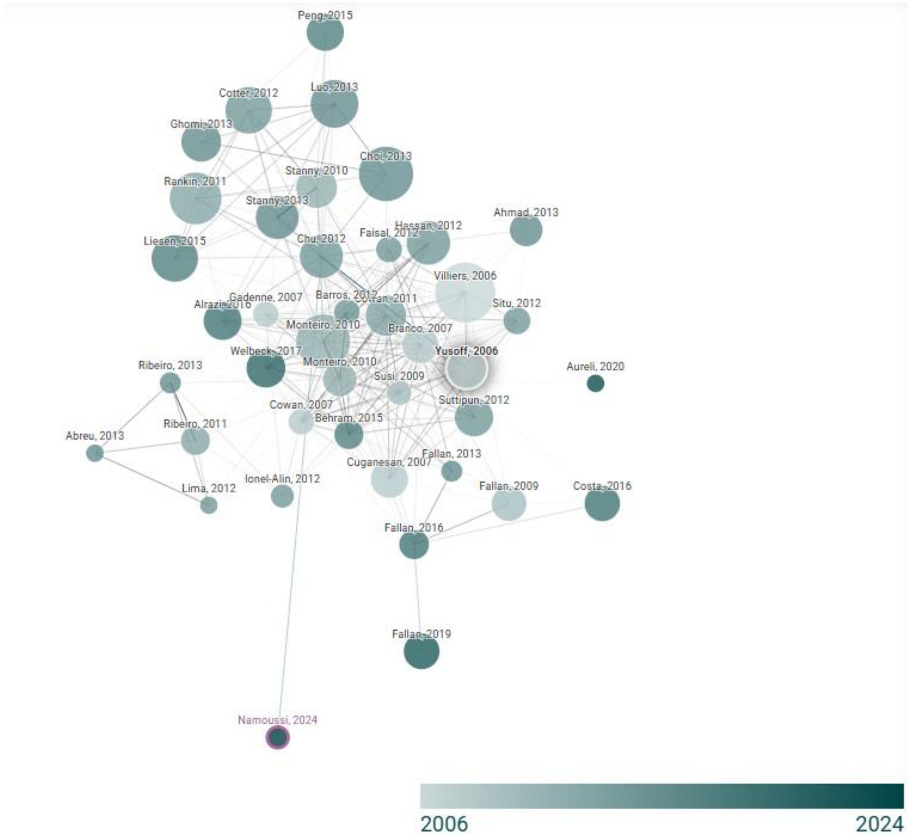

Figure 1: Scientific research papers about ESG implementation

* Done by using resources https://www.connectedpapers.com/

Our theoretical analysis allows us to determine that most countries have the same problems in implementing ESG policies. However, over time, there is a change in the perception of the concept of ESG reports. As we can see from the data of existing scientific publications, questions on the implementation of ESG practices appeared in 2006, and the first works of that time included such questions as studying the practice of disclosing environmental information of public companies in an attempt to interpret corporate motives for their environmental commitments using the example of the company's experience. Yusoff, H., Lehman, G., & Mohd Nasir, N. (2006) analyzed Malaysian companies and determined that ESG initiatives are mainly associated with environmental commitments. Guthrie, J., Cuganesan, S., & Ward, L. (2007) considered ESG policies through CSR reports using the example of Australian companies and obtained results based on an analysis of the company's profile level with the company's choice of legitimization strategies. Namely, companies that are considered more "high-class" than others are likely to disclose more information on CSR than those considered less prestigious. Studies from 2012-2017 consider ESG initiatives through environmental reporting. Hui, S.I.T.U., & Carol, A.T. (2012) proved that environmental reporting in China is increasing, but the average disclosure volume is still low. The environmental content disclosed in annual reports is generally general, declarative, and positive. Company characteristics, including company size, profitability, industry, and ownership, are determinants of environmental disclosure in China.

In Behram, N. K.'s (2015) study, 226 Turkish companies were categorized into three sectors based on their level of environmental impact. The study found that companies operating in sectors with a medium environmental impact were more likely to disclose environmental information, provide a separate environmental report, and include a dedicated environmental section in their annual reports compared to companies in sectors with high or low environmental impact.

An analysis of all Italian corporate groups that published both a consolidated annual report and a separate social and environmental report revealed that, despite government regulation, the completeness of the information in these reports did not significantly improve (Yusoff, H., Lehman, G., & Mohd Nasir, N., 2006). Environmental engagements through the lens of disclosure practices: a Malaysian story. Asian Review of Accounting, 14(1/2), 122-148. The findings of Welbeck, E. E., Owusu, G. M. Y., Bekoe, R. A., & Kusi, J. A. (2017) indicate that listed firms in Ghana disclose some environmentally related information in accordance with GRI guidelines, although the overall level of disclosure remains low. Companies operating in environmentally sensitive industries tend to disclose more environmental information than those in less sensitive sectors, consistent with prior research. The study also found that firm size, auditor type, firm age, and industry type are significant predictors of corporate environmental disclosure practices. Based on an analysis of Moroccan industrial companies, Namoussi, F. Z., & Cherqaoui, M. (2024) obtained results confirming the positive impact of legal requirements for ESG reporting on the quality of environmental disclosures by publicly traded companies.

METHODOLOGICAL APPROACH

For our study, we selected a qualitative research method—in-depth interviews—with experts who have experience in preparing and submitting ESG reports. Based on an analysis of international experience, we identified ten factors that limit the implementation of ESG standards in corporate reporting. These factors are presented in Table 1.

Table 1: Factors Limiting the Implementation of ESG Standards in Companies

№	Factor
X1	Lack or absence of unified standards and criteria
X2	Limited data availability and reliability; lack of transparency within companies
X3	Internal resistance within companies; challenges in integrating ESG into existing business processes
X4	High implementation costs; limited financial resources
X5	Shortage of qualified personnel; few competent consultants
X6	Unpredictability of regulatory frameworks; weak legislative support and regulation; lack of legal requirements mandating ESG practices
X7	Limited understanding; lack of knowledge and experience; low awareness and unclear perception of ESG
X8	Challenges in measuring social and governance aspects of ESG
X9	Lack of economic incentives
X10	Greenwashing

We employed a qualitative analysis method— in-depth interviews—to gather insights from ten experts with experience in ESG reporting.

The study utilized an expert evaluation method involving ten specialists in the ESG field. The assessment methodology followed a two-stage quantification process:

1. Stage 1: Factor Weighting: Experts assigned a weight to each factor on a scale from 1 (minimum significance) to 5 (maximum significance) to reflect its overall importance, irrespective of the Kazakhstani context.
2. Stage 2: Context-Specific Evaluation: Experts assessed the prevalence of each factor within Kazakhstan on a scale from 1 (minimal prevalence) to 10 (maximum prevalence).

The final score for each factor was obtained by multiplying its weight by its prevalence, allowing for an integrated evaluation that considered both the overall significance of the factor and its specific relevance in Kazakhstan.

Additionally, experts were asked to evaluate the weight and significance of each factor, and the consistency of expert opinions is presented in Table 2.

Table 2: Weights of Factors Limiting the Implementation of ESG Standards in Companies and Coefficients of Expert Opinion Agreement

№	Factor	dispersion	concordation	mean	weight
X1	Lack or absence of unified standards and criteria	0,49	0,96	3,91	4
X2	Limited data availability and reliability; lack of transparency within companies	0,96	0,93	4,18	4
X3	Internal resistance within companies; challenges in integrating ESG into existing business processes	1,42	0,89	3,73	3
X4	High implementation costs; limited financial resources	0,22	0,98	4,73	5
X5	Shortage of qualified personnel; few competent consultants	0,76	0,94	3,82	4
X6	Unpredictability of regulatory frameworks; weak legislative support and regulation; lack of legal requirements mandating ESG practices	1,00	0,92	4,00	4
X7	Limited understanding; lack of knowledge and experience; low awareness and unclear perception of ESG	0,96	0,93	3,82	4
X8	Challenges in measuring social and governance aspects of ESG	0,77	0,94	3,90	4
X9	Lack of economic incentives	0,80	0,94	4,00	4
X10	Greenwashing	0,85	0,94	1,64	2

As shown in Table 2, one of the most significant limiting factors is “High Cost of Implementation and Limited Financial Resources,” which has a weight of 5 points. The lowest-weighted factor is “Greenwashing” with 2 points.

Figure 2 provides a more detailed illustration, highlighting that seven factors share the same weight of 4. This suggests that experts consider these factors equally important, making it difficult to determine a single dominant issue.

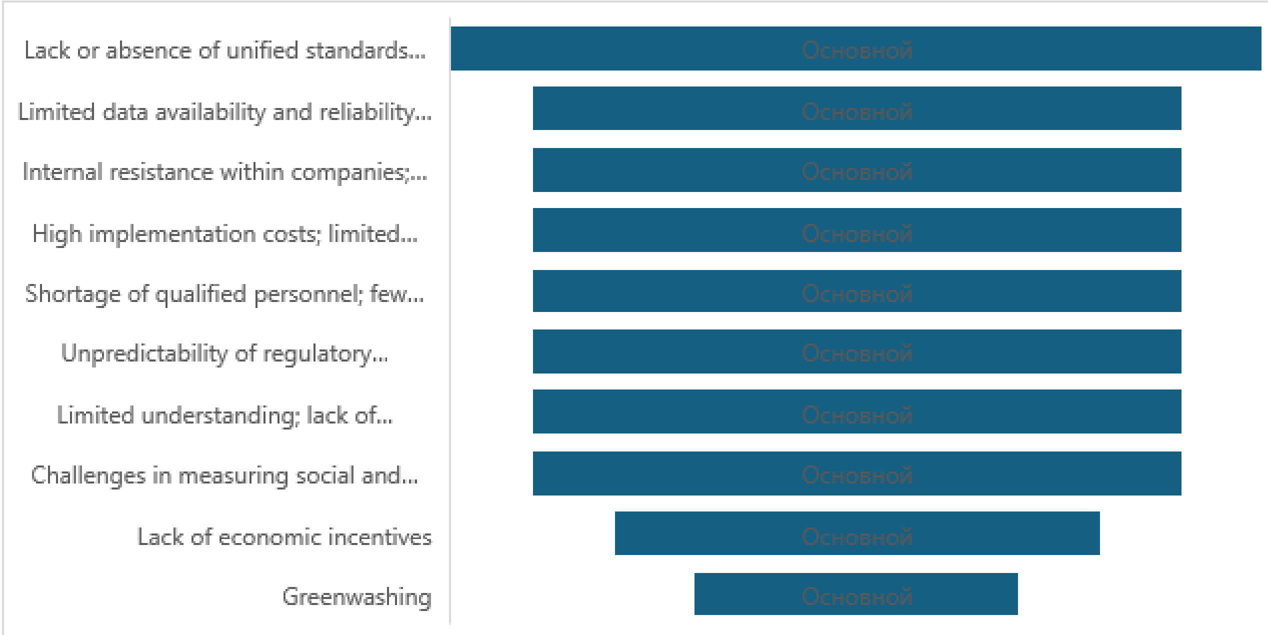

Figure 2: Hierarchy of weight of factors hindering the implementation of ESG standards in Kazakhstan

The extent to which these factors impact the business environment in Kazakhstan is presented in Table 3. According to Table 3, expert opinions exhibit a high degree of consistency, as evidenced by the concordance coefficient exceeding 0.5 for each factor. However, for some factors—X1, X2, and X3—the dispersion coefficient is relatively high (greater than 3), indicating variability in expert assessments. A more in-depth analysis revealed that these factors are particularly influential.

Table 3: Expression of Factors Limiting the Implementation of ESG Standards in Companies and Coefficients of Expert Opinion Agreement

№	фактор	dispersion	concordation	mean	significance
X1	Lack or absence of unified standards and criteria	3,49	0,74	7,09	5
X2	Limited data availability and reliability; lack of transparency within companies	3,09	0,77	7,91	6
X3	Internal resistance within companies; challenges in integrating ESG into existing business processes	3,42	0,74	7,27	5
X4	High implementation costs; limited financial resources	0,82	0,94	8,27	8
X5	Shortage of qualified personnel; few competent consultants	1,89	0,86	7,91	7
X6	Unpredictability of regulatory frameworks; weak legislative support and regulation; lack of legal requirements mandating ESG practices	1,25	0,91	8,64	8

X7	Limited understanding; lack of knowledge and experience; low awareness and unclear perception of ESG	2,62	0,80	8,27	7
X8	Challenges in measuring social and governance aspects of ESG	1,21	0,91	8,10	7
X9	Lack of economic incentives	2,36	0,82	7,82	6
X10	Greenwashing	2,36	0,82	3,18	3

Further details are depicted in Figure 3, which illustrates that two factors, X4 and X6, are the most pronounced in Kazakhstani companies. Notably, the lowest greenwashing score is 3 points out of a maximum of 10. This result can be attributed to the structure of Kazakhstan's economy, where a significant portion of industrial production and extractive industries shifts corporate communication priorities away from consumer-focused environmental marketing.

Figure 3: Significance of Factors Limiting the Implementation of ESG Standards in Companies

RESULTS

Based on the expert factor analysis methodology, the obtained data were converted into scores for each factor. The factor that received the highest score is the most pronounced in the country and requires targeted policy measures and corrective actions.

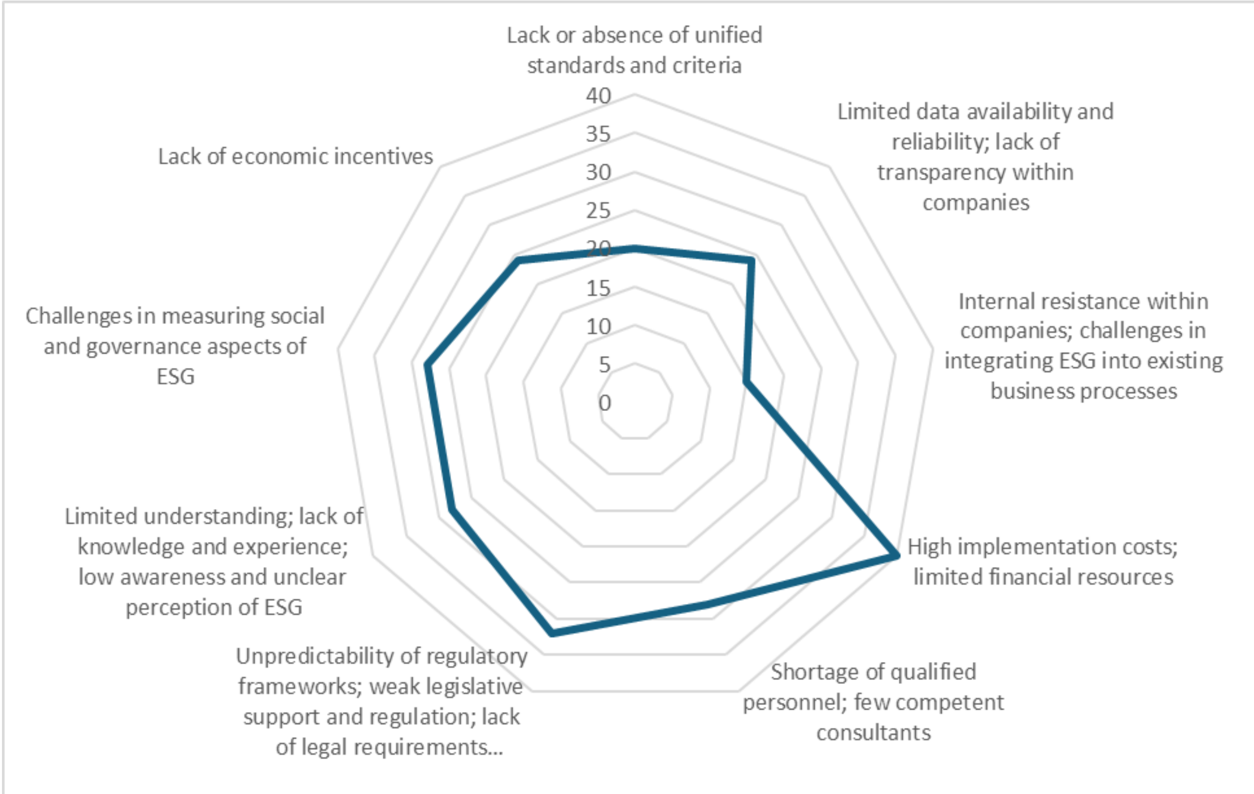

Figure 4: Hierarchy of Factors Hindering the Implementation of ESG Standards in Kazakhstan

As illustrated in Figure 4, the dominant barrier to ESG implementation in Kazakhstan is a set of financial and economic constraints (40 points). The high cost of ESG adoption, coupled with the limited financial resources of companies, represents the most significant obstacle. This phenomenon is driven by the structural characteristics of the Kazakhstani economy, where small and medium-sized enterprises (SMEs) with restricted investment capacity predominate, alongside a post-Soviet economic model that prioritizes short-term profitability over long-term institutional transformation.

The second most critical barrier is related to regulatory challenges, including unpredictability in the regulatory environment, weak legislative support, and the absence of mandatory ESG requirements (32 points). The underdeveloped legal framework surrounding ESG regulations fosters institutional uncertainty, leaving economic agents without clear incentives to adopt ESG standards.

A shortage of qualified ESG specialists and the limited availability of competent consulting services (28 points) further exacerbates the issue. This challenge is closely linked to two additional barriers, which also scored 28 points:

- Limited understanding, insufficient knowledge, and low awareness of ESG principles;
- Difficulties in measuring the social and governance dimensions of ESG.

Another notable limitation is the scarcity of reliable ESG data, lack of transparency within companies, and inadequate information reliability (24 points). This factor correlates with the absence of economic incentives for ESG adoption (24 points), highlighting the interconnection between information asymmetry and economic incentive structures.

The lack or absence of standardized ESG reporting criteria (20 points) is a significant but secondary issue. Experts perceive standardization as a medium-term challenge, subordinate to more pressing concerns like financing and regulation.

Internal resistance to ESG adoption and difficulties in integrating ESG into existing business processes (15 points) are evaluated as less critical barriers, suggesting that organizational structures are relatively prepared to implement ESG practices if fundamental barriers are addressed.

The least significant factor identified by experts is greenwashing (6 points). The low score suggests that, at Kazakhstan's early stage of ESG development, the issue of superficial ESG compliance has not yet reached the levels observed in more mature markets.

FINDINGS AND CONCLUSION

The analysis of barriers to ESG reporting implementation in Kazakhstan reveals a multidimensional challenge, with financial constraints and institutional deficiencies being the most significant obstacles. Companies should consider implementing phased ESG adoption programs, incorporating differentiated budgeting to distribute financial burdens effectively and prioritizing initiatives with the highest potential investment returns. It is also crucial to adopt a proactive approach to ESG regulation by monitoring legislative trends and actively engaging in industry-wide initiatives.

Investing in human capital development is vital, including specialized ESG training for personnel and the establishment of dedicated ESG transformation units. Companies should also develop ESG data collection and analysis systems, ensuring integration with existing corporate information systems and formulating a methodology for internal ESG audits. Finally, adapting international ESG reporting standards to industry-specific needs will help mitigate methodological inconsistencies and enhance compliance efficiency.

Adaptation of internationally recognized ESG reporting standards taking into account industry specifics will help minimize methodological problems. To overcome organizational resistance, it is essential to integrate ESG goals into the corporate strategy and the system of key performance indicators of management, as well as to form a corporate culture that supports ESG values. The implementation of these measures will help transform the ESG agenda from the area of regulatory compliance into a strategic competitive advantage that contributes to the long-term sustainability of the business and increases its attractiveness for all stakeholders in the context of the evolving economic landscape of Kazakhstan.

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