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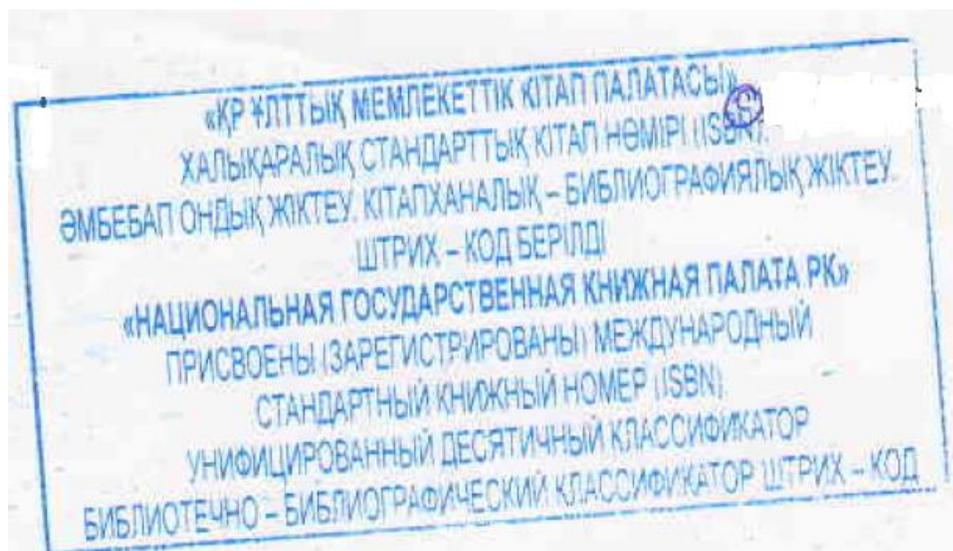


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“The Effect of Tenge Devaluation on Earnings Management: Evidence from Kazakhstan”

Abdulganeyeva Dilyara, MACTA, ID # 20161339

Introduction

Devaluation refers to the reduction of the value of money in a particular country relative to another currency. Mostly all countries that have fixed exchange rate use this policy. The main reason why the government devalues its currency is to struggle with trade imbalance. Devaluation decreases the cost of goods sold of the country exports, making them more competitive in the global market, which in turn, increases the cost of imports, making them less likely to be bought by domestic them, consumers, further strengthening local businesses.

So, let's consider the main reasons of devaluation in Kazakhstan. First of them is the deficit of balance of payments. It means the violation of the balance between local and foreign currency. For instance, the tenge in the financial turnover of Kazakhstan is much more than the dollar. Deficiency results in high demand. And since a common product is always more costly, the dollar's price is rising. A balance of payments deficit can occur when the nation has more imports than exports. The second reason is the panic. There were some cases when people massively purchased dollars and euros in anticipation of a possible devaluation. Therefore, currencies in the nation became smaller and it stimulated the collapse of the national currency. The third reason is the inflation. Inflation is often seen as a result of devaluation. It means that the purchasing power of money is decreased; consequently, people can purchase fewer products and services. Even if the balance of payments is stable, if inflation is higher than in the US, for instance, in our nation, then the tenge will drop with other set indices. Another reason for the devaluation is geopolitical; it relates to the relations of different countries. The example of it is the situation with the sanctions of the European Union and the US against Russia. Sanctions can't assist placing the ruble under stress. Because Russia is Kazakhstan's biggest trading partner, the tenge will also respond to the ruble's weakening. The National Bank formally articulated this, connecting a sharp dollar-to-tenge jump with the adverse effect of extra U.S. sanctions on Russia.

The next reason is that the fall of world market oil prices is contributing to devaluation, particularly for commodity-oriented nations. Kazakhstan is a nation of raw materials, which relies heavily on petroleum and metal prices, respectively. That's the economy's considerable commodity reliance. Commodities, in turn, are directly affected by world exchange rates, which from moment to moment, can differ significantly. Devaluation races are also emerging as a consequence of a sharp fall in commodity prices in Kazakhstan. The last reason for devaluation is that the government's currency policy can also cause devaluation. For instance, if the National Bank in an attempt to stimulate the economy, turns into a so-called "printing press". That is why the product or GDP indices do not support it. And that's the way to devaluation because money is the main equivalent of goods, works, and services in the economy.

The Kazakhstan economy had 5 periods of devaluation. First, of them, It was possible to buy the most costly tenge in 1993 because there was just 4.7 tenge cost a dollar. But this cost only lasted 1.5 months, and the dollar went up nearly 10 times in January 1994. This devaluation, however, went smoothly. First, people are not used to a fresh currency-the tenge. The second period was the rate of 4.7 tenges per dollar was kept for a very short time at that moment, few used dollars. In reality, we only learned about the devaluation in our nation in 1999, when the dollar instantly jumped from 84 to 138 tenge. The head of the National Bank at that moment was Kadyrzhan Damitov, who announced the shift to a free tenge fluctuation to our country's people. The devaluation aimed to boost export volumes and their competitiveness (Kazakhstan Devaluation). The third period of devaluation was since 4 February 2009, with the aim of preserving gold reserves and maintaining the competitiveness of domestic products; the National Bank of Kazakhstan has stopped supporting tenge in the former implicit corridor and established a corridor for a new tenge exchange rate of around KZT 150 per dollar. The tenge rate was devalued between \$121.0 and \$149.97. The domestic currency has been devalued by 23.9%. During this period, the contraction of company activity in the global market resulted in a reduction in

demand for oil and metals, and that was the foundation for exports from Kazakhstan. Oil prices dropped nearly four times over the year, for metals-nearly 2 times. According to the site of the National Bank of the Republic of Kazakhstan; Kazakhstan National Bank explains tenge depreciation and equilibrium rate, 2015, .on February 11, 2014, the National Bank of Kazakhstan announced the devaluation of the national currency, relates to the stopping the work of car dealers, closing of the many exchangers and sites of the biggest online stores. The tenge was devalued by 20 percent and has dropped in value by 43 percent since 2009. The last devaluation occurred in August 2015, after the National Bank announced the implementation of tenge's free exchange rate. The tenge depreciated against the dollar from 188.38 to 349.12 from August to December 2015 (National Bank of Republic of Kazakhstan).

When deciding on devaluation, the regulator must examine all the risks. The decision on devaluation is a matter of trust in the national currency and authorities, which may be lost entirely. So, there are some risks. First of them is possible devaluation, which can lead to accelerated inflation and a potential loss of control over it. In this case, the main vulnerability of our economy is its high dependence on imports of both final and intermediate goods and services. Secondly, strong import dependence leads to the fact that the economy retains a sufficiently great demand for foreign currency. The next risk is a high level of dollarization of the economy. That is, serious risks to financial stability may arise. Even the low profitability of foreign currency investments today does not stimulate the population and business to shift in tenge. Fourthly, the risks of another devaluation have already caused the flight of foreign investors, which, in particular, is evident from the dynamics of Kazakhstan securities. Fifthly, the National Bank has done quite fruitful work to improve the banking sector and improve the quality of loan portfolios. The next course adjustment can negate all these efforts.

At sixth, uncertainty regarding monetary policy restrains the growth of business activity in the country. And the last risk is social risks.

Earnings are the difference between the selling price of a product and its total cost, as well as the costs determined by applicable law.

In the case when the price is below cost, their difference is the amount of loss. Earnings calculation allows you to determine how efficiently the business is conducted. Thus, earnings are the final financial result of entrepreneurial activity, the most crucial generalizing indicator, an estimated indicator of the functioning of the enterprise in the field of entrepreneurship and business.

There are two types of factors for earnings. Internal factors consist of volume changes, production and sales of products, change in balances of unsold products; change in cost level; change in labor productivity; a change in the structure of products that are manufactured and products sold; product quality. External factors affect the amount of earnings, its volume, and dynamics. Almost outside the scope of the enterprise are market conditions, the level of prices for the necessary material and raw materials and fuel and energy resources, depreciation rates, as well as natural-geographical, transport and other conditions. The listed factors affect the value of earnings not directly, but through the cost and volume of sales.

Moreover, there are two alternative ways to manage earnings by using accruals or real basis. Real earnings management possibly imposes higher long-term expenses on investors than accrual basis of earnings management because it has adverse effects on future cash flows and could harm long-term company value. Such long-term expenses are motivated by temporary price discounts or lenient loan conditions that reduced future sales margins, lower precious investment in research and development operations or increase of unnecessary stock returns through over-production of inventories.

For effective enterprise earnings management, it is necessary to form an earnings management system, which includes six main blocks. Firstly, it's a target. Secondly, earnings management includes principles and tasks of management. Third, it's a control mechanism. Fourthly, it's organizational support. Fifthly, earnings management includes earnings analysis methods. And at sixth, earnings management includes control over the implementation of the plan with profit.

In the process of enterprise earnings management, an important place is taken by management methods, which are the methods and techniques of the influence of the management system.

Methods of earnings managing associated with management functions: planning, organization, and control.

They allow you to develop and implement a strategy and tactics for managing the process of formation, increase and distribution of earnings, which is closely related to the growth and development of the enterprise.

2. State research question: Is there some effect of Tenge Devaluation on Earnings Management?

Answer: Yes, tenge devaluation have effect on Earnings Management.

As example I describe 6 devaluation effects on earning management.

Firstly, export is cheaper. Devaluation of the exchange rate will make exports more competitive and cheaper for foreigners. This will increase export demand. Also, after devaluation, assets become more attractive. Secondly, import is more expensive. Devaluation means that imports, such as gasoline, food and raw materials, will become more expensive. This will reduce the demand for imports. The next effect is increase in aggregate demand (AD). Devaluation can cause higher economic growth. Part of AD is $(X-M)$, so higher exports and lower imports should increase AD (assuming demand is relatively elastic). Under normal conditions, higher AD can cause higher real GDP and inflation. Fourthly, inflation can occur after devaluation, because:

- Import is more expensive, which leads to higher inflation.
- AD is rising, causing demand inflation
- As exports become cheaper, manufacturers may have less incentive to cut costs and increase efficiency. Therefore, over time, costs can increase.

Fifthly, improving the current account. As exports become more competitive and imports more expensive, we should see an increase in exports and a decrease in imports, which will reduce the current account deficit. The last effect is the fall in real wages. During a period of stagnant wage growth, devaluation can lead to a drop in real wages. This is because devaluation causes inflation, but if inflation is higher than wage growth, then real wages will fall.

3. Methodology

I have used three types of methodology. First of them, I use the data and sample selection of earnings management public companies listed in the Kazakhstan Stock Exchange (KASE) from 2010 to 2018 to raise authority to test the hypotheses about managers' trade-off choices between actual activity manipulation and accrual-based earnings management. I limit my sample to all accessible information from non-financial companies and require at least eight observations per year in every two-digit SIC grouping. Furthermore, I require that each company-year observation has the required information to calculate the discretionary accrual metrics and the actual proxies of earnings management that I use in my assessment. The second method is measures of earnings management. As we know there are 2 types of measure of earning management: Accrual-Based earnings management and Real Earnings Management. And the last type of methodology is Empirical Model.

4. Data collection

For my research paper the data collection I used Kazakhstan Stock Exchange (KASE) web site where are some list of public companies. These companies have all important information about their company, such as: all minutes, financial statements and other document. I have analyzed and compared the data about these companies during the period from 2010 to 2018. And according to this information I created appropriate outputs for my thesis as tables and graphs.

5. Data Analysis

Analysis of data is the most important part of thesis. Analysis of data summarizes the data collected It includes evaluating the data collected by using empirical or logical reasoning in order to determine patterns relationships or trends.

6. Analysis and Findings

The sample used 30 companies in 2011-2017. Compare the average values of indicators for the pre-crisis and crisis periods. All revenue management indicators are experiencing a sharp decline in the crisis years. All differences between the two sub-periods are statistically significant at ordinary levels, which is consistent with the assumption that firms are less involved in managing profits in times of crisis. The impact of the financial crisis on the behavior of firms in the area of profit management may depend on management incentives to manipulate profit up or down.

7. Recommendation

The technique of economic calculations allows not only to analyze the past situation, but also to take into account possible changes in the economic environment in advance. To do this, you can consider several alternative options or plan the activities of the organization, taking into account changes in some parameters. Such alternatives underlie the operational and strategic planning of the organization. This is necessary, first of all, in order to balance goals with financial resources, rationally use resources and formulate an action program.

It can be recommended that cost elements be optimized using the techniques described. Based on data from a comprehensive analysis, various information on production volumes and costs can be presented. If we process such forecast data using a computer, we will get various options for cash equivalents of profitability, cost recovery and cost performance.

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Devaluation in Kazakhstan: History, Causes, Consequences

“Talent Management in the Digital Area”

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Abstract

This study aims to explore contemporary trends and practices of Talent management in the academic and business literature; to determine existing approach and practices, innovations in the Talent management sphere based on the Kazakhstani IT and Telecommunication Company JSC “ASTEL” and to develop recommendations on formulating and implementation Talent management strategies based on the finding and analyses of the case study and on analyses of the modern academic and business literature for JSC “ASTEL”.

The qualitative research incorporates mixing of two qualitative methods, such as: case study, including in-depth semi-structured interviews with 10 managers of ASTEL and content analysis of the related documents.

The study revealed that there is a lack of practice, described in the Kazakhstani business and academic literature; therefore main trends are described by the foreign and international companies and agencies. However the actuality of Talent management is pointed as “high” as well as implementing AI and automatization the business. Talent management is one the most important competence for the company, which was under review, and needs to improve HRM practice with HiPo and successors.

Keywords: *talent management, HiPo, succession planning, future workforce, digital area.*

Introduction

Nowadays Talent management is one of the most debated themes in HRM theory and has become one of the key strategic issues for organization’s leaders. It is time for a fundamentally new approach to talent management that takes into account the great uncertainty businesses faces today.

One major result of these challenges for organization is that they have to be on the edge of the HR stream and they have to be systematic in managing their human capital if they wish to have any hope of gaining and sustaining a competitive advantage in the years ahead.

It is important to note, that actuality of this theme is almost independent of the region of doing business. In today’s world of changing jobs and skills, organizations have an opportunity to take a fresh look at how they approach talent acquisition, exploring new approaches to determining what talent they need—and where and how to find it.

Obviously, in the contemporary digital business environment, for most organizations, talent is the single biggest overhead expense and the biggest competitive advantage, so optimizing talent strategy is critical. Strategies of HRM must become agile and scalable for the digital age for creating enterprise value today while positioning the organization for tomorrow.

Methodology

The first phase of the research is based on contemporary literature review about trends and practices of Talent management in the academic and business literature.

The second phase of the paper is the most extensive part, as far as it identifies and describes used and innovative strategies and implementation practices of Talent management. It explores: HR policies, procedures, programs, budgets and etc. In addition, the primary data was collected via conducting 12 semi-structured in-depth interviews with top and middle managers of the Company. The requirements for the respondents were the following: age after 30, management experience no less than 5 years, work experience in the Company no less than 5 years, all the points allow to build the strong opinion, bias and recommendations for the innovations in the Company’s Talent management strategies.

The third phase of the research includes deep analysis of findings of the provided case study, discussions with CEO and developing the recommendations of the improving Talent management strategies and its implementation based on the modern academic and business literature.

Research Findings

The concept of “talent management” was first mentioned by the US consulting firm “McKinsey & Company” in their study “The war for talent” (1998). Nowadays it should be noted that there is no uniform definition of talent and talent management, and their objectives and scope are also lacking, while at the same time, there is a disagreement whether talent management is concerned with all employees (inclusive, or strength-based strategy to talent management) or talents are only highly potential and efficient employees (exclusive strategy to talent management).

According to M. C. Meyers (Meyers, van Woerkom 2014, originally, there was only an exclusive talent management strategy as a tool for employees who are valuable and unique, demonstrate high potential and effective activity or occupy strategically important positions in the organization. This applies only to **1–15%** of the employees in terms of talent selection, evaluation and recognition. In the context of today’s talent scarcity, this means aggressive search, attraction, and selection of high-potential profiles (Cappelli 2008). An exclusive talent management strategy would perfectly fit an organisation dominated by a competitive culture and where employees expect rewards for exceptional performance (Meyers, van Woerkom 2014).

An alternative approach is inclusive talent management strategy. Inclusive talent management strategy is based on the assumption that all employees have valuable qualities or talents that can be productively applied to organizations.

Supporting the most popular exclusive approach - Identifying High-Potentials is a key to success of the talent program “Who Are Your True High-Potentials?” HiPo need to be a proven high performer with three distinguishing attributes that allow them to rise to and succeed in more senior critical positions:

- aspiration: to rise to senior roles;
- ability: To be effective in a more responsible and senior roles;
- engagement: to commit to the organization and remain in challenging roles.

PWC describes main functions of HRM as follow parts.

Acquisition (attraction):

- HR brand;
- EVP;
- recruitment as a process;
- headcount planning.

Development:

- leadership development;
- coaching and mentoring;
- technical trainings;
- performance management.

Retention:

- corporate culture and engagement;
- total rewards (monetary and non-monetary);
- recognition.

Arrangement

- succession planning;
- cycles of professional experience;
- organizational structure.

Conclusions and Recommendations

The study has revealed that Talent management is one of the core issues of the commercial organizations. All the approaches, trends, statistic data and recommendations emphasize that, Talent management is not an end in itself. It exists to support a company's strategic objectives, which in business essentially amount to capitalizing the company. Company should place effective HRM practices of TM aligned with strategic goals.

Moreover, the Company should be systematic, providing analyzes on the regular basis and implementing innovations, improvements. At the same time the Company should be agile and flexible in order to gain the success in the IT and telecom sphere.

Regarding the acquisition the Company should attract employees from outside for non-key functions and positions. Attraction for key (technological) and managerial job positions is evaluated as high risky strategy as they may not be the same on corporate values. Key and especially managerial positions should be fitted by the internal people, in order to support this strategy the management board must predict future needs and start to prepare employees in advance and provide succession planning.

As far as training and development is one of the important part of TM, the Company should switch the focus to the social, soft skills, especially to communicative skills, as the most amounts of the staff is technical and has a lack of communications. For modern Talents this is must. The Company should create field for innovations as a system of innovation management.

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“IMPACT OF INVESTMENT EXPENSES TO COMPANY VALUATION”

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Introduction

Impact of investment expenses to company valuation

Innovation always requires financial investments in order to make a profit, increase the efficiency of the organization, get socio-economic efficiency. It is necessary to make financial investments, if the company expects success in future, it should be ready for high investments now.

In recent decades, investment in innovation has become highly important for company growth and its performance all around the world. Innovation especially in a globalized and competitive economy, is a fundamental survival strategy for the firm.

Nowadays, the innovation factor is becoming crucial for the sustainable development of the economy. The question is that, along with the need to increase the total volume of investments, for the successful functioning of the economy it is necessary to change the structure of investments itself, that is, a significant share of investments should be aimed at financing innovative activities.

Many existing enterprises face serious difficulties in attracting investments in their promising investment projects. Venture enterprises are particularly challenged in this project. Firms, who has high growth, such as Apple, Samsung Electronics, Mercedes Benz, Huawei and etc increasing investment to R&D, to improve the quality, attractiveness of their products. The main question and concern is how R&D investments affect company value.

Kazakhstani R&D spending is 0.2% of GDP or \$718 356.5K in PPP\$

R&D spending by sector of performance:

- Business - \$ 263 507.3K
- Government -\$234 901.9K
- Universities – 159 228.6 K
- Private non profit - \$60 718.8K

The purpose of the thesis is to analyze the impact of R&D expenses to company valuation. Achieving this goal is accomplished by solving the following research tasks:

- Analyzing influence of investments to firm value
- Analyze the dynamics of R&D investments in Kazakhstani market

1. Literature Review

According to Woo Sung Kim and Sang Hoon Lee (2018), R&D has a non-linear impact on firm value, and results as inverted U shaped relationship. This U shaped relationship shows that investing on R&D increases company value, and then decreases it. In addition, it was examined the relationship between R&D and low and high state ownership. There is inverted U shaped pattern between R&D investments and low state ownership and no evidence of non linear relationship with the firms with high state ownership. Their study was based on 500 Chinese companies, cause of the rapid grows of R&D expenses. In the analysis, three estimation specification such as dynamic panel generalized method of moments (GMM), ordinary least squares (OLS) and fixed effect panel regression.

L. A. Rocha (2019) made a study, which analyzes the impact of innovation efforts, measured by investment in R&D to financial performance of company in relation to technological frontier. In this study frontier analysis with partial frontiers of the order of α , aimed at capturing fluctuations in proximity to the border and their impact on the ratio of "investment in R&D and performance. Sample size is consisting of 2,000 firms, and the data needed for the study was collected from the European Commission. The database covers 40 sectors in 46 countries. The results show that more efficient generates more profit with the same level of R&D investments compared to less efficient firms. Also, they are highlighting three testable hypotheses:

- Positive links between R&D investments, innovations and financial performance of firms

- the positive attitude has heterogeneous effect and connected with the technological position of the company
- different efficiency standards mean different opportunity costs that affect the investment versus productivity ratio. This hypotheses show that location of the firm, whether it is far or near from frontier, enjoy the heterogeneous effects of investing in innovation.

The analysis of the impact of investments in research and development on the results of the company always with important issues that drive demand for such investments.

In a recent study, Lopez and Barge-Gil (2014) examined the determinants of investment in R&D. The sample was based on Spanish companies for 4 years period of time. The results indicated some of the important predictors such as market share and company size, to determining the behavior of investment decision. It is useful to distinguishing companies in different technological positions.

This study examines the impact of R&D investments on firms' profits at various levels of efficiency. To reflect the firm's performance vector, latest nonparametric frontier method analysis: partial order- α frontier was used. This method creates various boundaries, called partial boundaries, as each quantile is specified. In contrast to the standard DEA Free Availability Approach (FDH), outliers have a significant impact on the valuation because they are considered as the actual boundaries data. Thus, various boundaries begin to consider extreme values as super-efficient units, ignoring the impact of these units on estimates of the least efficient firms.

The analysis of performance indicators and companies' investments in R&D made it possible to evaluate investment elasticity of the company. The results show that the most efficient firms have higher investment elasticity ratios for higher operating returns than the least efficient firms (farthest from the border). This picture was observed in different quantiles. So, in lower quantile, the influence of investment points was less than in the upper quantiles. Thus, it shows that the most efficient companies on the effective frontier receive more profit with the same level of investment in R&D compared to less efficient firms. So, firms near the border zone aggregates more value through the relationship between profit and investments in R&D.

Amitabh Gupta (2019), made a study on a relationship between capital structure, R&D and ownership structure among Indian firms.

This study will provide data on the impact of capital structure on investment decisions of Indian R&D firms. On the Indian exchanges, there are about 5500 companies, which are the highest in the world, but invested only 0.88% of their gross domestic product (GDP) in research and development, while the USA and South Korea spent 2.79% and 3.36% respectively during 2011-2012. Among the BRICS countries, Brazil, Russia and China also spent more than 1% of their GDP on research and development. Thus, studying the relationship between leverage and R&D for Indian listed companies is important as Indian companies have become highly efficient in the last decade. Also, as Indian firms mainly family-owned and family owners have influence on board of directors.

The sample was based on all companies which have three prominent Indian stock market indices. These indices: S&P Bombay Stock Exchange 500 index, S&P Bombay Stock Exchange small cap index, S&P Bombay Stock Exchange mid-cap index. The companies for which ownership data as well as financial data weren't available have been excluded. Therefore, sample size consists of 212 manufacturing companies for the period from 2011 to 2015. The data was collected from Prowess database maintained by CMIE (Center for Monitoring Indian Economy)

This study indicated a positive relationship between R&D and firm leverage, implying that an Indian firm with high leverage invests in research and development.

The results are quite significant, as it is generally believed that companies with high leverage from research and development. However, this does not apply to Indian firms, which are becoming more effective in the last decade. One of the reasons for this positive link may be that extensive investment in research and development helps firms improve your performance even at high risk borrowed funds.

The results do not suggest that family ownership has a negative relationship with R&D investment, as widely documented. There is a negative relationship between institutional ownership and R&D investments confirm that these Investors have a very limited vision, and they seek only short-term results from firms. The results are also similar for domestic institutional ownership and R&D investment. Confirming that these investors are not promoting R&D. Domestic financial institutions are also lenders of medium and long-term

financing such companies, and thus, would like to protect their capital without participating in risky and long-term research and development.

Finally, another interesting point is the discovery of the positive influence of foreign institutional ownership of R&D expenses. This suggests that these investors are promoting R&D spending in Indian firms. This is a pretty significant result, as the investments of foreign investors are perceived improve the image of Indian companies and they are in a better position to raise funds from capital markets. It also shows the long-term interests of foreign investors who good for Indian stock markets and for the growth and development of Indian economy. The data obtained confirm that these investors act as dynamic monitoring and support firms with innovative ideas and facilitate the exchange of innovative knowledge.

2. Methodology

2.1. Data used and sample size

The data is collected from Bloomberg database, covering financial statement for year 2009-2019. For this study, I will take 100 companies with high R&D investments.

2.2. Research question

In order to ensure that research topic is covered fully, research question should be stated. The following part of the research will answer the question posed.

Research question of the thesis is to analyze the impact of investment expenses, mainly R&D expenses to firm value.

2.3. Nonlinear regression model

Nonlinear regression is a form of regression analysis in which data is fitted to a model and then expressed as a mathematical function. A simple linear regression connects two variables (X and Y) with a straight line ($y = mx + b$), while non-linear regression should generate a line (usually a curve), as if each value of Y was a random variable. The goal of the model is to make the sum of squares as small as possible. Sum of squares is a measure that tracks how much the observations differ from the mean of the data set. First, it is calculated by finding the difference between the mean and each data point in the set. Then each of these differences is squared. Finally, all square shapes stack together. The smaller the sum of these squares, the better the function corresponds to the data points in the set. Nonlinear regression uses:

- logarithmic functions
- trigonometric functions
- exponential functions
- other fitting methods.

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**“THE INFLUENCE OF CAPITAL STRUCTURE
ON THE PERFORMANCE OF THE FIRM: CASE OF KAZAKHSTAN’S FIRMS”**

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Abstract

Capital structure is a mixture of a company's debts and equity, and it's essential on how a firm finances its overall operations and growth by using different sources of funds. The study examines the influence of capital structure on the performance of the firm. The examination has been executed by using panel data procedure for a sample of 56 Kazakhstan companies that listed in Kazakhstan Stock Exchange (KASE). The research employs two performance measures such as return on assets and return on equity as dependent variables. The one capital structure measure, namely debt to equity ratio as independent variable. Size and macroeconomic variable are employed as control variables. The findings specify that debt to equity ratio has significant and negative impact on firm performance measures, and it supported by capital structure theories for transitional economies, as Kazakhstan.

Key words: capital structure, performance, Kazakhstan economy, debt to equity ratio, return on assets, return on equity, panel study, KASE.

Аңдатпа

Капиталдың құрылымы - бұл компанияның қарызы мен капиталының жиынтығы, сондықтан компания қаржыландырудың әр түрлі көздерін пайдалану арқылы өнімділікті арттырып, дамитыны маңызды. Зерттеуде компания капиталы құрылымы мен өндіріс өнімділігінің арасындағы қарым-қатынас қараластырылады. Жұмыс Қазақстан Қор биржасында тіркелген (KASE) елу алты қазақстандық компаниялардың статистикалық мәліметтері және регрессиялық анализ негізінде жүргізілді. Зерттеуде өнімділіктің екі түрі пайдаланылды, олар – өзіндік капиталдың пайдалылығы және активтердің пайдалылығы тәуелді ауыспалы ретінде қарастырылады. Сонымен қатар, капитал құрылымы шамасы, яғни қарыздың өзіндік капиталға қатынасы да қарастырылады. Компаниялардың мөлшері және макроэкономикалық көрсеткіштер бақылау өлшем ретінде пайдаланылады. Нәтижесінде Қазақстан сияқты өтпелі экономикасы бар елдер капитал құрылымының өндірістік өнімділігіне теріс және маңызды әсер ететіні атап көрсетілді.

Түйінді сөздер: капитал құрылымы, өндіріс өнімділігі, Қазақстан экономикасы, меншікті капиталға қатынасы, активтердің пайдалылығы, өзіндік капиталдың пайдалылығы, панельдік зерттеу, KASE.

Аннотация

Структура капитала представляет собой совокупность обязательств и капитала компании, и важно то, как фирма повышает производительность и развивается путем использования различных источников финансирования. В исследовании рассматриваются влияние структуры капитала на производительность компаний. Работа была выполнена с помощью регрессионного анализа и статистических данных, состоящих из 56 казахстанских компаний, перечисленных на Казахстанской фондовой бирже (KASE). В исследовании использованы две меры производительности, такие как рентабельность собственного капитала и рентабельность активов как зависимые переменные. А также структура капитала, а именно отношение заемного капитала к собственному капиталу, используется в качестве независимой переменной. Размер компаний и макроэкономические параметры используются в качестве контрольной переменной. Результат представляет, что отношение структуры капитала имеет

значительную и отрицательную связь с показателями производительности, и он поддерживается описанными теориями применимых для стран с переходной экономикой, как Казахстан.

Ключевые слова: структура капитала, показатели производительности, экономика Казахстана, отношение долга к собственному капиталу, рентабельность активов, рентабельность собственного капитала, панельное исследование, KASE.

Chapter 1. Introduction

The economy itself is represented as proper resource allocations and use of it in least costly manner. The vital aspects for the nationwide economy and economy of individual company are capital investment decisions. Capital investment decisions that reflect mechanisms to allocate resources and to optimize its usage plays crucial role in maximization of profits and firm performance. The relationship between capital structure and corporate value and performance is one that has received considerable attention and might affect company's survival, profitability and growth.

In short, capital structure is a mixture of a company's debts (long-term and short-term), common equity and preferred equity, i.e. it's essential on how a firm finances its overall operations and growth by using different sources of funds. Whether or not an optimal capital structure exists is one of the most important and complex issues that is still popular topic to discussion and researching among scholars in finance and economic fields.

Basically, this paper represents testing the theories that predict that the choice of capital structure may affect firm performance in transition economy as Kazakhstan. Modigliani and Miller (1958) represented the classical theory (Proposition 1) about capital structure irrelevance to firm value, which became subject to debate in the field of finance. The theory proposes that the capital structure or in other words firm's relative proportions of debt and equity don't influence on the firm's performance and its profitability in ideal market conditions. However, authors considered Arrow-Debreu environment (complete markets, no taxes, absence of transaction and bankruptcy costs) and the theory about the debt irrelevance is hardly realistic. In later years, Proposition 1 was developed to a theory about tax benefits of debt (Modigliani and Miller, 1963).

Presence of controversial theories, as pecking order theory and agency cost theories, lead to the investigation of the negative influence of leverage on performance. Various scholars contributed to the development and the testing of the basic theories of capital structure, such as the pecking order theory. However, it is observed that the most of these theories were formulated following on the conducted research studies executed in developed economies. It is doubtful that these theories are easily applicable in developing countries because of their uniqueness and peculiar financial institutions. So, underdeveloped financial system makes Kazakhstan an interesting study case for negative relationship of leverage and performance of firms.

The study generally consists of three major parts. First part represents the theoretical background of the theories related to capital structure, its impact on the firm's performance and the ways to optimize capital structure. Second part is methodology used in the study which involves formulation of hypothesis and methods of testing several models through regression. Third part is discussion part with full analysis of the results. The conclusions and some recommendations that can be applicable for the Kazakhstan firms are also presented in the study.

Problem Statement and Objectives

For many years the link between capital structure and the performance of the firm has been the subject of intense global debate and research and yet there is insufficient evidence to support this argument. After more than fifty years of studies, economists have not reached an agreement on how and to which extent the capital structure of firms' impacts on their performance. However, the studies and empirical findings of the last decades have at least demonstrated that capital structure has more importance than in the simple Modigliani-Miller

proposition theorem. So, in this document the relationship between capital structure and firm's performance is proposed to analyze in the case of the Kazakhstan's public companies, listed in Kazakhstan Stock Exchange.

The problem addressed in this work can be defined by following questions:

1. What factors are important when determining firm performance?
2. To what extent do factors affect market performance of firms?

The objectives that will help to find the answer for the main problem are the following:

- To assess the relationship between debt-to-equity ratio and firm's performance for the selected firms.
- To assess the relationship between size and firm's performance for the selected firms.
- To assess the relationship between macroeconomic factors and firm's performance for the selected firms

Chapter 2. Literature Review

At first, the understanding of importance of firm performance with relation to firm value should be explained. Most studies investigating impact of performance on value of firm done by Carlson and Bathala (1997), Makaryawati (2002), Ulupui (2007), and Bambang Sudiyatno and Elen Puspitasari (2010) resulted in stating that the firm performance has direct positive relationship with firm value. Moreover, the reasonable use of book value is presented by Graham and Harvey (2001) which was based on a survey of CFOs revealed that most of them tend to use book values in making financial and investment decisions. Summarizing above stated research studies the conclusion can be driven that the firm performance plays vital role in evaluating the firm for financial decisions.

The Modigliani-Miller theorem

The irrelevance proposition theorems of Modigliani and Miller (1958) generally state that the source of financing firm's assets has no effect on the overall performance of the firm in ideal market conditions.

M&M Proposition theorem I (without taxes)

$$(\text{Value of firm})_{\text{unlevered}} = (\text{Value of firm})_{\text{levered}}$$

Applying the relationship of firm value and firm performance, it can be stated:

$$(\text{Performance of firm})_{\text{unlevered}} = (\text{Performance of firm})_{\text{levered}}$$

For example, an investor can assess two firms – levered and unlevered, based on their ROA, in order to buy one of them. He could purchase unlevered firm and borrow the money in the same amount as the levered firm's debt. So, the price of levered firm can be equal to the price of unlevered firm minus borrowings, i.e. debt of levered firm. However, the ideal market conditions are not present in real world, that has asymmetry, inefficient market, risk associated with the investor's portfolio and etc. Therefore, capital structure is irrelevant for maximizing firm value.

M&M Proposition theorem I (with taxes)

$$(\text{Value of firm})_{\text{unlevered}} + \text{Present value of the interest tax shield} = (\text{Value of firm})_{\text{levered}}$$

The existence of the taxes applied to the M&M proposition I, adds the interest that is tax deductible, leading to creation of tax shield. However, the increase in the debt can lead firm to bankruptcy (Figure 1).

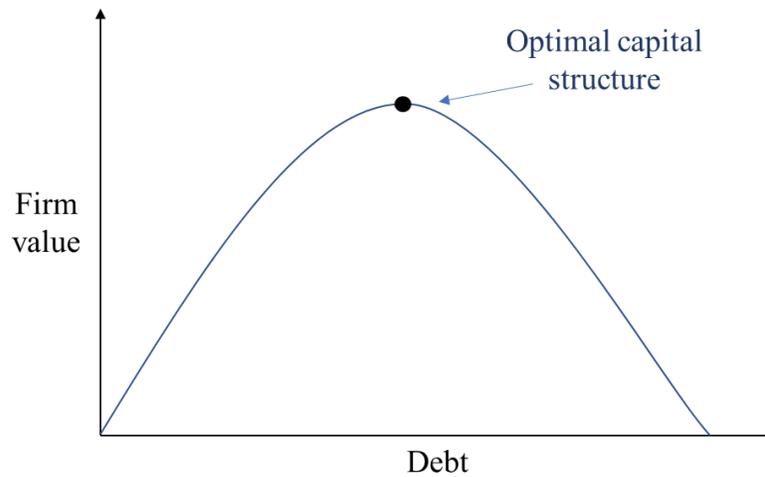


Figure 1. Graphical representation of M&M Proposition I (with taxes): impact of leverage on value.

Therefore, the managers should find the optimal capital structure that works for their company in existing market conditions.

M&M Proposition theorem II (without taxes)

The cost of equity is increasing in the percentage of debt in the capital structure

$$r_E = r_0 + \frac{D}{E}(r_0 - r_D)$$

where

r_0 is the cost of capital if the firm were financed entirely with equity,

r_E is the cost of equity,

r_D is the cost of debt, and

$\frac{D}{E}$ is debt-to-equity ratio.

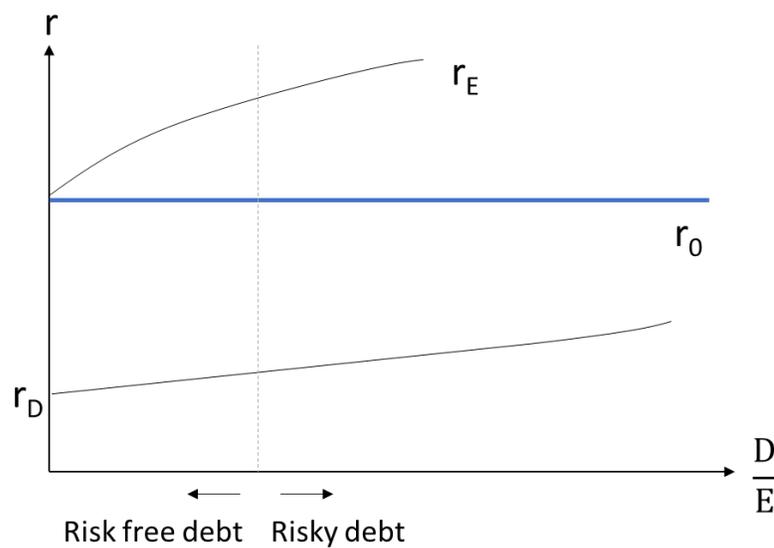


Figure 2. Graphical representation of M&M Proposition II (without taxes): cost of capital stays constant, whether leverage is changing or not.

The theorems I and II (without taxes) needs some assumptions to be applied, as:

- no transaction costs exist
- all the types of borrowings are at the same rate (whether it's investors or company)

However, the real world implication of this theory is not possible, it still taught in educational institutions and can be used as starting point in defining determinants of optimal capital structure and the way of its influence on firm performance and value.

M&M Proposition theorem II (with taxes)

The cost of capital is decreased as leverage increases due to the fact of interest tax shield on debt in the capital structure

$$r_E = r_0 + \frac{D}{E}(r_0 - r_D)(1 - t)$$

where t is tax rate.

The Proposition theorem II includes the changes in weighted average cost of capital in the presence of taxes. Debt-to-equity ratio will impact on the risk associated with firm's stock, in other words impact on beta. At the same time beta is used to calculate cost of equity and further to find WACC. The cost of equity rises with the leverage increase: replacement of equity with the cheaper debt leads to the drop in the WACC, showing that the optimal capital structure is at point where debt equals to 100%.

The assumptions of the theorem I and II (with taxes) are as following:

- corporations are taxed at the rate t on earnings after interest
- no transaction costs exist
- all the types of borrowings are at the same rate

The understanding of the M&M theorem gives basic structure and effect of capital structure on the firm performance. However, the application of the theorems has no place in real world, still there are some advantages: if no assumptions are taken capital structure could have an impact on the firm value, and determinants of capital structure can be measured through empirical studies.

Here are some expert views on the M&M Proposition theorems that bring us several assumptions based on the literature (Copeland, Weston and Shastri, 2005):

- 1) The investment policies of the companies are not changing and kept constant, with generation of the stable perpetual cash flows that are not dependent on changes in capital structure of the company.
- 2) Each firm is associated with certain risk level, where businesses one risk category has perfect correlation of cash flows. So, the same required rate of return is associated with assets in given risk category.
- 3) No any kinds of taxes are exist (corporate tax, individual income tax, etc.).
- 4) No costs of transactions and costs of bankruptcy.
- 5) No any asymmetry in information (inside and outside of company).
- 6) No any agency costs (managers want to increase the value of the firm, not involving own benefits). Deals and projects are only done in order to increase the value of the assets.
- 7) No arbitrage opportunities (assets with the same features should be sold at the same price)
- 8) Individual investors can borrow and lend at the risk-free rate.

9) Capital structure consists of equity and borrowings at the risk-free rate.

Corporate structure and corporate tax system

The capital tax structure has some impact on the profitability of the firm and on the firm value. Key feature of the interest payment is in its tax deductibility, while equity payments are tax-exempt and paid after residual income after all the operations.

Basically, the net income is revenue minus costs associated to generate that revenue, and tax is deducted after all costs are involved in calculation of income and all the interest payments. So, corporate income is taxed at constant marginal tax rate t which is usually constant over time. The dividends paid to individual investors are considered as personal income and only after receipt its interest becomes tax deductible, but at this stage it has no contribution to the company's accounting (Graham 2003).

Many companies at some point of time can generate net loss instead of net income (where the costs associated with operation of company are much higher than revenue gained). In this case no corporate taxes are paid on losses, basically the company with zero profit can not be charged for tax payments. In addition, a NOL can be "carried back" and deducted from up to two prior years' taxable income. The corporation is then eligible for a refund equal to the difference between previously paid taxes and taxes owed after deducting the current year's loss. If the loss is too large to be fully carried back, it may be "carried forward" for up to 20 years and used to reduce future tax liabilities. (Keightley et al, 2014).

M&M Proposition theorems states that there is no relevance of capital structure to the firm performance and its value, while at the same time showing that the tax shield created by the leverage brings additional value to the same but unlevered firm.

Damodaran (2006) proposed the study explaining possible effects of debt on value of the firm which has some benefits and costs associated in case of replacement for equity funding:

- if costs does not exceed benefits, there will be gain in value of equity from the use of debt;
- if costs are equal to the benefits, there is no impact of debt;
- if costs does exceed benefits, there will be losses in value due to increased debt.

Levered firm pays less tax compared to the fully unlevered firm with only-equity financing. The consideration should be taken that no any imperfections are presents in the market in order to gain added value by tax shield.

Hickman et al (1996) illustrated three different scenarios of tax effects on firm value, with the basis that the increase in leverage brings increase in firm value. Scenarios are (1) the value given interest paid after taxes, (2) the value given interest paid before taxes, and (3) the value in perfect markets. As it can be observed tax has a strong effect on the firm's value which is negative when interest is paid after tax, and positive in the opposite situation. Positive effect depends on the amount of debt's tax shield.

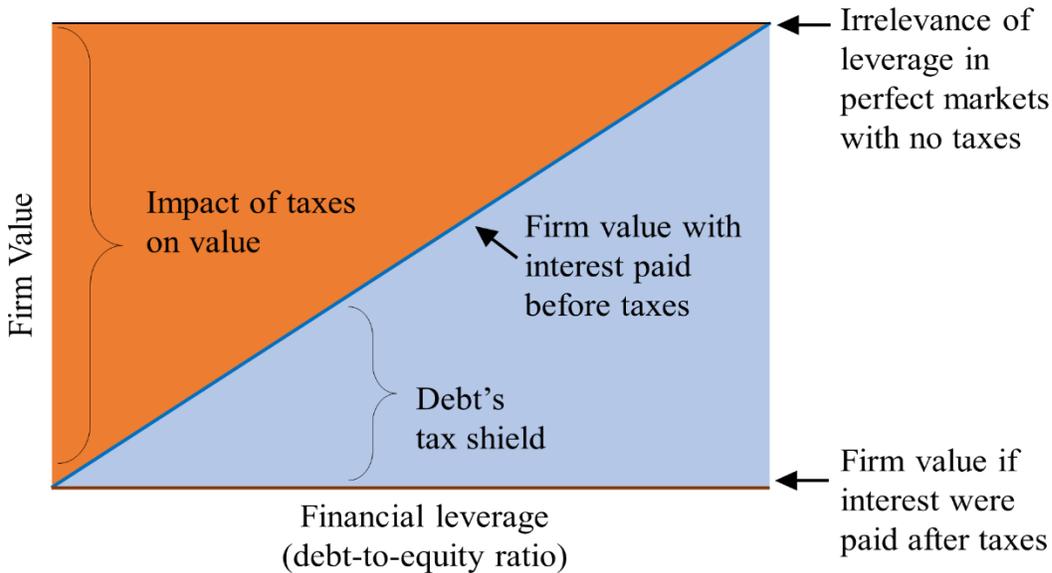


Figure 3. Effect of tax benefit on firm's value (Hickman et al. 1996)

Trade-off theory

First development of the trade-off theory was made by Modigliani and Miller (1958) stating that tax shield on the debt of the firm adds value to the unlevered firm. The main use of this theory by the managers is in preferences of funding through debt at first than through equity. Since, equity payments are not tax deductible compared to debt payments, the use of equity financing is less attractive. On the other hand, many followers of Modigliani and Miller made several research studies investigating also the bankruptcy costs. The main outcome of these studies is increasing the threat of bankruptcy associated with raising additional debt is making borrowed funds less attractive. In addition to bankruptcy costs, theory includes agency costs that represent a factor in the desire to reconcile the interests of different types of stakeholders with right to allocate resources of the firm. Basically, according to the theory, the optimal capital structure is reached when tax benefits are equal to the costs associated with agency and bankruptcy. Thus, the value of the firm is represented by value of equity, value of debt, benefit from tax shield, bankruptcy costs, and agency costs.

The known method of company valuation as adjusted present value (APV) supports trade-off theory. Main components of the theory can be also presented by APV formula:

$$APV = \sum_{i=0}^n \frac{CF_i}{(1 + WACC)^i} + PV_{TS} - PV_{BC} - PV_{AC}$$

So, the determinants of the capital structure in most studies are explained by trade-off theory, and one of the good examples of such study is Frank and Goyal's research study (2009).

Frank and Goyal (2009) reflected in their study five out of six coefficients that determine capital structure. An important feature of their work lies in the fact that it covers a long period, from 1950 to 2003. The results show that a significant positive correlation observed capital structure factors from the size, the median industry leverage, government regulation, tangible assets. Factors also negatively related to capital structure, the following: growth, uniqueness, business risks, capital market conditions and the debt market. Furthermore, the authors note the importance of the time factor: over time the overall significance of the model decreases with decreasing value of factor income, while the influence of the factors and the size of the dividend policy increase from year to year. An important finding of this study is considered that conditions change, a set

of factors and the nature of their impact on the capital structure remains practically unchanged, which suggests the possibility of building a universal model of capital structure. At the same time, researchers are left open questions testing theories of capital structure, the study of various forms of functional dependence, consideration of a phenomenon in the dynamics.

Costs of bankruptcy

The increases in the leverage bring obligations to pay interest on the loan, regardless of company's financial situation, so there is risk of non-payment leading to the probability of bankruptcy. Bankruptcy is the legal liquidation of the company's assets or business in order to repay a portion of outstanding debt, since company cannot fully pay its debts out of its current assets. There are two types of bankruptcy processes: "voluntary bankruptcy" – brought upon by debtor itself, most common, and "involuntary bankruptcy" – forced by creditors through official court orders issuance, less common. Bankruptcy offers business a chance to start fresh by forgiving debts that simply cannot be paid, while offering creditors a chance to obtain some measure of repayment based on the business's assets available for liquidation.

Each industry is associated with certain level of business risks that increases probability of bankruptcy, and there are different factors that affect it, according to Brigham and Ehrhardt (2009):

- Variation in demand for products;
- Volatility of selling prices;
- Volatility of the value used resources;
- Ability of the company to influence the selling price;
- Ability to adapt quickly to changing market conditions (to develop and implement new technologies and product lines);
- Risks associated with doing business abroad;
- The share of fixed costs (or operating leverage).

Decline in sales and more fixed costs can result in less return on equity, which then leads to increase of risk of "operating leverage". There are industries that has higher bankruptcy risk due to more fixed costs, as an example, industries with high costs of R&D are high-tech companies, automotive, and capital-intensive industries, as aviation, electric power, and chemical industry. Industries representing retail trade enterprises or service companies typically have low fixed costs.

Bankruptcy process is associated with two types of costs – direct and indirect, Figure 4. The direct costs include the costs for the services of appraisal firms, lawyers, attorneys, as well as other administrative and legal costs. Indirect costs of bankruptcy due to the fact that, in connection with the announcement of bankruptcy, the normal operating activities of the company begins to deteriorate (Frank and Goyal, 2009). For example, in order to avoid bankruptcy or postponing the management company can take short-term measures (for example, the adoption of risky projects) to maintain the viability of the company, which may have disastrous consequences in the long term, and adversely affect the value of the company. It should be noted that the magnitude of the costs of bankruptcy is subject to economies of scale: higher costs of bankruptcy for small firms and lower for large firms.

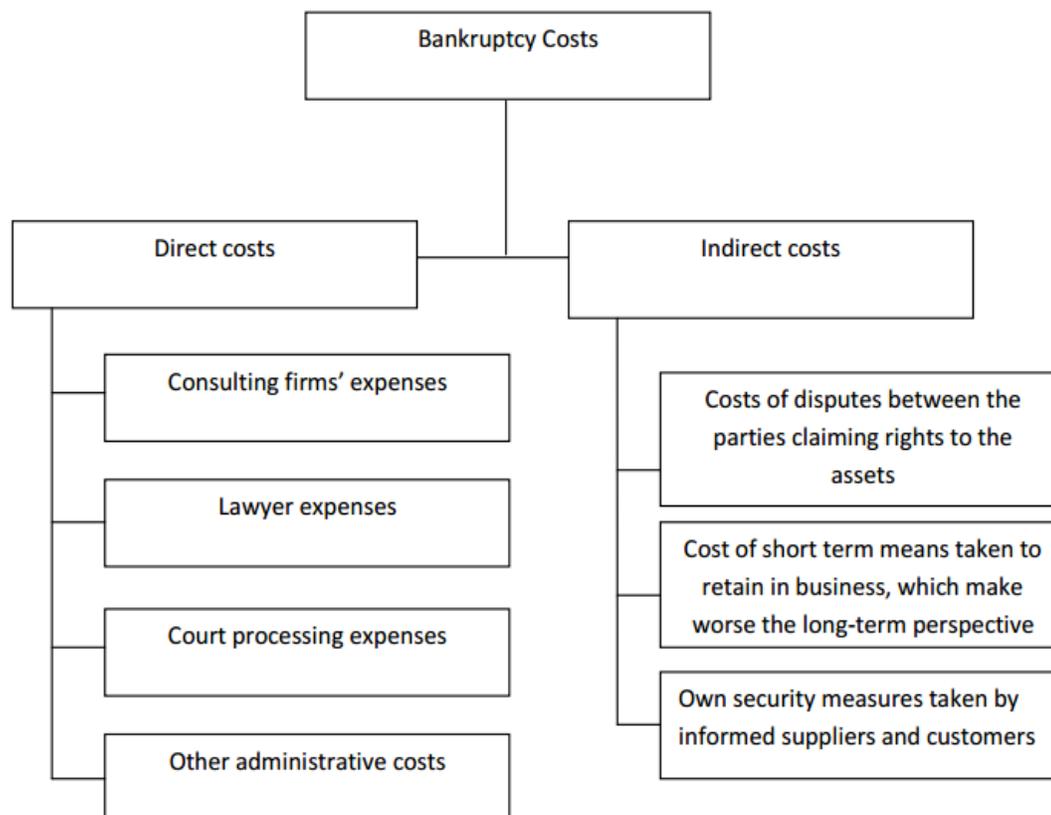


Figure 4. Costs of bankruptcy (Lapitsky, 2013)

Asymmetric information

Public companies are eligible to disclose all their financials and any information necessary to fairly evaluate company, and to avoid any adverse selection effects. So, the development of theories of capital structure takes into account asymmetric information to fulfill the needs of public companies (Harris and Raviv, 1991). Two approaches were developed – first is the theory of the hierarchy, and second is signaling theory. The first approach states that capital structure helps to avoid inefficient investment decisions due to reduction of asymmetry in information between insiders and outside investors (Myers and Majluf, 1984; Myers, 1984). Second approach suggests that decisions on using the capital structure through a "signal" to foreign investors transferred insider information, which also reduces the level of information asymmetry (Ross, 1977; Leland and Pyle, 1977)

Pecking-order theory

More study on such question, as “how do firms choose their capital structure?”, was done by Myers (1984) stating that asymmetric information may cause different actions of managers concern of capital structure decisions. The study states that previous empirical results of similar firms show many variations in debt ratios. And, one of the possible theories explaining capital structure decisions is pecking-order theory which starts of asymmetric information.

According to Myers and Majluf (1984), undervaluation of the firm happens when inside investors has better information about firm’s operation than outside investors. As a consequence, the financing of investment projects through the issuance of shares may be so costly for companies that profit new investors (and also loss of existing investors) due to underestimation of the shares can cover the net present value (NPV) of the project.

This makes the stock less attractive to third-party financing. Retained earnings (and other internal sources of financing, such as depreciation or disposal of liquid market instruments), by contrast, is not subject to the problems of information asymmetry and should, in theory, be used primarily to finance the firm's projects. Debt, to a lesser extent than the shares related to the asymmetry of information, so the lack of domestic sources, the company must attract primarily debt financing. Thus, the conclusion of the theory is that the funding allocated in a hierarchical order from least to most attractive to the firm. Thus, internal sources rather than external, while external sources of debt rather than shares.

Besides information asymmetry, the hierarchy of sources of financing can also be explained by the cost of attracting one source or another, that is, transaction costs (Brigham, Ehrhardt, 2009). Public offering (IPO / SPO, initial / secondary public offering) has the highest value and the sum of the following costs:

- The sale of shares at a price lower than the fair in order to reduce the risk of incomplete placement, as well as reduce the rate of shares: preferred for the issuer to sell cheaper to the share price subsequently grew, and not vice versa;
- Administrative costs;
- Expenditure on the inclusion of new securities in the register;
- Preparation costs of the prospectus and registration documents;
- The costs of a mediator, a consultant who helps businesses make the issuance of securities.

In addition, the costs of a public offering of shares are subject to economies of scale: the larger the accommodation, so it is cheaper on a per issued share. Therefore, for large organizations it is cheaper to issue shares. Economies of scale are also evident in the fact that the firm to reduce the costs of accommodation must provide funding through short-term obligations as long as the largest public issue of shares will not be justified.

From the theory of the hierarchy to the following conclusions about the factors that affect the capital structure and the nature of their influence:

- a) The greater the profitability of the company, the less it will need experience of foreign investment, and, accordingly, the lower will be its financial leverage;
- b) The larger the company, the cheaper it costs for the issue of shares, and therefore, it will have lower financial leverage;
- c) The smaller the firm has tangible assets, the higher the leverage, as the company is exposed to information asymmetry, and the more likely that its shares are undervalued by the market and, consequently, such a firm is inclined to issue debt rather than stocks.

The Pecking-order Theory suggests that organization should prefer its internal funding first before going for other sources. If internal funding is not enough to fulfill the organization requirement then organization can choose to go for debt and then in last choose to go for equity financing after sharing new shares to get the required financing.

The signaling theory

In the model of Ross (Ross, 1977), due to the presence of asymmetric information, the management of the company aware of the true distribution of its income in time, while foreign investors it is not known. In turn, the management of organizations trying to make the placement of shares only when the share price of the company is in the process of escalation, or at a high level, in anticipation of the subsequent decline. If the firm has a high growth potential in the future, the management of which is aware of the prospects of the company, will not carry out the placement of shares currently at current prices, because he knows that prices will rise in the future that will allow for a better share issue. Foreign investors are aware of this fact and agree to buy shares of a company invests only with discounted prices, making the issue of securities more expensive and less

demand in relation to debt financing. Thus, the issue of shares carries a negative signal to investors, while the high level of debt is perceived by investors as a signal of good quality firm.

Negative signal accompanying the issuance of shares may cause a problem of under-investment, as a company with a good investment opportunity, might not attract the necessary funding for the amount by placing shares. To avoid this problem, companies need to maintain a reserve borrowing capacity, subject to the availability of attractive investment opportunities could use cheaper borrowings.

Thus, the issue of new shares shall be carried out under the following conditions:

- the company's management believes that its shares are overvalued by the market;
- funded project must have a high profit margin and not carry a negative signal to investors;
- financing of the project cannot be realized with the help of borrowed capital.

Key findings of the signal theory applied to the factors determining the capital structure:

- a) The higher the profitability of the company, the greater its financial leverage, as more profitable companies are more interested in maintaining the reserve borrowing capacity;
- b) The higher the growth potential, the higher the leverage, as financing through shares carries a negative signal.

Free cash flow theory

Managers use free cash flows of the company to invest in projects, to pay dividends, or to hold on cash balance. But if the firm is not committed to some fixed payments such as interest expenses, managers could have incentives to “waste” excess free cash flows. That is why, in order to discipline managers, shareholders attract debt. Besides, it is a popular practice in debt agreements between banks and borrowers to introduce some financial covenants for firms (minimal level of the free cash flow, debt-to-EBITDA ratio, EBITDA-to-interest expenses ratio etc.). Managers cannot break these covenants, and hence are bound to be more effective. In addition, the law usually guarantees a right of partial information disclosure to the company’s debt holders, which serves as additional managers’ supervision tool. As a result, actions of managers become more transparent, and they have more incentives to create higher value for the owners. This is the essence of “Free Cash Flow Theory” of capital structure (Jensen, 1986).

Agency cost theory

Managers firstly tend to use debt financing over equity issuance, as they know more about firm’s prospects, risks and performance. On the other hand, the separate ownership from management can lead to the agency conflict resulting in manager putting own preferences over maximizing firm’s wealth. Extravagant investments are one of the ways in which managers may not behave in the owners’ best interests. This is called “hazard problem”. A standard example is huge exploration spending by oil industry managers in the late 1970s, when it was cheaper to buy oil on the Wall Street than to drill for it or to pump it. Besides, managers of the oil industry companies invested a large part of their excess cash into non-core activities (Jensen, 1988). Blanchard et al. (1994) showed that managers of firms who received cash windfalls often spent them on acquisitions of unrelated firms and other activities which did not create any value for shareholders. These and other facts prove that conflict of interest between managers and owners exists.

According to Jensen and Meckling (1976) it can be avoided by applying agency cost theory, partly delegating duty and authority to management. Wangi et al. (2014) affirm the debt financing is to restrict the tendency the professional manager to toward opportunistic behavior for personal gain. Thus, financing to reduce free cash flows within the firm by paying a fixed interest rate and this fixed interest payment would force the manager to deviate from negative investment and force to work in the interest of the shareholders, therefore for optimal debt level in capital structure would minimize the agency costs due to divergent interest of managers and shareholders and debt holders.

Size of the firm

Firm size plays a vital role in capital structure decision making process. Quite a number of studies point out that a firm size plays an important role the determination of firm performance. Beck et al (2005) argues that firm size has a strong association with firm's survival, profitability and productivity; though, depending on policy implementation likes legal and financial policy effects, depending on their size. Large size firms tend to be diversified, benefit from economy of scale, and more capacity and resources. Boone et al (2007) observes that the proportion of firm size and outside director is positively related. Implying that the larger a firm size, the more should be the outside director's representation in the quest for efficient monitoring and transparency. Similarly, Raja and Kumar (2005) posit that firm size exhibit a positive relation with the performances of listed firms.

Empirical studies

Empirical studies have not reached an agreement about the relationship between leverage and firm performance yet. Coricelli et al (2011) in their EBRD study of Central and Eastern European companies showed hump-shaped relationship between the level of debt and productivity growth. At the same time, Majumdar and Chhibber (1999) found significantly negative effect of level of debt on firm performance, showing the failure of western corporate governance mechanisms in transitions countries. Two classical empirical studies of Harris and Raviv (1991) and Titman and Wessel (1988) lead to different empirical results even in basic facts about capital structure.

Seid (2017) studied the impact of capital structure on firm performance on the case of 15 manufacturing companies of Ethiopia over covering the period 2010 – 2014. The results of the study concluded the significant negative relation of profitability with long term debts and total debts.

The study done by Ogebe et al (2013) includes an analysis of companies in Nigeria from 2000 to 2010. The study considered impact of some key macroeconomic variables on firm performance. As the basis of their study traditional theory of capital structure was taken which asserts that leverage is a significant determinant of firms' performance. The generated results of the study provide strong evidence in support of the traditional theory, establishing significant negative relationship of leverage and firm performance. The derived recommendations are financing the firm's business activities with the use of equity than debt, and it reasoned by the fact that debt might become detrimental. The mixture of debt-equity structure should lead by maximizing value and minimizing weighted average cost of capital.

One of the current studies representing European developed are study of the Dutch small and medium-sized enterprises' capital structure effects on firm performance between 2008 and 2015 (Schulz, 2017). And he implemented additional data analysis reflecting the effects of the financial crisis and the post-crisis period capital structure on firm performance. Empirical model of the study used return on assets and return on capital employed as variables effecting on performance. Such theories, as the trade-off and pecking order theory, were used as perspectives for investigation. Large sample of 3363 firms over presented 8 years period provides statistically reliable judgement and strong evidence supporting capital structure theories.

Reviewed journal articles and studies give the overall background information in order to gain the view on core ideas of the subject of this research proposal and develop the understanding of the topic. By the literature review, I have formed my approach of research, the model of calculations in order to analyze the relationship of capital structure and firm performance. Also, the previously observed empirical studies and models defined the variables to be used in my research proposal.

Table 1. Summary of capital structure theories

Theory	Relationship
Modigliani and Miller (1958)	Irrelevant
Modigliani and Miller (1963)	Positive
Trade-off	Positive
Pecking-Order	Negative
Free-cash-flow	Positive
Signaling	Positive
Agency-cost problem	Negative

Chapter 3. Methodology

According to Saunders, Lewis, and Thornhill (2009), research methodology is simply put as how the research is carried out. It's not only a depiction of how the data is collected and analyzed, but also the theoretical concepts justifying for the employed method. It is important that research methodology is appropriate to the purpose of research.

Research approach

Saunders et al. (2009) use the research onion framework to depict the main issues in the research process. The first layer is research philosophy (ibid.). Creswell (2009) uses a slightly different terminology to imply research philosophy. He states that philosophical worldview is important because it has great influence on choices of detailed research design. In other words, it is the researcher's basic beliefs about the nature of doing research that underpin the direction of research. The philosophy in this study is positivism because it matches the study's purpose. Positivism implies that the researcher must carefully observe the objective reality. Accordingly, the theory is continuously tested and sharpened by data driven method until it can be generalized to similar circumstances.

It is implicit in the choice of the philosophical worldview that quantitative approach is used in this study. Creswell (2009) defines quantitative approach as a systematic examination of a phenomenon using statistical techniques. One of its applications is to test a theory about the relationship between two variables which can be expressed by a number. An important advantage of the quantitative approach is that it provides descriptive data which could be compared and derived the tendency of variables. This strength is essential for the main aim of this study. Another strength of the quantitative approach is that it allows reducing a complex problem to limited number of variables. There may be many different factors affecting stock performance,

some of which could be qualitative for example the psychological attitude of investors toward the company. Analyzing this kind of qualitative data requires much more effort in interpreting the meaning of data, not to mention the possibility of acquiring data for such a great number of companies in the first place. In other words, the quantitative approach helps streamline the process while still ensure a systematic validity for the study.

According to Saunders et al. (2009), the purpose of research can be classified into three types: explanatory, exploratory, and descriptive. This study is descriptive as it seeks to provide a clear description of firm's value and capital structure. At the same time, it is also explanatory in the sense that it examines the relationship between firm's value and capital structure.

Another important choice in research design is whether the logical reasoning method is deductive or inductive. Trochim (2006) refers to deductive reasoning as top down because it starts with a theory and then developing a hypothesis. After that, the researcher collects observation to address that hypothesis. Finally, the hypothesis will be tested according to the observation, which confirms or disconfirms the original theory. This process matches the objective of this study; therefore, the study is deductive.

The model of the study

The model represents one dependent variable, in this study is performance of the firm. The independent variables were identified as important factors that mostly reflect capital structure of firm and impact on firm performance. Such selection was made based on previous empirical studies and theoretical literature review. The performance data is taken from consolidated financial reports of selected firms.

Based on the works of Gaud, Hoesli and Bender (2007), Shyam-Sunder and Myers (1999) suggested calculating the influence factors in the following way:

Table 2. Variable definitions and measures

Variables	Acronym	Measures	Impact
<i>Dependent variable</i>			
Performance	<i>ROA</i>	Return on assets: Net Income/total assets	
	<i>ROE</i>	Return on equity: Net Income/total equity	
<i>Independent variables</i>			
Debt to equity ratio	<i>D/E Ratio</i>	Debt to equity ratio	<i>Negative</i>
<i>Control variables</i>			
Size	<i>SIZE</i>	Natural logarithm of total sales	<i>Positive</i>
Macroeconomic variables	<i>GDP</i>	Gross domestic product	<i>Positive</i>
	<i>FX</i>	Currency exchange rate: USD/KZT	<i>Positive</i>
	<i>OILP</i>	Oil price	<i>Positive</i>
	<i>IRATE</i>	Interest rate of banks on loans for non-banking legal entities	<i>Positive</i>
	<i>Dum</i>	Dummy variable (financial sector - 1, non-financial sector - 0)	

Thus, the econometric models of the study can be derived as following:

$$ROA_i = \alpha - \beta_{DEBT} * DEBT_i + \beta_{SIZE} * SIZE_i + \beta_{GDP} * GDP_i + \beta_{FX} * FX_i + \beta_{OILP} * OILP_i + \beta_{IRATE} * IRATE_i + \beta_{Dum} * Dum_i$$

$$ROE_i = \alpha - \beta_{DEBT} * DEBT_i + \beta_{SIZE} * SIZE_i + \beta_{GDP} * GDP_i + \beta_{FX} * FX_i + \beta_{OILP} * OILP_i + \beta_{IRATE} * IRATE_i + \beta_{Dum} * Dum_i$$

It is assumed that debt to equity ratio has negative impact on the performance of the company based on the pecking-order theory, positive effect of size of the company, and positive effects of macroeconomic variables.

Besides, linear relationship between leverage and firm performance is not consistent with the trade-off theory. According to this theory, a firm tends to the optimal capital structure, and it is impossible to optimize the firm value if the relationship between the leverage and the firm performance is linear. To address these issues, we also included a squared leverage term.

Data collection

Firms in sample include financial and non-financial organizations, as manufacturing, agriculture, industry, distribution and other sectors. A sample to be selected from the above mentioned industries that are present in the market for a quite long time period. A sample of about 56 firms and more to be selected from the above mentioned industries and their investment activities studied over the period 2006 to 2017. The number of firms is impacted by the availability of data during the period.

The firms will be selected from the Kazakhstan stock exchange listed companies. The choice of the KASE is motivated by the fact that it is composed of companies that publicly share all relevant financial reporting due to listing and include most sectors of economy, by this way we can have an overlook of the whole market performance as well as the well performed firm's one.

Data are selected from the statistical documents for the study period provided by the firms and the statistics data derived from the annual report publication of public shareholding companies held by the KASE. All this data are available in the Official publications of KASE. (KASE, n.d.)

Gathering information for this study would not involve any complexities because all companies listed on the stock market, are sure to provide the financial statements in accordance with international financial reporting standards (IFRS).

Data analysis

The hypotheses were derived based on the literature review and previous empirical studies, as followings:

H1₀: Debt-to-equity ratio has no significant effect on return on assets.

H1₁: Debt-to-equity ratio has significant negative effect on return on assets.

H1₂: Debt-to-equity ratio has significant positive effect on return on assets

H2₀: Debt-to-equity ratio has no significant effect on return on equity.

H2₁: Debt-to-equity ratio has significant negative effect on return on equity.

H2₂: Debt-to-equity ratio has significant positive effect on return on equity.

After calculating the results using econometric model, regression model must be tested for reliability and validity. Also, the correlation coefficients would be also tested in order to find relationship between dependent and independent variables. Dependent and independent variables are presented in the Table 2.

Chapter 4. Analysis and Findings

Input data

As it was mentioned earlier the objective of the study is to analyze the market of Kazakhstan's firms, and investigate the influence capital structure on the performance firms through assessing performance

indicator ratios, as ROA and ROE. The input data were derived from the all sectors of economies firms listed in KASE, including financial organizations (banks, funds, etc.).

The selected sample represents general situation in the Kazakhstan market, and shows developed sectors of country economy. Oil and gas is the leading economic sector of Kazakhstan. Energy sector – uranium production also one of the leading economic sectors. As a country that rich for mineral, mining also takes good place in building national economy of Kazakhstan by producing many mineral commodities, including salt, uranium, ferrochrome, titanium sponge, cadmium, potassium, magnesium, rhenium, copper, bauxite, gallium and zinc. Following above mentioned, sectors as industry (motor cars, rail) and services (technology, retail, tourism) are contributing to national economy. (SK Report, 2018) Financial sector is also contributed in the sample as the main economy driven sector of the country.

Table 3. List of firms in sample

#	Name of firm
1	KAZ Minerals PLC
2	NOSTRUM OIL & GAS PLC
3	National company "KazMunayGaz" JSC
4	NAC Kazatomprom JSC
5	Maten Petroleum JSC
6	Caspi neft JSC
7	KMK Munai JSC
8	MANGISTAUMUNAIGAZ JSC
9	Shubarkol Komir JSC
10	Ust-Kamenogorsk Titanium Magnesium Plant JSC
11	Fincraft Resources JSC
12	AMF Group JSC
13	Bayan Sulu JSC
14	Central Asian Electric Power Corporation JSC
15	Dosjan temir joly JSC
16	Eastcomtrans LLP
17	EKOTON+ JSC
18	Zhaimem Mining and Concentrating Complex JSC
19	KAZEXPORTASTYK Holding JSC
20	Atameken-Agro JSC
21	Kcell JSC
22	Kazakhstan Electricity Grid Operating Company (KEGOC) JSC

23	KazTransGaz Aimak JSC
24	Tethys Petroleum Limited
25	KazTransOil JSC
26	MANGISTAUMUNAIGAZ JSC
27	Mangistau Regional Electricity Network Company JSC
28	KazBurGas JSC
29	KazAzot JSC
30	TNC Kazchrome JSC
31	Kazakhtelecom JSC
32	KazMunaiGaz EP JSC
33	Rakhat JSC
34	Chimpharm JSC
35	Aktobe Oil Equipment Plant JSC
36	KazTransCom JSC
37	RG Brands JSC
38	Halyk Savings Bank of Kazakhstan JSC
39	Insurance company London-Almaty JSC
40	Halyk - Kazakhinstrakh JSC
41	Financial company REAL-INVEST.kz JSC
42	ASTEL JSC
43	NURBANK JSC
44	Credit association ORDA credit LLP
45	BankCenterCredit JSC
46	Development Bank of Kazakhstan JSC
47	Kaspibank JSC
48	Subsidiary Bank Sberbank of Russia JSC
49	EurasianBank JSC
50	Agrarian credit corporation JSC
51	Subsidiary bank Alfa-Bank JSC
52	Almatytemir JSC
53	International Almaty Airport

54	ASIA AVTO JSC
55	Insurance company Amanat JSC
56	ATFBank JSC

The selection criteria were – the company must be listed on the stock market for quite a long time. Long time of firm existence assures the stability in the company, and there is no any huge fluctuations as it could be with new players of market. Data set consists of 56 listed companies out of 169 firms in KASE, while most of the firms are fresh players in the market overall. Some observations have negative value of equity. It means that during some period of time such firms accumulated large losses but did not go bankrupt. As a result, these firms have abnormally high (above unity) level of debt. Such a situation is possible in emerging markets but is somewhat unusual. That is why we excluded such firms from the analysis, as there could not be rational behavior with regard to capital structure decisions for them.

Here there is another limitation – frequency reference data needed. Since few companies prepare their financial statements quarterly, it was decided to use the annual report. The disadvantage of this is the blurring results (data of the higher frequency gives more accurate results.)

Variables computation

Findings represented in Table 4 show descriptive statistics of input data. Number of observations is 12, from 2006 to 2017 year. Dependent variables are ROA and ROE, and independent are Debt-to-equity ratio, size of the firm, and macroeconomic variables, as GDP growth rate, currency exchange growth rate, oil price changes, and interest rate of banks on loans for non-banking legal entities.

Variables computations were done using Microsoft Excel program and formulae behind those computations are presented in Table 2 of methodology part. All variables computations for each firm are given in Table A1 (Appendix).

Table 4. Descriptive statistics of findings over 2006-2017 years.

	<i>ROE</i>	<i>ROA</i>	<i>D/E Ratio</i>	<i>SIZE %growth</i>
Mean	0.1520	0.0738	2.4190	0.0055
Standard Error	0.0213	0.0124	0.3806	0.0008
Median	0.1267	0.0441	1.3706	0.0058
Standard Deviation	0.1593	0.0927	2.8485	0.0061
Sample Variance	0.0254	0.0086	8.1138	0.0000
Kurtosis	3.1432	2.7999	5.9451	3.8476
Skewness	1.2950	1.4248	2.3453	0.1591
Range	0.8725	0.4988	13.8537	0.0420
Minimum	-0.1517	-0.1001	0.1936	-0.0148
Maximum	0.7208	0.3987	14.0474	0.0272
Sum	8.5100	4.1307	135.4617	0.3074
Count	56	56	56	56

Profitability indicator ratio as return on assets is generally considered to be over 0.05 as indicator of good firm performance, however the industry itself can show different ROA expectations for each industry and economic sector. Analyzing data set in general, ROA represents positive picture of Kazakhstan's firms' performance overall. However, the minimum values of ROA show negative values, that can be described by impact of negative profits on ROA among some firms. Similar situation is with ROE data set. In contrary, comparing ROE mean 15.2% to maximum 72.1% and ROA mean 7.4% to maximum 39.9%, values are significantly low. This implies that some firms experienced high losses and significantly poor performance.

A good debt-to-equity ratio is around 1 to 1.5. However, the ideal debt to equity ratio will vary depending on the industry because some industries use more debt financing than others. Mean of debt-to-equity ratio 2.42 demonstrates that some portion of assets is financed by other external sources, resulting in high leverage. In this research all the variables are nearly normally distributed.

Table 5. Findings of macroeconomic variables (annual averages)

	<i>GDP Rate</i>	<i>FX %growth</i>	<i>Oil Price %growth</i>	<i>Interest Rate</i>
2006	0.1070	-0.0511	0.2078	0.1313
2007	0.0890	-0.0281	0.1378	0.1353
2008	0.0330	-0.0184	0.3777	0.1607
2009	0.0120	0.2261	-0.3622	0.1521
2010	0.0730	-0.0010	0.2844	0.1383
2011	0.0740	-0.0050	0.3528	0.1188
2012	0.0480	0.0170	-0.0145	0.1104
2013	0.0600	0.0203	-0.0294	0.1055
2014	0.0420	0.1779	-0.0865	0.1087
2015	0.0120	0.2374	-0.4830	0.1565
2016	0.0110	0.5431	-0.1763	0.1718
2017	0.0410	-0.0472	0.2767	0.1369

As can be seen in the Table 5, macroeconomic variables significantly fluctuate over time, the highlights are financial crisis in 2008 and devaluation of national currency (KZT) in 2015.

Variables implementation into econometric model

Econometric model of the study is represented as following:

$$ROA_i (ROE_i) = \alpha - \beta_{DEBT} * DEBT_i + \beta_{SIZE} * SIZE_i + \beta_{GDP} * GDP_i + \beta_{FX} * FX_i + \beta_{OILP} * OILP_i + \beta_{IRATE} * IRATE_i +$$

In order to have more precise and realistic effect investigation, all possible factors as macroeconomic variables are applied in the model. Where *Dum* is Dummy variable that used to differentiate financial institutions from non-financial firms.

Implementation of coefficients using OLS and GLS regression models was done, and regression results are given in the Tables 6-8 and 9-11 for ROA and ROE, respectively. If endogeneity is assumed, the change in results would be explored.

Table 6. ROA regression analysis (Fixed effects)

Variable	Estimated Coefficient	Standard Error	t-statistic	P-value
D/E Ratio	-0.025460	0.004067	-6.25934	[0.000]
SQR(D/E Ratio)	0.000332	0.000285	1.16641	[0.244]
Dum*D/E ratio	0.017067	0.004612	3.70055	[0.000]
SIZE	0.488975	0.222556	2.19709	[0.028]
GDP	-0.129115	0.258559	-0.49936	[0.618]
FX	-0.004448	0.050406	-0.08823	[0.930]
OILP	0.005619	0.028478	0.19732	[0.844]
IRATE	0.147226	0.306596	0.48019	[0.631]
Dum	-0.071236	0.017809	-4.00010	[0.000]
C	0.109784	0.046686	2.35156	[0.019]

Fixed Effects - Individual (WITHIN)	
Mean of dep. var. = 0.073764	Adjusted R-squared = 0.108627
Std. dev. of dep. var. = 0.133908	LM het. test = 7.00475 [0.008]
Sum of squared residuals = 10.5811	Durbin-Watson = 0.777263 [0,0]
Variance of residuals = 0.015984	Schwarz B.I.C. = -408.721
Std. error of regression = 0.126426	Log likelihood = 441.272
R-squared = 0.120583	

The Table 6 represents regression analysis for ROA based on the fixed effects model or OLS model, and outcome illustrates that Debt to equity ratio has significant negative linear effect on ROA by 2.5%, and in contrary Size (as growth %) has significant positive effect on ROA by 48.9 %. A higher amount of debt in the firm's capital structure causes ROA to decrease. While non-linear relationship does not show significance of leverage effect on firm's performance. The result indicates that the firms that have high debt due to borrowings are faced financial costs which decrease net income and as a result ROA. Moreover, higher proportion of debt leads to risk of bankruptcy. Macroeconomic variables have no significance in the results, while Dummy variable shows that the difference between financial sectors and non-financial is present in the market.

Additionally, compounding effect of financial institutions' D/E ratio has positive effect on performance by 1.7%.

Table 7. ROA regression analysis (Random effects)

Variable	Estimated Coefficient	Standard Error	t-statistic	P-value
D/E Ratio	-0.017375	0.0045513	-3.81762	[0.000]
SQR(D/E Ratio)	0.000059	0.0003167	0.18574	[0.853]
Dum*D/E ratio	0.015908	0.0068066	2.33719	[0.020]
SIZE	0.314104	0.181976	1.72608	[0.085]
GDP	-0.083915	0.205262	-0.40882	[0.683]
FX	-0.010942	0.040069	-0.27309	[0.785]
OILP	0.006421	0.022571	0.28448	[0.776]
IRATE	0.195477	0.243637	0.80233	[0.423]
Dum	0	0	0	[1.000]

F test of A,B=Ai,B: $F(55,607) = 8.1341$, P-value = [0.0000]

Critical F value for diffuse prior (Leamer, p.114) = 7.7669

Random Effects - Individual - GLS

Mean of dep. var. = 0.073764	Adjusted R -squared = 0.440344
Std. dev. of dep. var. = 0.133908	LM het. test = 20.6669 [0]
Sum of squared residuals = 6.09150	Durbin-Watson = 1.33565 [0,0]
Variance of residuals = 0.010035	Schwarz B.I.C. = -418.476
Std. error of regression = 0.100177	Log likelihood = 626.804
R-squared = 0.493724	

The Table 7 represents regression analysis for ROA based on the random effects model or GLS model. The basic pattern is same as in Table 6: Debt to equity ratio shows negative linear impact on ROA, Size shows positive impact, and both are statistically significant, while no-linearity effect of leverage is not significant. The R-squared result in Table 7 is improved compared to Table 6, which means that 49.4% of the variation in ROA is explained by variations in independent variables.

Random effects module versus Fixed effects module:

Null Hypothesis: Random effects model is appropriate

Alternative Hypothesis: Fixed effects model is appropriate

Table 8. Regression with Hausman test for ROA

VWITH (variance of U_{it}) = 0.010035				
VBET (variance of A_i) = 0.0059481				
(computed from small sample formula)				
THETA (0=WITHIN, 1=TOTAL) = 0.12327				
Dependent variable: ROA				
Variable	Estimated Coefficient	Standard Error	t-statistic	P-value
D/E Ratio	-0.019387	0.004231	-4.58185	[0.000]
SQR(D/E Ratio)	0.000155	0.000287	0.54043	[0.589]
Dum*D/E ratio	0.014869	0.005574	2.66718	[0.008]
SIZE	0.337261	0.181246	1.86079	[0.063]
GDP	-0.092439	0.205182	-0.45052	[0.652]
FX	-0.009015	0.040010	-0.22533	[0.822]
OILP	0.006287	0.022570	0.27857	[0.781]
IRATE	0.185714	0.243418	0.76294	[0.445]
Dum	-0.075960	0.032507	-2.33676	[0.019]
C	0.096346	0.039155	2.46061	[0.014]
Mean of dep. var. = 0.073764		R-squared = 0.118158		
Std. dev. of dep. var. = 0.133908		Adjusted R-squared = 0.106170		
Sum of squared residuals = 10.6293		LM het. test = 6.32029 [0.012]		
Variance of residuals = 0.016056		Durbin-Watson = 0.765917[0,0]		
Std. error of regression = 0.126714				
Hausman test of H0:RE vs. FE: CHISQ(5) = 3.5587, P-value = [0.6145]				

Summary of estimated Panel models (* = best SBIC)

LOGL	SBIC	Model
441.27	-408.72	Plain OLS (TOTAL)
626.80	-418.48	* Fixed Effects - Individual (WITHIN)

Hausman test on the most appropriate model illustrates that the probability of chi-square statistics is higher than 5% (= 61.4%). As a result, null hypothesis is accepted that random effects model is appropriate for ROA regression analysis.

Table 9. ROE regression analysis (Fixed effects)

Balanced data: N= 56, T_I= 12, NOB= 672

Plain OLS (TOTAL)

Dependent variable: ROE

Variable	Estimated Coefficient	Standard Error	t-statistic	P-value
D/E Ratio	0.006885	0.007589	0.90721	[0.365]
SQR(D/E Ratio)	-0.002194	0.000532	-4.12747	[0.000]
Dum*D/E ratio	0.016138	0.008605	1.87541	[0.061]
SIZE	1.280360	0.415241	3.08342	[0.002]
GDP	-0.297078	0.482414	-0.61581	[0.538]
FX	0.076722	0.094047	0.81578	[0.415]
OILP	0.049482	0.053134	0.93127	[0.352]
IRATE	-0.910908	0.572042	-1.59238	[0.112]
Dum	-0.111572	0.033227	-3.35787	[0.001]
C	0.300424	0.087106	3.44897	[0.001]

Fixed Effects - Individual (WITHIN)

Mean of dep. var. = 0.151965	Adjusted R-squared = 0.075716
Std. dev. of dep. var. = 0.245355	LM het. test = 0.732663 [0.392]
Sum of squared residuals = 36.8344	Durbin-Watson = 0.849747 [0,0]
Variance of residuals = 0.055641	Schwarz B.I.C. = 10.3921
Std. error of regression = 0.235884	Log likelihood = 22.1591
R-squared = 0.088113	

The Table 9 represents regression analysis for ROE based on the fixed effects model, and outcome illustrates that debt to equity ratio has significance and positive linear effect and negative non-linear effect on ROE, while Size effect positively. The interesting factor that differentiate ROA outcome and ROE outcome, that Interest rate has significance and ROE is impacted by Interest rate negatively by 91.1%. Dummy variable also has significance: ROE for financial organizations is lower compared to other firms.

Table 10. ROE regression analysis (Random effects)

Balanced data: N= 56, T_I= 12, NOB= 672

Plain OLS (TOTAL)

Dependent variable: ROE

Variable	Estimated Coefficient	Standard Error	t-statistic	P-value
D/E Ratio	0.021126	0.008681	2.43357	[0.015]
SQR(D/E Ratio)	-0.002886	0.000604	-4.77769	[0.000]
Dum*D/E ratio	0.024541	0.012983	1.89025	[0.059]
SIZE	0.949887	0.347103	2.73661	[0.006]
GDP	-0.217204	0.391519	-0.55477	[0.579]
FX	0.061218	0.076428	0.80098	[0.423]
OILP	0.051723	0.043052	1.20140	[0.230]
IRATE	-0.800127	0.464717	-1.72175	[0.086]
Dum	0	0	0	[1.000]

F test of A,B=Ai,B: $F(55,607) = 7.3065$, P-value = [0.0000]

Critical F value for diffuse prior (Leamer, p.114) = 7.7669

Random Effects - Individual - GLS

Mean of dep. var. = 0.151965	Adjusted R-squared = 0.393494
Std. dev. of dep. var. = 0.245355	LM het. test = 63.8467 [0]
Sum of squared residuals = 22.1622	Durbin-Watson = 1.40904 [0,0]
Variance of residuals = 0.036511	Schwarz B.I.C. = 15.4668
Std. error of regression = 0.191079	Log likelihood = 192.861
R-squared = 0.451343	

The Table 10 illustrates same significance in variables as in Table 9, except Dummy variable. Debt to equity ratio's linear effect is positive on ROE by 2.1%, and non-linear effect is negative on ROE by 0.28%. And Interest rate effects negatively by 80%, i.e. lower interest rate leads to higher ROE. The R-squared is 45.1%, which shows significance of the regression analysis based on these variables.

Random effects module versus Fixed effects module:

Null Hypothesis: Random effects model is appropriate

Alternative Hypothesis: Fixed effects model is appropriate

Table 11. Regression with Hausman test for ROE

VWITH (variance of U_{it}) = 0.036511
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VBET (variance of A_i) = 0.01913

(computed from small sample formula)

THETA (0=WITHIN, 1=TOTAL) = 0.13722

Dependent variable: ROE

Variable	Estimated Coefficient	Standard Error	t-statistic	P-value
D/E Ratio	0.016434	0.008017	2.04976	[0.040]
SQR(D/E Ratio)	-0.002565	0.000543	-4.72332	[0.000]
Dum*D/E ratio	0.017442	0.010470	1.66588	[0.096]
SIZE	0.999636	0.345555	2.89284	[0.004]
GDP	-0.235571	0.391353	-0.60194	[0.547]
FX	0.067379	0.076308	0.88298	[0.377]
OILP	0.051150	0.043049	1.18816	[0.235]
IRATE	-0.831096	0.464270	-1.79012	[0.073]
Dum	-0.139799	0.059530	-2.34839	[0.019]
C	0.277398	0.074259	3.73557	[0.000]

Mean of dep. var. = 0.151965

R-squared = 0.082919

Std. dev. of dep. var. = 0.245355

Adjusted R-squared = 0.070451

Sum of squared residuals = 37.0444

LM het. test = 0.791486 [0.374]

Variance of residuals = 0.055958

Durbin-Watson = 0.841380 [0,0]

Std. error of regression = 0.236555

Hausman test of $H_0:RE$ vs. FE: CHISQ(2) = 4.3086, P-value = [0.3658]

Summary of estimated Panel models (* = best SBIC)

LOGL	SBIC	Model
22.159	10.392	* Plain OLS (TOTAL)
192.86	15.467	Fixed Effects - Individual (WITHIN)

Hausman test for ROE regression illustrates that the probability of chi-square statistics is higher than 5% (= 36.6%). As a result, null hypothesis is accepted that random effects model is appropriate for ROA regression analysis.

Chapter 5. Conclusion

This research analyzes the influence of capital structure on firm's performance. The sample of the study includes 56 Kazakhstan business entities listed in Kazakhstan Stock Exchange for 2006-2017 years. It is companies from financial and industrial sectors. Companies were chosen in terms of accessibility of

information and data necessary for executing the research and the availability of information and data necessary for executing the research. Examination is performed by employing multiple regression analysis. The research identified accounting measures as an index for the performance. The examination defines the influence of capital structure measure, namely debt to equity ratio, to performance measures, as return on equity and return on assets. Results indicate that the debt to equity ratio affects significantly and negatively on ROA performance measure, while ROE is affected linearly positive and non-linearly negative by Debt-to-equity ratio, both significantly. And as a result, it confirms with agency cost and pecking order theory, basically, leverage level defines the financial health of business entities. Also, this ratio helps to shareholders recognize risk for firms. The firm which has a high debt ratio will have negative influence on firm performance. Consequently, Kazakhstan companies by decreasing the debt to equity ratio can raise profitability and therefore progress ROA and ROE measures. R-squared values indicate that there may be other variables which can influence firm's performance; it would be scope for future research.

The roots of many problems Kazakhstan business market are that for the most part decision-making process is not clearly defined, it is often uses aggressive capital structure, investment portfolio is insufficiently diversified. The result is up to 70% of the most companies that were active in the past are now under stress. But according to financial analytics of Kazakhstan, private equity funds can change the current situation. The normal capital structure considered to be 40% to 60%, however, that only a few companies follow this standard. The most companies rely on debt rather than equity, and more debt causes decrease in profits and might lead to financial distress. The suggestion is that business entities have to think about utilizing an optimal capital structure, so, the companies should consider not only debt but the optimal mix of debt and equity. Optimal mix can lessen the cost of financing the firm's activities and operations as well as can reduce the probability of bankruptcy.

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“Comparison of valuation approaches on a theoretical and empirical basis.”

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Introduction

Generally, assessment of the value of a business is a determination of the total market value of a company, or of its individual shares or parts. Thus, the main task of valuation measures is an objective assessment of the current value of the business.

First of all, in certain cases, companies need this assessment for the following purposes:

- in order to complete a purchase and sale transaction;
- upon reorganization, merger or acquisition;
- for insurance purposes;
- upon the liquidation of company/ business;
- to determine the market value of securities (stocks or participatory interests) in preparing for the sale of the company;
- to repurchase of shares, shares, units in closed companies upon withdrawal from their structure of one of the shareholders, founders, shareholders;

- to repurchase of shares by the company at the request of shareholders;
- to convert and consolidate company's shares, etc.

In theory and practice, three basic approaches are used to assess the value of a company which are asset-based, income-based, and market-based models, each of which contains a combination of its own special methods. As a rule, in order to get a real assessment, all three approaches are applied, and then they justify the unique value of the enterprise assessment, however, each of these approaches has inherent disadvantages.

Generally, the methods compared in this paper will cover only the part of the above class of methods and are briefly described below:

Dividend Discount Model

Dividend Discount Model was proposed by Myron J. Gordon in the 1960s and uses the basic principle of the time value of money, where dividends are assumed to continue forever.

According to Penman and Sougiannis (1998) dividend discount model targets the actual distributions to shareholders. However, as Penman and Sougiannis (1998) notes, dividend discounting technique results in some practical issues, as in this model dividends are deemed to be perpetuity and the model requires infinite estimation of the dividends. According to Modigliani and Miller (1961), the value of the firm is irrelevant to the timing of expected payoffs. Therefore, Penman and Sougiannis (1998) concludes, that using a dividend discount model is less informative if the time horizon is fixed.

The main advantages of using the dividend discount model is that it takes into account time value of money and has an acceptable theoretical basis. However, one of the significant problems is difficulties in estimating of an appropriate growth rate, which is unlikely to be constant in practice.

Penman and Sougiannis (1998) performed a comparative analysis of different method and found out that, Irrespective of the length of the time horizon, abnormal earnings value provides significantly small mean of the prediction errors, while dividend discount (DIV) value estimates shows bigger one and discounted cash flow model results in the highest value estimates.

Discounted Cash Flow Method

Discounted Cash Flow method is based on estimation of the value of the firm based using the present value of future cash flows. Future cash flows may include operating cash flows, capital expenditure per annum, tax reliefs, etc. According to Berkman, Bradbury, and Ferguson (2000) discounted cash flows method is based on discounting of free cash flow resulting from profit after deduction of corporate tax.

According to Wall Street Oasis, a Discounted Cash Flow method is one of the most important methods used to value a company, which is performed by estimating the total value of all future cash flows, and then discounting them to find a present value of that future cash flows. The rate used in discounting may have to be Weighted Average Cost of Capital or may be calculated by Capital Asset Pricing model (CAPM).

The main advantages of DCF is that this method is based on expected cash flows rather than profits. As Kaplan and Ruback (1995) notes that Discounted Cash Flow method results in better estimates rather than methods, which are mainly based on multiples approach.

Relative Valuation Model

Relative method of valuation is the most commonly used approach nowadays. In order to value the company analyst should use entities operating in the same field. This approach is based on the valuation of similar assets that are priced in the market and using them as a multiple for the target company. Using the actual market prices helps them assess the current situation in the market. As Damodaran mentioned, stocks yields under relative valuation model are higher than under DCF model and are closer to the market values (2012). It is easy to apply and fast approach. However, there are some drawbacks of this method as well. Let us consider two main challenges of the relative valuation approach. According to Damodaran, the main difficulties of this approach are choice of proper basis to value assets and proper choice of the comparable

firms (2012). First things first, it is true that in order to make a proper valuation we should standardize the multiples we are going to use. Most commonly P/E, P/BV, P/Sales ratios are used. Secondly, we should consider that target and comparable firms are operating in the same field and, are more or less, similar to each other. Moreover, the size of the company needs to be in the particular range. It will not be valuable to assess large company operating worldwide and holding significant market share with a small local enterprise. The value is definitely will lose its significance.

The variability of valuation approaches and the accuracy of their use is one of the main issues that should be taken into account, when the appraiser applies one for calculation of the value of company. Can the appraiser, having collected all the necessary materials, using the generally accepted methodology, correctly performed all the necessary calculations, without violating the requirements of the mandatory standards, claim that the final valuation obtained in its report is the only true value of the market value of the valued property? And can he be sure that the counter-assessment, performed just as honestly and objectively by another independent Appraiser, will completely coincide with this assessment. In this regard, this paper describes the differences between the three assessment methods and addresses the issue of accuracy of valuation models.

At this, the questions that arose in a firm level research on the above issue are concerned with the understanding the accuracy of equity valuation models to comply with the reasonable estimates.

Research Questions

1. Can business valuation methods produce different results?
2. Which theoretical valuation models have proven to be more accurate in estimating its value?
3. What are the main advantages and disadvantages in applying the certain theoretical valuation models?
4. Does the value of JSC “KazTransOil”, estimated with theoretical valuation approaches, reflect its market value?

The purpose and objectives of the study

The main goal of the work is to assess the value of the property complex using the example of JSC “KazTransOil”.

This article discusses the main approaches when using various methods of business valuation in market conditions. When choosing a valuation method for a company, it is very important to choose an acceptable model, because choosing an unsuitable valuation model can lead to revaluation or underestimation of the business, which, in particular, is predetermined by the specifics of the company’s functioning, negative changes in the market environment, as well as an incorrect assessment assignment.

Therefore, when evaluating a business, depending on the objectives of the assessment, the required value, the set conditions, the condition of the object itself and the economic environment, the use of several methods should be suitable in a particular situation. At this, this paper will be based on the analysis through the following approaches:

- Dividend Discount Model;
- Discounted Cash Flow Method;
- Relative valuation approach.

I believe this will eliminate the one-sidedness of the assessment, more realistically assess the value of the equity and get a reliable information source for its forecasting in order to make informed management decisions on managing the enterprise.

Thus, the study of this issue will help to master the theoretical knowledge and practical skills of business valuation. Moreover, it will be helpful to find out how forecasts are made, cash flows and discount rates are calculated and how discounting as a valuation method differs from capitalization.

The goal of this paper identified the following main tasks:

- reveal the general issues of assessing the value of the company (business);
- consider the methodology for assessing the value of the company in theory and in practice;
- to assess the value of the company on the example of JSC “KazTransOil”.

Methodology

The subject of the study is an assessment of the value of JSC “KazTransOil” using different valuation models.

The subject of activity of KazTransOil JSC are the provision of services for the transportation of oil (pumping, transshipment, discharge, filling, storage, mixing) and oil products through pipelines;

implementation of the construction and operation of the pipeline system in the territory of the Republic of Kazakhstan and beyond, including facilities for storage, loading and transshipment to other modes of transport, through which liquid hydrocarbon raw materials are transported. Also the company specializes in the implementation of the operation of trunk oil pipelines owned by third parties; organization of transportation of Kazakhstani oil through pipeline systems of other states (operator activity on a single routing). In addition KazTransOil JSC provides services for the transportation of oil through the main oil pipeline on behalf of the owner of the main oil pipeline or a person owning the main oil pipeline on another legal basis and the services for the production, transmission and distribution of thermal energy and electrical energy; provides water supply through the main pipeline and distribution networks and the implementation of other activities provided for by the Charter.

In the modern scientific literature, a sufficiently detailed analysis of methodological approaches to the application of methods for determining business value is evidenced, as evidenced by the work of domestic and foreign authors regarding selected issues that are studied alongside traditional methods and the use of other techniques.

The theoretical and methodological basis of the thesis was the works of authors presented in the list of references below.

The informational basis of the work was constituted by legislative and normative acts, works of domestic and foreign authors, devoted to the problems of valuation of companies, data of KASE, as well as financial statements’ data of JSC “KazTransOil”.

In accordance with applicable law, the data on the financial results report “KazTransOil”, is provided in tenge. For the purpose of evaluating this enterprise, the statement of financial results was reorganized (the income and expenses of the enterprise for typical and atypical expenses were analyzed).

The structure and scope of the thesis will be determined taking into account the goals and objectives of the study.

Conclusion:

Thus, according to the results of the study, the following conclusions/issues might be answered:

1. As a result of the study, whether the shortcomings of the existing methods for assessing the market value of a business related to the difficulty of finding information and the cumbersome calculation were identified; whether there is the presence of a large number of adjustments related to the features of financial statements or lack of an adequate base for comparison with peers.
Whether the practical application of the basic methods of assessing the value of a business has shown that not one of them can claim a sufficient and perfect method of determining the reasonable market value of a business.
2. The consequence of this might need to develop scientifically based provisions for an effective methodology for assessing the market value of a business, taking into account all the factors that determine the conditions for the development of a business and affect its value.

3. According to the examined approaches, whether business performance is considered as the main criterion for its market value, as a result of which, business value can be estimated by methods for assessing its effectiveness.
4. Whether the methods are based on the principle of an unambiguous quantitative assessment, implemented using an integral indicator that includes a set of economic, social and technical factors.
5. Compared with other methods, whether certain method for assessing the market value of a business has a number of significant advantages that allows to take into account the maximum possible number of factors affecting business performance; covers all levels of business; has a logically interconnected scorecard.

Thus, the totality of the scientific research carried out within the framework of this thesis work and the results obtained is a completed, independently performed research work containing a solution to the urgent economic problem of developing an effective methodology for assessing the market value of a business.

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УДК 336

“Bank Mergers and Acquisitions in Emerging Markets.”

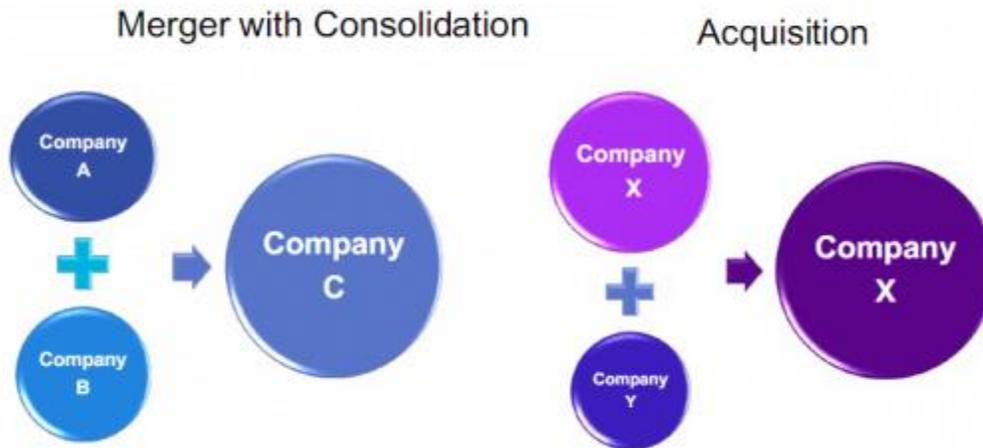
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I. INTRODUCTION

New economic and political trends raised the issue of increasing the competitiveness of the Kazakhstan banking sector and its entities. To achieve real success in competition, a substantial consolidation of Kazakhstan's credit organizations is necessary. The best way to achieve this goal is to conduct a merger and acquisition transaction. In world practice, mergers and acquisitions are widely used as a method of selecting the most effective and adapted to competitive conditions credit organizations. Many large national and international banks have arisen as a result of numerous mergers and acquisitions with competing credit organizations. Today, the banking sector of the Republic of Kazakhstan faces the need for large-scale consolidation processes of existing banks.

II. THEORETICAL ASPECTS OF MERGERS AND ACQUISITIONS

The economic nature of mergers and acquisitions



Types of Mergers

There are five basic categories or types of mergers:

1. Horizontal merger: A merger between companies that are in direct competition with each other in terms of product lines and markets
2. Vertical merger: A merger between companies that are along the same supply chain (e.g., a retail company in the auto parts industry merges with a company that supplies raw materials for auto parts.)
3. Market-extension merger: A merger between companies in different markets that sell similar products or services
4. Product-extension merger: A merger between companies in the same markets that sell different but related products or services
5. Conglomerate merger: A merger between companies in unrelated business activities (e.g., a clothing company buys a software company)

All motives for mergers and acquisitions come down to growth and achieving the strongest strategic position in the market, which means that the main goal is the strategic advantage of the company, which the company cannot achieve through internal business growth. However, the main motive for consolidation in recent years has been not the achievement of a synergistic effect, but participation in the reorganization of banks that have found themselves in a difficult situation.

III. Development trends of the Kazakhstan market of mergers and acquisitions in the banking sector.

On February 1, 2007, 33 second-tier banks operated in Kazakhstan. By October, the Agency for Financial Supervision will issue two more new banking licenses. And just at this time, the mortgage crisis in the United States begins, which painfully hits the domestic second-tier banks. A bursting bubble in the real estate market of the largest economy in the world automatically closes the possibility for Kazakhstan banks to refinance. Bankers for the first time feel a paralyzing hunger - a shortage of liquidity.

The arrival of foreign financial organizations in Kazakhstan continued until 2011. Russian VTB, Korean Shinhan Bank, a subsidiary of Royal Bank of Scotland, Indian Punjab National Bank are opening. Czech investors brings Home Credit brand, Korean Kookmin buys 23% of Bank CenterCredit shares. The first Islamic bank Al Hilal in the CIS begins to operate in the country. However, already in 2009, two of the four flagship banks, BTA and the Alliance, could not cope with payments on external obligations on their own, and the government bought back 78 and 76% of the shares, respectively. From this moment, the banking sector of Kazakhstan has been steadily contracting. One by one, foreign investors are leaving us, local businessmen are redeeming their shares, and are conducting mergers and acquisitions of loaned second-tier banks.

BTA's salvation cost the country very expensive. In the end, the troubled asset was taken under Kazkom's control, but Kazkom failed, so it was bought out by Halyk Bank. In order for this transaction to take place, the government through the Troubled Loans Fund acquired toxic loans of Kazkom in the amount of 2.4 trillion tenge.

All this, analysts will call the "big clearing" of the banking sector. The final chord of the "big wash" was a program to increase financial stability, within which 653 billion tenge was invested in ATF, Eurasian, BCC, RBK and Tsesnabank. Tsesnabank last year needed repeated help, and the Problem Loans Fund bought a portfolio of debts of 604 billion tenge. Then the financial institution was sold to the brokerage company First Heartland Securities, and the brand of the agricultural bank ceased to exist. At the same time, the favor of the National Bank and the government does not extend to all financial institutions, and last year the banking sector lost three players at once - these are Eximbank, Bank of Astana and Qazaq Banki.

At present, the banking sector of the Republic of Kazakhstan is represented by 27 banks, while a year earlier the number of banks was 32. Note that the top ten banks consolidate 84.8% of the assets of the entire sector, and the top 5 holds 62.9% of all assets.

Medium-sized banks are subject to a greater variety of risks. For example, in 2018 several banks lost their licenses at once: Eximbank, Bank of Astana and Qazaq Banki. Banks were unable to cope with problems on their own. Currently, there are 12 banks that have less than 1% of the assets operated in the banking sector. The best way to survive is to consolidate banks.

This year is rich in news about the merger of Kazakhstan banks. In April, was announced the future merger with First Heartland Bank on the official website of Jusan Bank (formerly Tsesnabank). Also in April, news appeared about the merger of Kassa Nova with ForteBank. In addition, there is a merger of three banks - Tengri Bank, AsiaCredit Bank and Capital Bank Kazakhstan.

On April 27, the rating organization Fitch Ratings noted that amid ongoing cleansing of the banking sector, the poor quality of assets among Kazakhstan banks is still the most important factor determining their sustainability ratings. It is also said that a number of small banks (with market shares of 2% or less) encountered financial difficulties and were liquidated in recent years, while larger problem banks received state support in one way or another. In most cases, decisions on whether to provide support to banks or to liquidate them, apparently, were made based on the systemic significance of the respective bank and on the volume of distressed assets.

The joining of AsiaCredit Bank and Capital Bank Kazakhstan to Tengri Bank may contribute to the emergence of another more sustainable financial institution in the banking sector of Kazakhstan. Currently, Tengri Bank's assets amount to only 133.1 billion tenge - only 0.5% of the sector. AsiaCredit Bank and Capital Bank Kazakhstan consolidate only 0.4% and 0.3% of the market, respectively. After a possible merger, the assets of the combined banks will amount to about 324.4 billion tenge, or 1.3% of the sector.

The first president of Kazakhstan, Nursultan Nazarbayev, set the course for mergers and acquisitions in the banking sector in 2017, saying at a government meeting: "Let them unite. Shareholders put their money if they want to keep their banks. There is no other way. The economy does not need them, which means they have no right to life."

IV. Methods of valuation of a commercial bank

Today, when the impact of the crisis is noticeable on the banking services market, the most important task is the strategic development of the bank to ensure its sustainable development. Constantly increasing competition among banks, increasing capital requirements, banking crises, as well as lower profitability in many areas of the Kazakhstan industry market are the reasons for the increasing need for valuation commercial banks during a merger and acquisition transaction. A timely and high-quality valuation of the bank and its activities is also able to provide information on its condition, which is important, since during consolidation the investor acquires not only shares, but also debts.

The methodology for valuation of commercial banks is not sufficiently developed, as this is a new and specific area. The main problem of the market of mergers and acquisitions in the field of banking services is the variety of models of mergers and acquisitions, most of which are quite complex. It consists in the weakness of control by government over the processes of mergers and acquisitions, the relatively low use of stock market instruments in the process of consolidation, the opacity of the ownership structure of banks, and the concentration in the one hands of a significantly larger shareholding compared to Western banking structures.

There are three approaches for valuating banks: cost approach, market approach, income approach. The income approach evaluates based on a long-term business plan. The approach is the most theoretically reasonable, takes into account the possibility of uneven changes in income. The disadvantages include the difficulty in calculating the discount rate, the complexity in predicting future cash flows. The cost approach is conservative, allowing you to take into account the balance sheet features of the vast majority of banks. This approach allows you to get the value of assets and liabilities by elements, but does not reflect the Bank's development potential. Unlike the income approach, which focuses on future benefits, the cost-based approach focuses on the current value of the bank's assets and liabilities. The best way is to use income approach

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УДК 336

“The role of microfinance organizations, its regulation and development prospects”

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Introduction

Throughout the world, microfinance organizations (MFIs) are an active, rapidly growing segment of the financial market. The popularity of microfinance institution services is explained by their impact on important areas of public life, such as:

- family income. It is obvious that credit resources can become one of the sources of financing the expenses of families, as well as the development (creation) of a business. Access to additional financial resources increases the ability of borrowers to distribute these funds and manage risks. In other words, open up new opportunities (www.cgap.org);

- income of individuals. Microloans provide opportunities for individuals to address issues such as health and education. MFI clients can invest in the purchase of durable goods. Practice shows that individuals use microloans to maintain their previous level of consumption, overcoming the "gaps" in income in a recession or crisis. Willingness to pay high interest on microloans indicates the importance of MFI services for such clients (Rosenberg 2010).

- employment. Access to the services of microfinance and microcredit organizations increases the possibility of developing entrepreneurship (but does not guarantee the emergence of new enterprises), which, in turn, leads to the creation of new jobs.

The development of the MFI market contributes to filling niches that are unattractive for second-tier banks, and expanding public access to financial services. In some cases, MFI services are the only way to overcome the isolation of the population from the financial system and the services it provides (<http://www.icommerceland.com>).

In addition, the presence of the market for microfinance organizations also has a positive effect on gross domestic product (GDP). According to studies, countries with microfinance services have a relatively steady GDP growth (<http://sanabelnetwork.org>).

Microfinance organizations are highly adaptable to changing external conditions, which was observed during the financial crisis.

Microfinance institutions in Kazakhstan, which appeared in the mid-90s as a result of the implementation of programs of international development organizations, also show activity, increasing quantitatively and occupying a niche in consumer lending. According to the National Bank of the Republic of Kazakhstan as of 01.10.2019 the microfinance market is represented by 209 microfinance organizations. This segment of the financial market is in demand by the business. The interest in this segment of the financial market from the founders of microfinance organizations is due to the inexhaustibility of the consumer lending niche, low costs and, not least, the relatively low threshold for entering this market. In accordance with the regulatory legal act of the National Bank of the Republic of Kazakhstan, the minimum size of the authorized capital by the time of state registration with the justice authorities should be 30 million tenge.

Given the above facts, as well as the fact that microfinance is a tool to reduce social tension, allowing to finance the costs of socially disadvantaged groups, it is important to consider the creation of a legal framework for the functioning of microfinance organizations (World Bank Group).

The regulation of the market for microfinance organizations is associated with the legal aspects of their activities, and, as a rule, the aim is to create conditions in which MFI services cover as many people as possible, mainly with low income. In this connection, the study of regulation of MFIs is timely and in the context of growing demand for MFI services, it also becomes relevant.

1. Methodology

1.1. MFI regulation

The legal basis for the activities of microfinance institutions in Kazakhstan is the Constitution of the Republic of Kazakhstan, the Civil Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan “On Microfinance Organizations”, the Law of the Republic of Kazakhstan “On Business Partnerships” and “On Partnerships with Limited and Additional Liability”, international treaties and other regulatory legal acts of the Republic of Kazakhstan.

The Law of the Republic of Kazakhstan “On Microfinance Organizations” provides for only one form of microfinance organizations - a legal entity that is a commercial organization, the official status of which is determined by state registration with the judiciary and registration, carrying out activities for the provision of microcredits, as well as additional activities permitted by this law.

The permitted legal form for MFIs is a business partnership, which is the combined name of organizations operating in the form of a full, limited partnership, limited liability partnership and additional liability. The difference between each of the specified types is the responsibility of the founders (participants).

The legal basis for the functioning of MFIs includes both normative acts that determine the fundamental aspects of the activities of MFIs, and the principles of supervision, control and regulation of their activities. The latter determine what impact measures are applied to MFIs in the process of implementing activities to provide microfinance services, and who is authorized to apply such measures.

Researchers call the regulation of microfinance organizations a condition for their development and trust in them (Pouchous, 2012). However, the question of how best to regulate the work of microfinance organizations today is open.

The difficulty is to maintain a balance between regulation and the price of entering the microcredit market for potential participants, which may increase due to regulatory requirements. In some cases, other aspects are called that also complicate this issue - the need to take into account the rights of consumers of

microcredit services and achieve transparency of the activities of MFIs related to the reputation (integrity) of MFIs (<https://www.cgap.org>).

At the same time, two main approaches to regulation of microfinance organizations have developed: regulation by supervisory authorities and self-regulation.

The introduction of regulation by supervisors has several advantages. Thus, the regulation of MFIs helps to stabilize the microfinance services market, since it establishes prudential requirements; it also helps shape new types of MFIs and their services. State regulation of the activities of MFIs can create equal conditions for them, contributing to the emergence and growth of competition. Regulation can be useful for MFIs themselves, for example, if the legislator encourages investment in microfinance institutions through tax acts, or for the public: when regulation restricts the setting of maximum interest rates on microcredits, consumer rights are protected, etc. Also, regulation facilitates access to sources of financing for MFIs, which, according to experts, is a determining factor influencing their development (Achtenhagen E., Brundin E., 2013). Studies show that the main problem holding back the growth of MFIs is insufficient funding, especially in countries with weak national currencies.

The legislative establishment and provision of the possibility for MFIs to attract resources from a fairly wide range of sources to finance their activities may be a condition for their functioning and further development.

Sometimes the introduction of regulation has negative consequences both for the market and for the regulators themselves. For example, in a number of countries, supervisors, aiming to increase the number of MFIs for the greater penetration of microcredit services in inaccessible areas, are faced with the fact that it was more difficult to regulate such a number of organizations than anticipated. Subsequently, the oversight bodies had to devote significant resources to solving this problem (<https://www.cgap.org>). Excessively tight regulation may cause legal organizations to leave the market and/or to go into the shadows. Regulation itself is often introduced not as a preventive measure to ensure financial stability, but as a reaction to events that go out of control.

Self-regulation is considered by microfinance institutions themselves as one of the desirable forms of regulation. However, the introduction of self-regulation raises many questions around how a self-regulatory organization will control its members and how it will ensure compliance with the restrictions imposed by such an organization. Experts note that effective self-regulation should consist of two main components: a transparent and reliable standard of compliance with the requirements of the law and a reliable mechanism for enforcing compliance with established requirements (B. Suran, K. Viswanathan, 2014). However, solving these problems, the self-regulatory organization comes to the fact that it assumes the functions of a regulator. In this connection, supervision of the activities of MFIs most often falls into the hands of the official regulator (D. Rozas). This also happens due to the reason that the risks of microfinancing increase to the level when such self-regulatory structures are not able to manage them (for example, when the depth of penetration of microfinance organizations and their services on the market), as well as in times of crisis.

Given that today there are few successful examples of self-regulation of MFIs, as well as the existing risk of “overregulation” of their activities by supervisory and control bodies, in practice, sometimes a combination of both approaches is used when regulation of certain types of MFI activities is maintained and there are elements of self-regulation.

In some cases, self-regulatory organizations are delegated the authority to formulate and implement regulatory policies in the field of microcredit with the right to revoke such delegation. This method, as noted by practitioners, provides the opportunity to intervene in the activities of MFIs in the event of various threats and contributes to the rapid development of regulatory practices among self-regulatory organizations.

The Law of the Republic of Kazakhstan “On Microfinance Organizations” establishes the features of state regulation of microfinance organizations, control and supervision of their activities. Today, the regulation of MFIs includes such basic requirements as compliance with prudential standards, the requirement for registration, the existence of rules for the provision of microloans, the provision of reporting and information about borrowers, etc. Thus, the minimum amount of equity should be thirty million tenge, and the ratio of equity to total assets should be at least 0.1. The ratio of the amount of risk per borrower to the equity of MFIs should not exceed 0.25, and leverage, the ratio of the total liabilities of the MFI to its equity should not exceed 10. In order to avoid the systemic risks of MFIs, the law also limited the ability of MFIs to carry out entrepreneurial activities not prescribed by law, in particular, to attract deposits. The size of loans provided has

also been reduced: the maximum size of a microloan should not exceed eight times the size of the monthly calculation indicator established by the law on the republican budget for the corresponding year.

In addition, the legislation provides for the maximum size of the effective interest rate - the limit on the annual effective interest rate of MFIs should not exceed 56% (i.e., the eight-fold size of the monthly calculation indicator, established for the corresponding financial year by the law on the republican budget, per borrower).

According to the National Bank of the Republic of Kazakhstan (the current information of microfinance organizations of the Republic of Kazakhstan as of November 1, 2019), the introduced regulatory measures were timely, given the decrease in the activity of second-tier banks in the consumer lending market and the growing demand for MFI services from the population.

The introduction of regulation of MFIs was also justified in terms of establishing measures that MFIs can use to ensure the return of borrowed funds. Legislative consolidation of permitted methods of returning microloans protects consumers of microcredit services. In accordance with the Law of the Republic of Kazakhstan “On Collection Activities”, the interaction procedure between the borrower and the organization that issued the microloan is regulated and has a number of restrictions related to the ways of relations with the borrower and the time of day during which such interaction can take place.

The Law of the Republic of Kazakhstan “On Microfinance Organizations” provides for the resolution of all issues that may arise in the activities of MFIs. According to experts, such a detailed regulation of the functioning of MFIs is justified at the beginning, when it is better to allow excessive conservatism, so that later, in the process of gaining experience in supervising such organizations and determining the usefulness of such supervision, it would be possible to adjust the practice of regulating the MFI market. In general, regulators are suitable for revising the practice of oversight of such organizations for various reasons, among them the changing external conditions, global regulatory trends, the existing growth potential of MFIs themselves, etc.

2. Prospects for the development of regulation of MFIs in Kazakhstan

Given that the microcredit market is a growing sector, able to quickly adapt to changing external conditions and actively develop new financing tools, it is assumed that regulation should have the same qualities - flexibility and mobility. In this connection, as noted above, changing after the events taking place on the MFI market, regulation in this way will have the potential for growth and development.

One of the directions in the development of regulation and the creation of a legal framework for MFIs may be their activities related to the provision of electronic financial services. In country where there is the largest increase in the number of MFIs and the services they offer (Russia), microloans provided through the Internet also show their growth. This practice has developed due to a number of reasons - the remoteness of banks and the availability of mobile applications for related operations. The provision of microloans online has advantages over the offline services of MFIs, since it does not require visiting the office and signing an agreement. MFIs often lend to negative credit consumers.

However, the provision of microloans in this mode has its disadvantages: in addition to the need to pay high interest rates, consumers are deprived of any protection from both the regulator and law enforcement agencies.

In Kazakhstan, the volume of microloans issued as of January 1, 2019 amounted to 219.6 billion tenge, an increase over the year by 37.7%. The share of microloans with overdue debts over 90 days currently does not exceed 3.5% (<https://kursiv.kz>).

These microloans were issued by microfinance organizations (including through online lending) that were registered with the National Bank of the Republic of Kazakhstan. It is generally accepted that consumers of such services should independently and adequately assess the risks that they take on themselves, including using microloans online. However, given the experience of solving problems in the field of mortgage lending and the functioning of the financial pyramids, it can be assumed that the population will also expect intervention from the government and the regulator in the event of exacerbation of debt problems.

All over the world, digital microfinance attracts the attention of regulators, and therefore, attempts are being made to develop principles for regulating this industry in order to mitigate risks for consumers. Thus, in separate countries, joint business and regulatory efforts create open electronic money platforms open to non-banking organizations, including MFIs and electronic communications companies, that are understandable to users and protect them (Mackey K., Kaffenberger M., Zimmerman D., 2015), the efforts of industry associations of MFIs that provide online loans are used, setting standards that protect consumers' rights and

thus maintaining confidence in the services of online MFIs, requirements are introduced by market of telecommunications regulators.

Another issue requiring settlement is the problem of the existence of organizations providing microloans, whose activities do not fall under the legal acts of the state and the regulator. According to the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan, as of 01.10.2019. 1189 microcredit organizations are registered in Kazakhstan (<https://stat.gov.kz>), which include both organizations that have entered the registration account and those microcredit organizations that continue to operate without such accounting. According to the National Bank of the Republic of Kazakhstan as of 01.10.2019 only 209 MFIs passed registration, which is 17.6% of the total number of microcredit organizations. Thus, the main problem of regulation by the state and the regulator of the activities of MFIs is noted - this is the partial implementation by microcredit organizations of registration in the National Bank of the Republic of Kazakhstan.

This fact negatively affects both the financial position of borrowers and the reputation of microloans. In this connection, the regulator will have to cope with this problem using administrative methods. For these purposes provides changes to the legislation governing relations between supervisory authorities and MFIs The practice of identifying MFIs that have not switched to registration is based, inter alia, on consumer complaints.

However, this method partially solves this problem, and other measures of influence on MFIs will be required. Among them - coordination of activities with state revenue authorities. Reconciliation of data on MFIs, corporate income tax payers with the registration data of the regulator can be one of the tools for identifying organizations that have not entered the registration account. The Law of the Republic of Kazakhstan “On Collection Activities” will partly contribute to the exit of illegally operating MFIs from the shadows. “Gray” MFIs will not be able to sell their loans to collection organizations. In addition, if such unregistered MFIs use debt collection methods that are prohibited by law, this can also help to identify such MFIs.

3. Conclusion

To solve regulatory problems in such cases, international practice should be taken into account, which is aimed at the efforts of regulators. International experts believe that those measures of regulators that solve the following main tasks will be effective:

- expansion of the geography of microcredit. Here, the support of the so-called promising organizations with good financial condition is recognized as appropriate. This support should be bi-directional - stimulating growth in quantitative and qualitative terms;
- encouraging research on demand from consumers of MFI services, as well as the reasons why potential clients cannot use such services (financial illiteracy, issues of ownership of collateral, etc.);
- support to MFIs developing new financial products to meet the growing needs of clients.

Also, in international practice, the idea of regulating microfinance is approached from the position of ensuring access for socially vulnerable segments of the population to financial services (<https://www.cgap.org>). Improving the availability of microfinance institution services has become one of the G20 countries' priorities, which entailed the development of relevant commitments. By establishing lighter conditions for obtaining microloans and organizing this process, regulation can thus facilitate the admission of low-income consumers to the lending market. Thus, in the future, regulation of the microfinance market in Kazakhstan may develop in the direction of maximizing the availability of MFI services for low-income populations by encouraging MFIs to expand the range of services offered (for example, attracting deposits and introducing prudential standards for MFIs that attract people's deposits).

In conclusion, I note that despite the current trends in the development of MFI regulation, the development of this area of activity of the regulator will depend on the general state of the country's economy, the strategic goals of the development of the economy in general and the financial sector in particular. Regulatory measures of impact on the MFI market should be flexible enough to promptly and adequately respond to changes in this market.

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“THE INFLUENCE OF CORPORATE SOCIAL RESPONSIBILITY ON THE FINANCIAL PERFORMANCE OF KAZAKHSTANI COMPANIES”

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INTRODUCTION

Corporate Social Responsibility (CSR) is quite popular among companies in Kazakhstan. In Central Asia, Kazakhstan takes leading position in Corporate Social Responsibility area. First time it observed in independent Kazakhstan in 1990s when many foreign companies which was demonstrating their social position in that time, entered Kazakhstani market. By the way, about five years ago, CSR considered as something new in Kazakhstan (Smirnova, 2015).

According to the results of research center “Sange” in 2013, there is only 63% of business representatives know about CSR, where large companies - 100% knows about CSR and small business only 47%. There is significant gaps in knowledge and understating of CSR around governmental companies. Most of them founds it like a charity (Sange, 2013).

Around Kazakhstani companies, only 57% thinks that business should be socially responsible. Furthermore, most of them thinks that CSR is a prerogative of large corporations only, and those companies, which spoils natural environment. Small and middle companies is not ready to promote CSR. Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable — to itself, its stakeholders, and the public. Nowadays, when citizen’s intellectual level is higher, and easy available mass media spreads any information about situation in the country in seconds, it is dangerous for company’s reputations, especially for those ones which producing or recycles raw materials without actions to prevent bad reputation from unethical actions, such as harmful emissions, water spoil or harmful trash.

In addition, in such way it is a suitable tool to increase company’s reputation, increase level of citizen’s trust. In my opinion, such activities as “1 tenge from this sale will transfer to charity” can make good image of company. But there is a disadvantage in lack of results of this charity, there is no obvious proof.

It is well known, that the objective of any company is to make profit, maximize their market share, increase income amount. So, there can be make a conclusion that any action of the company is to be more profitable at the end. Of course, there is can be situations when the company provide CSR for personal feeling and satisfaction or something else, and do not demonstrate it, but I do not thing that there is a lot of such companies.

Therefore, the objective of this research is to find how Corporate Social Responsibility affects on the company’s income level and compare it with developing European countries.

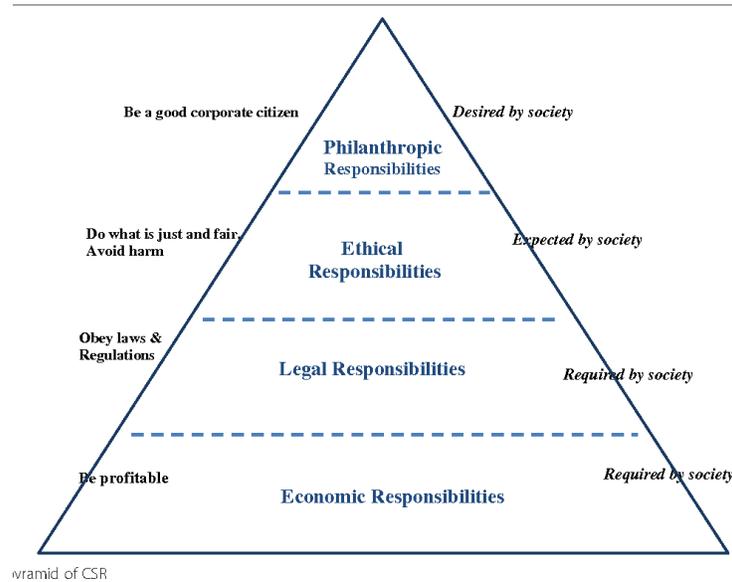
LITERATURE REVIEW

Kazakhstan and CSR

The European Commission defines Corporate Social Responsibility (CSR) as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission 2001). This definition stands for using the resources, technologies, concern about environment during their production and processes, innovating human-friendly technologies. Today there is many definitions and explanations of CSR. For example, in Canada CSR stands for philanthropy and social marketing, in Australia CSR is stands for ecology safe

projects. In UK, CSR defined as contribution into sustainable development. Those, while they impact on social and environment, tries to maximize positive effect and minimize negative ones.

A. Carroll made the best explanation and graphical representation of CSR, in my opinion. According to Carroll's definition of CSR, it consists from four components: economic, legal, ethical and philanthropic. In total, it represents CSR pyramid. Carroll's theory stands that in CSR profit must be the first.



In Central Asia, Kazakhstan is on the leading position in CSR. First intentions of corporate social responsibility observed in early 1990s, when many foreign companies entered into the Kazakhstani market. Even though, CSR still found as something new in Kazakhstan, but now CSR spreads in Kazakhstan and many companies concerns about it. But, general idea of CSR is not formed, as it formed in other countries.

Measurement of Corporate Social Responsibility

Over approximately past decade, it became very important how company operating environmentally, politically, socially and in terms of the economy. This became essential to keep in touch with those areas and to save company's image. Those, as any company's activities measures, it is important to measure CSR too. This is because it will allow to correctly analyzing its performance and company's well-being.

GRI G4 Guidelines – non-financial reporting

By using the GRI Guidelines, reporting organizations disclose their most critical impacts – be they positive or negative – on the environment, society and the economy. They can generate reliable, relevant and standardized information with which to assess opportunities and risks, and enable more informed decision-making – both within the business and among its stakeholders. G4 is designed to be universally applicable to all organizations of all types and sectors, large and small, across the world.

ISO 26000 Social Responsibility

ISO 26000 provides guidance on how businesses and organizations can operate in a socially responsible way. This means acting in an ethical and transparent way that contributes to the health and welfare of society.

ISO 26000:2010 provides guidance rather than requirements, so it cannot be certified to unlike some other well-known ISO standards. Instead, it helps clarify what social responsibility is, helps businesses and organizations translate principles into effective actions and shares best practices relating to social responsibility, globally. It is aimed at all types of organizations regardless of their activity, size or location.

The standard was launched in 2010 following five years of negotiations between many different stakeholders across the world. Representatives from government, NGOs, industry, consumer groups and labour organizations around the world were involved in its development, which means it represents an international consensus.

SA 8000

The [Standard](#) is the leading social certification standard for factories and organizations across the globe. It was established by Social Accountability International in 1997 as a multi-stakeholder initiative. Over the years, the Standard has evolved into an overall framework that helps certified organizations demonstrate their dedication to the fair treatment of workers across industries and in any country.

SA8000 measures social performance in eight areas important to social accountability in workplaces, anchored by a management system element that drives continuous improvement in all areas of the Standard. It is appreciated by brands and industry leaders for its rigorous approach to ensuring the highest quality of social compliance in their supply chains, all the while without sacrificing business interests.

Elements of the SA8000® Standard:

1. Child Labor
2. Forced or Compulsory Labor
3. Health and Safety
4. Freedom of Association and Right to Collective Bargaining
5. Discrimination
6. Disciplinary Practices
7. Working Hours
8. Remuneration
9. Management System

Business in Kazakhstan: Income of Kazakhstani companies

As developing country, Kazakhstan provide a huge ability for almost all types of business. There is a low entry point for the start-ups, small business and huge support from government and banks for young or actual companies, for small and large businesses. So there is many companies are opening in Kazakhstan. Most of them is oriented for small group of people and according to the situation in the country faces many competitors. Usually, it is quite difficult to keep in line with environment, social and economic. They hope that nobody give attentions for their actions which contradicts CSR and usually it is, but sometimes, facing social networks, it may affect with unpleasant consequences to the business.

Today, there is almost 840 thousand small and medium-sized businesses registered in the country. The share of this sector in the country's GDP is about 30%.

METHODOLOGY

For this work, I have decided to collect data from 10 Kazakhstani companies. This is because, despite to the fact that CSR is quite long time in Kazakhstan, it is still on the state of development and only huge companies has involved in.

I have analyzed the official information according to CSR from the official web-pages, annual reports and everything which contains data according to CSR from such companies as Air Astana, KEGOC, KPMG and etc.

Simple Linear Regression

By mathematical convention, the two factors that are involved in a simple linear regression analysis are designated x and y . The equation that describes how y is related to x is known as the regression model. The linear regression model also contains an error term that is represented by E , or the Greek letter epsilon. The error term is used to account for the variability in y that cannot be explained by the linear relationship between x and y . There also parameters that represent the population being studied (Devault, 2019).

These parameters of the model that are represented by $(\beta_0 + \beta_1 x)$.

The simple linear regression equation is represented like this: $E(y) = (\beta_0 + \beta_1 x)$.

The simple linear regression equation is graphed as a straight line.

β_0 is the y intercept of the regression line. β_1 is the slope.

$E(y)$ is the mean or expected value of y for a given value of x .

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“Motivation of Kazakhstani people for going on a pilgrimage to the Kingdom of Saudi Arabia”

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Abstract

Religious tourism, by far, is the oldest type of people’s travel in the world, but at the same time the less explored. With the growing influence of globalization, when distances become shorter, and with more people trying to identify oneself with spiritual things, the religious tourism started gaining increasing popularity and the future of it looks very promising.

This research explores not only the main motivation of Kazakhstani people for going on a pilgrimage to the Kingdom of Saudi Arabia to the holy cities of Mecca and Medina, but also the challenges they face there. Similarly, the study tries to understand why relatively a small number of pilgrims from Kazakhstan visit the

mentioned above cities as well as the paper tries to explore the future of religious tourism from Kazakhstan to the Kingdom of Saudi Arabia.

The research brings the earlier published literature as well as shares the findings derived through the qualitative method by the means of in-depth interviews with experts and other people, who had an experience going on a pilgrimage to the Kingdom of Saudi Arabia.

The analysis indicates that for Kazakhstani pilgrims the main motivation to attend Mecca and Medina were to fulfill one's religious obligation. The study findings also describe challenges that Kazakhstani pilgrims face, key of them being lack of preparation, health problems, climate and specific food.

In general, the results of the study provide interesting findings that can have practical implications to both potential pilgrims and touristic agencies. The outcomes underline the important role of touristic companies in developing religious tourism as a separate industry. Similarly, the experts and interview participants believe in the bright future of religious tourism in Kazakhstan.

Another conclusion is that with improving economic situation, spread of religiousness and right religious education, the number of pilgrims from Kazakhstan to the Kingdom of Saudi Arabia will grow.

Keywords: religious tourism, pilgrimage, pilgrims, motivation, the Hajj, Mecca

Introduction

Nowadays tourism is becoming increasingly popular worldwide, as it both satisfies the travel needs of common people and represents a very big market and one of the most profitable sections of economy for many countries. There are quite a lot of academic researches on different tourism directions such as business tourism, ecotourism, medical tourism, adventure tourism, sports tourism, space tourism and many others. Alongside with the mentioned above types of tourism, there is also such phenomenon as religious tourism.

The history of religious tourism goes back to ancient times. Thousands of years ago people travelled long distances led by religious motives. Many of those pilgrims in past wanted to associate themselves with something meaningful and to find their true selves in those travels. The situation has not changed significantly these days, as most of the modern tourists still go on a pilgrimage driven by religious motives.

Even though religious tourism is very old in its nature, there are limited number of researches on this topic and this subject is still underexplored.

Travel for spiritual or religious reasons has increased in recent decades and represents a considerable share of international tourism (Olsen and Timothy, 2006).

There are different types of pilgrimages in the world with the Islam's Hajj to Mecca being the most well-known of all.

Given the growing importance of religious tourism globally, this research aims to study this phenomenon in Kazakhstan as well. However, the topic will be narrowed down to the religious tourism from Kazakhstan to the Kingdom of Saudi Arabia, as this route has been the most popular in terms of religious tourism for Kazakhstani citizens during the period of independency. The purpose of this study is to find out motivation to go on a pilgrimage from Kazakhstan to the Kingdom of Saudi Arabia.

People travel to religious sites under different motivation, one of them being religion. However, besides spiritual motives, there are also some secular reasons to visit religious sites. In this study, we will explore all those motives one more time with the help of interview participant from Kazakhstan.

Significance and problem of the research

Even though popularity of religious tourism is growing, there is limited literature on this topic and practical instructions, especially when it is related to Kazakhstan. When different type of materials was analyzed, there was a conviction that the topic of spiritual tourism was underestimated and not of a scientific

and academic importance. Since subjects like Marketing and Management have revolutionized and have broader meanings these days, the topic of religious tourism can be explored by the representatives of the mentioned above disciplines. For instance, to certain extent, the study about religious tourism correlates with consumer behavior, motivation, Maslow hierarchy of needs and forth.

Objectives of the research

This research aims to study what religious tourism is as well as key challenges people are facing related to it in Kazakhstan. Similarly, the paper strives to investigate motivation of Kazakhstani people for going on a pilgrimage from Kazakhstan to the Kingdom of Saudi Arabia.

To achieve the objectives of the study, the following research questions were formulated:

- 1) What is the motivation of Kazakhstani people for going on a pilgrimage from Kazakhstan to the Kingdom of Saudi Arabia?
- 2) What are the challenges for Kazakhstani people for a pilgrimage from Kazakhstan to the Kingdom of Saudi Arabia?
- 3) What are the main reasons for relatively small number of people going on a pilgrimage from Kazakhstan to the Kingdom of Saudi Arabia?
- 4) What is the future of religious tourism from Kazakhstan to the Kingdom of Saudi Arabia?

Structure of the paper

The main part of the paper consists of 5 sections. Introductory part provides short background of the paper and gives the reader understanding of what the research will be about. After introduction, brief literature review will be provided with the definition of religious tourism, history of religious tourism in the world, history of Islam and religious tourism in Kazakhstan, common motivation of people in the world for going on a pilgrimage. Research methodology will be described in the third section. Findings and analysis will follow the methodology. The last section will conclude, give practical implications and recommendations.

Description of the methodology

Qualitative research technique was used as research methodology. Qualitative research is mainly an exploratory research that is aimed to get people's opinion, understanding, motivation and underlying reasons behind the problem. In this method, data is collected via the means of unstructured or semi-structured approaches in the form of observation, in-depth interviews and focus groups. Qualitative research method does not only present "what" people think, but also "why" they think so.

For this research, in-depth interview technique was used, as it was important to get detailed responses from the interviewed people. All the interviews were conducted on one-on-one format mainly with people who have good understanding of what religious tourism is, as almost all of them have visited Saudi Arabia for at least one time.

Semi-structured interviews were held with the participants. The reason for that was to have friendly and unformal atmosphere to make interviewees feel relaxed and willing to speak openly. Semi-structured interviews also create the feeling of a discussion rather than just formal questions with straightforward answers. In some cases, participants were asked several clarifying questions, which is also the advantage of semi-structured interviews.

The rationale for the methodology choice

Generally, no research methodology is perfect to certain extent, but I believe that qualitative research in this study was the best to discover the topic of religious tourism from Kazakhstan to Saudi Arabia. The research questions of this work were the best to be investigated by in-depth interviews with informants. The kind of semi-structured interview that was used gave us flexibility to ask additional questions to get more detailed answers. As the topic of religious tourism is not explored enough in Kazakhstan, the answers of interviewees played a big role in completing "Findings and Analysis" part of the paper.

Limitations of the methodology

Although there were 17 people selected as informants, still there was a risk that the sample would not be that representative. On the other hand, it is always challenging to meet the sample requirements when it comes to qualitative research. The group was relatively small and had more or less the same interests and beliefs.

Another limitation of this methodology was that it was time consuming to arrange the meetings, to perform the interviews and to analyze the data. There was also a risk of missing something important out of big flow of information coming from the interviews. Also, some people didn't feel comfortable when their answers were being recorded.

As the interviews were conducted in an informal atmosphere, discussions sometimes deviated from the main topic to be studied. However, it was a good sign of the fact that participants were open and felt relaxed during the interviews.

Recap of the questions

The list of questions should be designed so that to make informants interested in the research and get their detailed responses during the interviews. Also, it should be able to answer the main research question.

A total of 18 questions were addressed. Sometimes additional questions were added to clarify certain things if necessary. Also, some questions were redesigned based on the informants' profile.

The list of interview questions was divided into 3 parts. The first part was aimed to introduce (social status, age, occupation, etc.) the participants, to know their understanding about what the religious tourism is, the current status of it in Kazakhstan and how it is being developed. The second part was designed to learn participants' motivation, feelings, emotions and positive moments they experienced during the pilgrimage. The third part was brought to understand practical moments and hints, problems and challenges, recommendation to others based on the personal experience of interviewees.

There are two categories of questions in the list. First category directly asks about the investigated topics in the research such as motivation, challenges, etc. The second type of questions are designed in such a way that it anyway leads to the main subject of the research or indirectly prepares the ground for the mentioned above first type of questions to be asked. There are also questions that are aimed to see to what extent participants are involved and what is their understanding about the subject. It is a kind of a sense check in a good meaning of it.

So, every question has its own place in the study and plays a certain role in completing the research.

Specifics of the interview

Majority of the interviews lasted from 30 to 40 minutes each. However, there were exceptions when people wanted to speak more, as they were very interested in the topic. It is mainly related to interviewees who have visited Saudi Arabia for the first time. They were excited to share their emotions and feeling about their first pilgrimage experience.

All the participants were asked the permission for the interview in advance through mainly face-to-face meetings. There were some opportunities to perform interviews via phone, however, those options were not considered because when you meet face-to-face it gives you the opportunity to read body language of an informant. Hence, you have additional tool to define whether a participant transparent or trying to hide some information.

Depending on the work schedule of the informants, the interviews were taken in different places: office, café, car, outside in the park and even at home. By the way, one of the most fruitful conversations took place in the car.

The interviews were conducted in Kazakh and Russian languages. The language preferences of the participants were as follows: 11 participants wanted to share their thoughts in Kazakh language and 6 – in Russian language.

Overall 17 interviews were conducted with participants, out of whom 14 were men and only 3 women. It was challenging to get more ladies for the interview, as gender issue is very sensitive for the group of people who associate themselves with religious tourism. It's considered not that polite to meet a woman alone even for the purposes of an interview. Some interview questions were modified, some questions were skipped, and some additional questions were asked to fit the background of the interviewees.

Information analyzing

Content analysis technique was used to analyze the interviews. The interviews were scanned to determine the presence of certain keywords or concepts. It was the most effective technique to structure findings from the numerous interviews. Very basic online content analysis tool was used for the mentioned above purposes.

Validity and reliability

To meet validity and reliability criteria, before the interviews all the participants were informed about the research goals, the topic and the preliminary list of questions. Names and other personal information of the participants will not be disclosed for the confidentially purposes. For that reason, all the interviewees were offered to sign consent form to make sure that confidentiality issues were considered. Some of them did sign, some of them didn't sign saying that they trust. The consent form brought openness and trust to the discussion during the interview, as participants felt confident that their responses wouldn't be shared in any other places and their personal information would not be disclosed.

Involvement level of the participants

The overall observation of the interview process was very positive. The willingness of the informants to participate in the study and share their experience were at high level. All the interviewees were very supportive and wanted to make their contribution to the research. Many of them stated that this kind of spiritual topics make people discuss a lot. Usually after visiting spiritual places people start to believe that starting from that point one of their life missions is to spread the spiritual knowledge they gained, to share their experience and to invite more people to sites like Mecca and Medina.

Findings and Analysis

The main reason of small number of people going on a pilgrimage

The interview results clearly indicate that the very first reason of people not going on a pilgrimage is lack of money. Even if a participant states some other reason, at the end anyway he/she comes back to the question of money.

Stated by some informants, religious people in Kazakhstan are mostly poor people who have big desire to go on a pilgrimage but don't have enough funds.

Some participants said that they would not care that much about conditions during pilgrimage because pilgrimage should come with difficulty. Hence, it will be more valuable, as it was in ancient times. The most important thing to have it affordable.

Besides financial part, some participants see one of the reasons in relatively low level of religiousness of our population.

Motivation for going on a pilgrimage to the Kingdom of Saudi Arabia

Motivation is a thing that might differ according to various factors. However, the interview analysis has shown that all the participants went on a pilgrimage from Kazakhstan to the Kingdom of Saudi Arabia with

one primary motivation, which is the fulfillment of the religious obligations. There might be some other variations of the answers, but they all lead to religion.

However, there are also some secondary motives. Some of them are sub-motives of religion such as asking for forgiveness, spiritual and mental renewal, asking for forgiveness and forth.

How people change after the pilgrimage

According to many participants, they see positive changes in their personal traits after they return from the Kingdom of Saudi Arabia. They start accepting things easily. Some people do more worship, some become more patient, some pilgrims get rid of their diseases and bad habits.

The topic of personal changes deserves more discussion. However, the key point here is that many pilgrims become better persons after their journey to the holy places like Mecca and Medina. They reconsider their attitude, values and principles to the good. Probably that is the magic of those places.

Challenges pilgrims face

The first answer of almost all the interviewees was that they didn't face any issues. Many said that they didn't pay any attention even if there were some difficulties. Some informants stated that a person should be ready for challenges, as they are part of a pilgrimage.

However, after asking additional clarifying questions, the participants started disclosing the challenges they face in the entire cycle of pilgrimage. Also, the experts and the workers of the touristic agencies also shared their thoughts about the most common challenges of the pilgrimage to Mecca.

Experts say that even if pilgrims state there are no any challenges, this is only because pilgrims are unconsciously ready for any hardship during their travel. Thus, they accept any difficulties as normal things. On the other hand, this is the sign that a touristic agency did good job both on the stage of preparation in Kazakhstan and during the pilgrimage in the Kingdom of Saudi Arabia.

Challenges of the touristic companies

Many touristic companies are experienced enough in the area of religious tourism. However, they face certain challenges as well. For instance, their pricing policy is doubted pilgrims. Some respondents believe that they earn too much money and it is not good to do big business out of people's religious needs.

Suggestions for future research

Motivation in religious tourism is definitely the topic that needs to be discussed further but probably with certain modifications and using quantitative tools as research methodology. During the future research the same questions need to be addressed but for the entire region of Central Asia. Understanding motivation of people from the neighboring countries and comparing it to the local realities will give more comprehensive understanding of the situation in Kazakhstan.

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УДК 336

“THE IMPACT OF FINANCIAL TECHNOLOGY ON BANKING INDUSTRY IN KAZAKHSTAN”

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Introduction

Banking business around the world has changed under the influence of global economy trends, the growing need and importance of innovation, as well as the widespread use of technology to simplify life. Under this influence, financial technology (Fintech) has become an integral part of the banking environment. Now banks have pushed the boundaries of their competition beyond financial services, and have come up against competition from non-financial organizations that provide, for example, payment services and loans. Companies such as launch service providers, social networks, and even search engines have expanded their services to cover areas of the banking services market traditionally performed by banks. More innovative solutions became in demand due to the rapid growth of Fintech changing the banking business environment. These recent changes in demand require banks to rethink ways to provide services and make a stake in participation in Fintech companies. The fast growth of the Fintech industry. Some representatives of the banking industry are seen as a threat to the traditional financial services industry. The opinion of others is the opposite that Fintech has become a task that can be transformed into an opportunity for development, because technology can give greater flexibility to convenience, better functionality in some areas and facilitate business processes. The aim of the article is to analyze the latest trends in the banking sector, especially in Kazakhstan, to identify positive and negative influences on the banking market and to identify Fintech risks for banks. Under modern realities, integrating Fintech into business allows banks to gain an advantage in the face of growing competition as well as the cause of failure.

General information

Definition of Fintech

Financial technologies (financial technology) or Fintech (financial tech) represent a segment of the market where companies operate at the intersection of the traditional financial services sector provided by traditional financial institutions, such as banks, and innovative companies., changing the nature of financial intermediary services by virtue of the use of new modern technologies, making them unnecessary after the transition to cloud platforms. In other words, Fintech is the next stage in the development of financial services, characterized by the emergence of new technological and innovative start-ups and market participants, who are introducing on a new basis in the practice of financial activities of enterprises the products and services currently provided (rendered) by traditional banks. The range of specialization of financial companies - from online and mobile applications to the areas of trading, currency exchange, personal finance management.

Fintech companies are organizations that use the latest developments in the field of mobile payments, online lending, digital instant money transfers around the world without the need for a client, which reduces costs and allows you to offer financial products on the most favorable terms.

Thus, the essence of Fintech can be expressed by the interconnection of two main components: innovations based on technologies of the traditional banking sector; and new models of financial services.

Introduction of new financial technologies to the banking sector

According to Bakulina & Popova, Fintech found application in the financial sector in the following forms (2018):

- 1) blockchain technology that allows you to store large amounts of data and operate the resources of the Fintech participants themselves, i.e. realizing transactions without the participation of the main counterparty - the bank or the payment system, as well as creating cryptocurrency by recording information about transactions and the persons involved in their completion, and arranging information blocks in a row one after another
- 2) P2P1 lending as an alternative to retail lending;
- 3) the provision of online loans through electronic payment systems, etc. Fintech companies are organizations that use the latest developments in the field of mobile payments, online lending, digital instant money transfers around the world without the need for a customer, which reduces costs and allows you to offer financial products on the most favorable terms.

Risks in the banking sector caused by the advent of Fintech

For banks, the main risks arising from the influence of Fintech are divided into strategic risks, operational risks, risks of outsourcing, cyber risks and compliance risks (Bakulina & Popova, 2018). So, strategic risk: the potential risk for revenues and capital arising from incorrect management decisions and the improper implementation of decisions made increases the risks of lowering the profitability of individual banks. Existing financial institutions will lose a significant portion of their market share or profits if new entrants can make better use of innovation and provide less expensive services that better meet customer expectations (Bakulina & Popova, 2018). In the current environment, a decrease in profitability due to loss of profitable customers or a reduction in margin may reduce the ability of existing institutions to predict future business cycles. High operational risk: the risk associated with the implementation of business functions by the company, including the risks of fraud and external events, leads to a large number of IT interdependencies of market participants (banks, etc.) and market infrastructure, which can cause an IT risk that will grow in a systemic crisis, especially if the services are provided primarily by one or more dominant players. The activities of Fintech companies in the banking sector increase the complexity of the entire banking system and introduce new players into the market who may have limited experience in managing IT risks. Due to the fact that outdated banking IT systems may not be sufficiently adapted, banks will have to seek help from a large number of third parties, either outsourcing or Fintech companies, thereby increasing complexity and reducing the transparency of final operations (Bakulina & Popova, 2018). The widespread use of third parties increases the risks associated with data security, confidentiality, money laundering, and cybercrime. Compliance risk regarding data confidentiality: the risk of non-compliance with data privacy rules, non-compliance with laws, standards, local regulations can increase with the advent of large amounts of information and the use of outsourcing.

Fintech in Kazakhstan

In Kazakhstan, Fintech is also actively developing, although the results are not so impressive. For example, the market turned out to be very prone to sharp changes in the tenge, especially in the segment of online payments and transfers. But even against such a background, 2016 can be considered a “breakthrough”, the performance of the domestic Fintech has increased significantly. Today, 63 companies operate in 10 segments of Kazakhstan Fintech. Their main areas are payments and transfers (26 companies) and microcredit (15 companies). There are even three sites of P2P loans, but there is no open data on their activity.

In 2016, through Internet / mobile banking in the Republic of Kazakhstan, 58.3 million transactions were carried out in the amount of 934 billion tenge, which is respectively 69.4% and 2.3 times more than a year earlier. This is 44% of non-cash transactions conducted through remote access systems. To compare these numbers with data for September 2019 there were 107,9 million transactions carried out with total amount of 1

392,35 billion tenge which allows us to make the rough conclusion that from 2016 the volume of noncash transaction involving Fintech risen in 17 times.(Staticsitics from nationalbank.kz,n.d.)

Today Fintech in Kazakhstan is at the initial stage of its development and is only “testing” the market for the adoption of radically new products. (Andryushina, 2018).The economic and social conditions prevailing in our country are very different from those that ensured its breakthrough in China. On the one hand, a good technical infrastructure for the availability of a worldwide network has been created. But on the other hand, the unfavorable economic situation of the last decade, devaluation, and a decrease in real incomes of the population hinder the activity of consumers on the network, limit the development of their financial literacy, and increase people's sensitivity to the risks associated with the development of new virtual products (Andryushina, 2018).

Literature review

Several studies were conducted to define is there any negative relationship between the volume of Fintech operation related to finance with banking industry conventional means of financial services delivery. In the research paper Ahmed & Monir make the porspective view on how development in financial industry is combined with high technology, it aims also to clarify the role of Fintech in the financial industry in general and banking sector in particular (2018). According to their studies Fintech firms considered as a real rival for the traditional banking system, this challenging contender have different fronts to face banks; efficiency is one of these fronts. Fintech firms' efficiency increases are mainly due to loan personalization and the disintermediation of processes by eliminating middlemen, which significantly lowers transaction costs for consumers. Many bank leaders around the globe looking at Fintech shows it as an opportunity to “pump new blood to the traditional banking system as a complement to the retail banking services” (Ahmed.& Monir, 2019). This can be obtained through joint partnerships, service outsourcing, venture capital funding, or acquisitions.

Chih-Feng Liao conducted the study based on the Information 1,364 individuals who had responded to surveys and 2,324 randomly selected individuals from the remaining members of KnowledgePanel. The aim of the research was to investigate the effects of using mobile financial services on the probability of visiting a branch. The connection between the use of mobile banking and the probability of visiting a branch is weak, and the use of mobile payments is not related to the probability of visiting a branch. Another important pattern is that the older the respondents, the more likely they are to visit the branch. Important conclusion is that mobile payment services provided by non-financial organizations have little effect on the likelihood of using the branch. The results are contrary to the hypothesis of disintermediation in financial technology (Chih-Feng, 2018).

The impact of the funding of such start-ups on the stock returns of 47 incumbent US retail banks for 2010 to 2016 was tested by Li et al. (2016). The purpose of the study was to clarify the role of Fintech digital banking start-ups in the financial industry using comparison the dollar-volume of funding and number of deals of Fintech to the stock returns with panel data regression methods. Results at the banking industry level are not statistically significant, and that the coefficient signs for about one-third of the banks are negative, but not statistically significant (Li et al, 2016).

Research question

Research questions help provide the focus for where the research starts. These questions may, however, not be what defines where the research will end up.

Research question of the thesis is defining the influence of Fintech growth on performance of the Banks in Kazakhstan. For the precision of research question and following hypothesis formation following questions are identified as:

to examine and find empirical evidence of relationship between profitability ratio of banks and the volume of Fintech operations

to examine and find empirical evidence of of relationship between liquidity ratio of banks and the volume of Fintech operations.

Methodology

Source of information and sample size

The data is collected from various statistical bulletins of National Bank of Kazakhstan's publication on performance of financial sector and payment systems for the period from 2014 to 2019 on the monthly basis.

Research framework

We use correlation matrix and multiple regression analysis that are better suited for our purposes.

Correlation matrix analysis

A correlation matrix is a table showing correlation coefficients between variables. Each cell in the table shows the correlation between two variables. A correlation matrix is used to summarize data, as an input into a more advanced analysis, and as a diagnostic for advanced analyses.

This NCSS program calculates matrices of Pearson product-moment correlations and Spearman-rank correlations. It allows missing values to be deleted in a pair-wise or row-wise fashion. When someone speaks of a correlation matrix, they usually mean a matrix of Pearson-type correlations. Unfortunately, these correlations are influenced by outliers, unequal variances, nonnormality, and nonlinearities. One of the chief competitors of the Pearson correlation coefficient is the Spearman-rank correlation coefficient. The Spearman correlation is calculated by applying the Pearson correlation formula to the ranks of the data. In so doing, many of the distortions that infect the Pearson correlation are reduced considerably.

A matrix of differences can be displayed to compare the two types of correlation matrices. This allows you to define the pairs of variables which require further investigation.

Multiple regression model

The equation for multiple regression must be able to handle multiple inputs, instead of only the one input of linear regression. To account for this change, the equation for multiple regression takes the form:

$$y = B_1 * x_1 + B_2 * x_2 + \dots + B_n * x_n + A$$

In this equation, the subscripts denote the different independent variables. x_1 is the value of the first independent variable, x_2 is the value of the second independent variable, and so on. It keeps going as more and more independent variables are added until the last independent variable, x_n , is added to the equation. This model allows you to have any number, n , independent variables and more terms are added as needed. The B coefficients employ the same coefficients, indicating that they are the coefficients linked to each independent variable. A , as before, is simply a constant stating the value of the dependent variable, y , when all of the independent variables, the x s, are zero.

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УДК 336

“THE EFFECT OF TENGE DEVALUATION ON INCOME SMOOTHING”

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Introduction

Management typically engages in revenue smoothing to increase earnings in periods with low earnings to maintain or increase the price of shares. This practice is especially common in listed companies. Actions taken to smooth income can be legal or illegal. In some cases, the leeway allowed management to defer or accelerate certain items in the accounting standards. For example, the allowance for doubtful accounts can be manipulated to alter the bad debt expense from period to period. In other cases, the accounting standards are clearly being sidestepped in an illegal manner in order to engage in income smoothing. Income smoothing by abusing in accounting principles is unethical. Accountants must follow their general principles, such as consistency, comparability, neutrality, full disclosure, and conservatism.

To attain more representative reported earnings indicators, managers use their private information about future income to smooth out fluctuations of income; therefore, smoothness is one of the crucial earnings attributes. Advantages of income smoothing analyzed in Ronen and Sadan (1981), Chaney and Lewis (1995), Demski's (1998) research works. Graham et al. (2005) emphasize the fact that, since auditors or regulatory authorities pay more attention to accruals than real earnings, financial managers are more willing to manipulate real earnings than accruals. Tucker and Zarowin (2006) investigated whether income smoothing distorts accounting earnings information or improves the informativity of current and past company earnings about their future earnings and cash flows. They used the method of Collins et al. (1994). They provided first empirical evidence that when firms smooth their reported income, stock prices impose more information about its future earnings. They evaluate income smoothing as the negative correlation of a firm's change in discretionary accruals with its change in pre-managed income. A more negative correlation shows more income smoothing.

Devaluation means a situation when the national currency is officially depreciated against hard currency. In Kazakhstan, the devaluation has gone through several stages. The first devaluation came in Kazakhstan on April 1999, and then the national currency fell by 64.6% from 88 to 160 tenge per 1USD. The government decided to switch to the free fluctuation of the tenge. As a result, the national currency of Kazakhstan sharply weakened against the American dollar to 150-160 tenge, but then strengthened to 130-140 tenge per 1USD. Reasons for the first devaluation: to support and increase the volume of Kazakhstani exports, stop costly of using the country's gold reserves to maintain the tenge.

The first devaluation was preceded by the following events: falling oil prices, the Asian financial crisis of 1997-1998, the Russian crisis of 1998.

The second devaluation came to Kazakhstan in February 2009. At that moment, the dollar price increased by 25%, making a sharp jump from 128 to 170 tenge per 1 USD. After 5 months, the dollar settled at 150 tenges

per 1 USD. Reasons for the second devaluation: support domestic producers who have problems due to the devaluation of the currencies trading partners, oil price decreased three times (oil occupied more than half of the country's total exports).

The third sharp devaluation of the national currency occurred in February 2014, the new rate instead of the previous 155 tenges and the exchange rate were 182-188 tag for 1 USD.

The reasons for the third devaluation are: the desire of the state to reduce inflation in the country by 3-4%, the Russian currency weakened against the dollar, the import of consumer goods in Kazakhstan significantly exceeded the export, and the country had problems with the balance of payments.

The fourth devaluation occurred in August 2015. During the day, the tenge fell by 26% and the exchange rate was 255 tenge per dollar.

The reason of fourth devaluation was to support the national economy a new monetary policy has been launched in Kazakhstan based on inflation targeting and a free-floating exchange rate. It was launched to help achieve long-term sustainable economic growth, maintain low inflation, increase employment, and improve the well-being of Kazakhstanis. Also, the reasons for the fourth devaluation were the sharp decline in the Russian ruble not only against the dollar but also to the tenge, the reduction in the price of Brent crude oil from the beginning of 2015 by 33%, the weakening of the Chinese yuan.

The devaluations in the Republic of Kazakhstan and their consequences became a proven instrument of state financial policy. This tool was effective, because as the result of devaluation not only exporters of raw materials got support, but also the financial sector together with the state were ensured quite decent rates of economic growth.

1. State research questions

The objective of my thesis is to determine how tenge devaluation influenced on income smoothing of publicly-held Kazakhstani companies. The companies will be taken from Kazakhstan Stock Exchange and official online resources as Depository of financial statements of Republic of Kazakhstan for the period from January 1, 2010, to December 31, 2018, from 30 companies.

The effect of devaluation of tenge on the income smoothing in listed Kazakhstani companies is essential issue. This issue is not researched before. Investors are confident in the prospects of a company with stable income rather than one that exhibits huge volatility. And investors make their decisions based on the company's income and current share price that presents a reliable and predictable earnings stream over time. When a company smoothing its income to keep or increase the price of its shares, it does not always provide reliable data on its income; therefore, the price of the share may not correspond to the current income of the company and mislead investors. Income smoothing could be acceptable for private companies or LLPs. Shareholders are a part of the income smoothing undertaken by the accountants.

However, when it is a public listed company, and if income smoothing was undertaken, especially in the current economic conditions, any study of the financial reports for future trends will be misleading. The volatility could be huge in that case. Accountants, financial consultants must use constraints before indulging in income smoothing. There is no specific guideline on when and how could a firm smooth its income. In some situations or a particular reporting period, a firm may need to smooth its income to avoid a slightly bad financial performance and escalated dipping in its stock price. The question is how much is considered 'slightly' and how frequent would stockholders and professional bodies tolerate these smoothing exercise. I believe materiality and quality of reporting must be taken into account. Having knowledge of the effect of the devaluation of tenge on income smoothing, it will help investors to be able to make the right investment decisions when the next devaluation occurs.

2. Methodology

1. Data collection and sample selection

The sample data will be taken from audited financial statements and annual reports of companies published in such official online resources as Depository of financial statements of Republic of Kazakhstan (www.dfo.kz) and Kazakhstan Stock exchange (www.kase.kz) over the period from January 1, 2010, to December 31, 2018, for 30 companies. Depository of financial statements is the digital platform of the ministry of Kazakhstan, that is created to provide access to an electronic database in which citizens and visitors of Republic of Kazakhstan can find information on financial and business activities and corporate events of public interest organizations.

I divide period of research on two periods: pre- main devaluation of tenge from 2010 till 2015 and post-main devaluation of tenge from 2015 till 2018.

2. Measure of income smoothing

Following Eckel (1981) I compute Income smoothing as a follow:

$$CV(x) = \sigma(x)/\mu(x)$$

where,

$CV(\gamma)$ = Coefficient of variation of a random variable

$\mu(\gamma)$ = The mean of a random variable

$\sigma(\gamma)$ = The standard deviation of a random variables

If the variation coefficient of sales is bigger or equal to the variation coefficient of net income, it means that there is artificially smoothness of net income in the company.

$$CV \Delta\% \text{ NetIncome} \leq CV \Delta\% \text{ Sales} \Rightarrow \text{Smoothing}$$

3. Empirical model

To capture the relation between income smoothing and tenge devaluation, I estimate the following models:

$$IncSmth_{it} = \alpha_1 + \alpha_2 Tenge \text{ devaluation} + \alpha_3 Firm \text{ size} + \alpha_4 Leverage + \alpha_5 Sales \text{ Growth} + \varepsilon_{it}$$

The dependent variable Income smoothing represents an income smoothing proxy. The variable of “Tenge devaluation” represents a dummy variable that equals “one” after the 2015 tenge devaluation and “zero” before the 2015 devaluation. The formula also includes other several characteristics of the reporting organization that are suggested as important determinants:

- *Firm size* is the logarithm of total assets. I predict that larger firms tend to have more income smoothing
- *Leverage* is the ratio of total debts to total assets. Because organizations that tend to engage in violations of debt covenants are more likely to use income smoothing.
- *Sales Growth* is the percentage of annual growth in total sales
- ε is an error term

3. Data analysis

Data analysis will be carried out using the STATA program. A linear correlation analysis test will be carried out to see the relationship between the values of the devaluation of tenge and the income smoothing during eight years in thirty companies. The main purpose is to determine whether there is an effect of tenge devaluation on income smoothing of listed Kazakhstani companies.

4. Findings that are expected

This part will present the analyzed results obtained on the basis of the calculations made. Based on the results obtained, reasonable conclusions will be made. I will expect the following results from the analysis and development of hypotheses.

H1: There is a positive relationship between tenge devaluation and income smoothing.

5. Recommendations for further research on this topic

Recommendations for further research on this topic:

1. The practice of income smoothing misconstrue the price of shares, which leads to the wrong decision when investors are guided by the price of shares, when making their decisions, therefore, firms registered at KASE must submit a reports allowing investors to make the right decisions;
2. Select more measure indicators. Some measures will show statistically important relationships, while others have a minor relationship
3. Increase the number of observed companies in Kazakhstan
4. Include CIS companies in the research.

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УДК 336

“THE EFFECT OF FINANCIAL DISTRESS ON EARNINGS MANAGEMENT”

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Introduction

The bankruptcy is a nightmare of any company, the inability to survive in the continuous changing external environment, along with plenty of other reasons that could influence the company's lifecycle. Despite the numerous theirs and tips to avoid such situations, hundreds of companies do not survive during the first three years, which are the most important and vulnerable. Kazakhstan in 2016 World Bank ‘Doing Business Ranking’, got the 51st place, but for the year 2017, the Total Rating place is 35¹. Nevertheless, since 2004, the total officially registered number of companies went bankrupt is 1998, while 878 of them failed in 2015². All of those companies did not survive more than 5 years; however, there is no information on the ways that were undertaken by companies’ management to maintain business and prevent bankruptcy.

The continuous global economic crisis painfully reflected on the activity of almost all Kazakhstani companies, causing the underutilization of production capacity, production cuts, deterioration of solvency, and led to their financial insolvency. Moreover, usually, companies are not able to exit from this condition by themselves. Businesses need the stated algorithm that would "rectify" the situation by using legitimate and cost-effective tools. However, such tools could be created only after necessary economic and legal knowledge and systematic studies of the problem in the country, as well as the study of international experience.

The bankruptcy concept is a specific operation of business organizations that is ensuring the economic interests of the creditors, as well as the general state of the market regulator. State regulation of insolvency is today the most rapidly developing area of law and economics in other developed countries, and the state's economic policy is an essential component in the process of improving the regulatory and procedural acts in the mechanism of bankruptcy. The economic fundamentals of bankruptcy more fully determine the content, principles and goals of bankruptcy. The lack of economic understanding of bankruptcy may lead to serious negative phenomena in the economy, the imbalance of interests of the state, society, and business. Therefore, bankruptcy is an objective economic phenomenon in a market economy, which is based on the very essence of the market economy, coupled with the uncertainty, internal and external crisis, the risk of different character and leading to loss of capital.

¹ World Bank (2016) Doing Business in Kazakhstan. Retrieved on 10.10.16 from <http://russian.doingbusiness.org/data/exploreeconomies/kazakhstan/>

² State Revenue Committee of Ministry Of Finance Of The Republic Of Kazakhstan (2016). Retrieved on 5.10.16 from <http://kgd.gov.kz/en/node/269>

Problem Statement and Objectives

Because of the relatively high frequency of bankruptcies and the threat posed to suppliers and other stakeholders, a reliable bankruptcy model is essential in today's business environment. Bankruptcies appear unexpectedly for some parties, while the signs may be seen for years before the bankruptcy comes. The consequences of bankruptcies may be less crucial if there was a tool for accurate prediction of bankruptcy, for example, three or five years before allowing investors, creditors, stakeholders to make the right decisions and allowing management of the firm and the board of directors to take actions in order to eliminate the risk of falling into bankruptcy.

However, it should be noted that in the economic literature such principles as corporate insolvency, macro, and micro factors, explaining the nature of the inconsistency of the enterprises are not clearly defined as well as the principles of ensuring the effectiveness of the bankruptcy process. Also, market relations are directly linked not only with legal entities but also with citizens, who have a large account payable to financial and credit institutions, enterprises, firms, and companies. Therefore, the problem of the detailed introduction of the institution of bankruptcy to all stakeholders became the crucial point at the present stage of development of society.

This topic and issue itself is crucial because if the model proves to work, it will be a very helpful tool for companies, investors, creditors, and Kazakhstani economy as a whole to find a useful tool of bankruptcy prediction. It will help our economy to grow and prosper and the investors to make the right investing decisions. Also, it may help the management of the companies to cope with crises or to be prepared for hard times or to decide to sell out, reorganize, split or merge the company, which is predicted to go bankrupt.

Altman's Z-score model

The current thesis would examine whether Altman's Z-score model for predicting bankruptcy is efficient in applying to Kazakhstani companies. We will test Altman's model by choosing a sample of companies and applying his model to their financial statements before potential bankruptcy. The main objective is to investigate whether nowadays, this model can be applied as an indicator for bankruptcy predicting or not. The companies sample will be thirty Kazakhstani companies from different industries with the Joint Stock Company form of equity. This paper is concerned with the issues of the construction of mathematical models to predict the probability of bankruptcy of modern enterprises. The prediction of bankruptcy can be considered as the primary method to plan the economic condition of the enterprise for the next period. Simulation allows you to avoid financial crisis and default of the company, with the timely construction of specific forecasting models.

The purpose of the research - to apply the model of Altman on Kazakhstani companies, using their data, to check the accuracy of the application of the model in the realities of the local market.

Sampling.

In this thesis will be created a sample of companies which went bankrupt in recent time and applied the Z-Score model formula to check if the model could predict them going bankrupt. The sample will be taken according to the official information of State Revenue Committee of the Ministry of Finance of the Republic of Kazakhstan of the Joint Stock Companies from the list bankrupt in respect of which the bankruptcy procedure is completed in 2015 and the list bankrupt in respect of which the court decision on the recognition of their bankrupt entered into force as of 01.01.2016.

The sample will consist of Joint Stock Ventures because their financial information is publicly available on the site of the financial statements depository of the Ministry of Finance of the Republic of Kazakhstan.

The quantitative research will include the calculation of Z-scores for ten companies for the last three years before their falling into bankruptcy. After that, based on the received data will be calculated the percentage of the predictability of bankruptcy during the last three years.

Findings

To achieve the goal, the following scientific and practical problems, which determined the logic of the study were set and solved:

- 1) organize scientific views bankruptcy researchers and clarify the concept of this category;
- 2) identify the stages of development of the institution of bankruptcy in the economy of Kazakhstan based on studying the institutional foundations of bankruptcy;
- 3) study the international experience of the bankruptcy of enterprises and determine the possibility of its use in the Kazakh economy;
- 4) study the Kazakh practice of forecasting bankruptcy and systematize the reasons for the bankruptcy of Kazakhstani enterprises;
- 5) make proposals to improve the existing institution of Kazakhstani bankruptcy enterprises;

The main aim of the study is to test the accuracy of Edward Altman's Z-Score model in a more recent period than in which it was developed and tested. Using data from companies, Z-scores will be calculated to test the accuracy of the model in predicting bankruptcies. The question is whether the Z-score model is as accurate indicator for bankruptcy in a more recent period as it was in the 1960's.

Importance of issue

Bankruptcy is an essential element of the mechanism of the market economy. Its purpose is to protect the socio-economic processes from the effects of inefficient or unfair practices of their members and the non-fulfillment of the undertaken obligations. The aim of the concept is also assistance in liquidation of insolvent enterprises, on a voluntary or compulsory basis, when carrying out bankruptcy prevention measures, the implementation of pre-trial rehabilitation or rehabilitation or external observation did not provide the required level of solvency of the organization.

Bankruptcy solves two problems:

- Firstly, the debtors are protected from creditors, requirements of which they are not able to meet;
- Secondly, protect the interests of each creditor of the misconduct of the debtors and other creditors while ensuring the safety of property and its fair distribution among the creditors.

Currently, the main problem of the bankruptcy in developed market countries is the preservation of the company, and therefore the property of its owner by changing the enterprise management system, granting a deferral and installment payment. The state and society are not interested in the liquidation of the debtor and the restoration of its solvency employing special procedures under bankruptcy law.

In economic practice, there are several types of bankruptcy:

1. The actual bankruptcy of the organization, defined by the inability of the company to restore its solvency due to real losses of equity and debt. The high level of capital loss, presence of a huge amount of accounts payable does not allow leading a usual and sufficient production and business activities.
2. Temporary (conditional) bankruptcy, which is characterized by a state of insolvency of the organization, which caused a significant delay in its accounts payable, as well as a large amount of accounts receivable, overstocking of finished products, at the same time the amount of the organization's assets exceeds the amount of its debt.

3. Deliberate bankruptcy - the intentional creation or increase of insolvency committed by head or owner of a commercial organization, as well as an individual entrepreneur for personal interests or interests of other persons [5, p. 1-3].

4. False bankruptcy - Trick organization of its insolvency for the purpose of misleading the creditors to get them to delay payments on its financial obligations, or get a discount from the debt, or to submit the finished product is not in demand in the market for debt repayment.

Recommendations.

The issue of predicting bankruptcy is very important because most commonly, the companies are announced bankrupt too late and this may become an unexpected surprise for some parties like creditors, investors, or others. For the company to ensure successful and permanent activity, it is important to value its financial condition on a regular basis rationally. Applying bankruptcy prediction models, in particular, Altman's Z-score model is one of the most helpful and effective ways for predicting bankruptcies. With the help of the Z-score model, the threat of bankruptcy could be noticed several years before bankruptcy actually starts.

Prediction of bankruptcy nowadays is very important for corporate governance. Corporate bankruptcy has a significant impact on management, shareholders, employees, creditors, customers, and other stakeholders. Bankruptcies have a negative social and economic influence; they negatively affect the company, the industry, the society, and the economy of the country as a whole. For this reason, it would be very helpful if we could find a way to predict the probability by which these events happen. Accurate prediction of bankruptcy has become an essential issue in the financial world.

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“Development of marketing strategy for preschool education center “BALA LAND””

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Abstract

The problem of many small and medium enterprises in Kazakhstan is the lack of an effective marketing strategy. As part of this research, a marketing analysis of the Bala Land Preschool Center was conducted. The purpose of the study was to identify the level of satisfaction with the quality of services among current customers provided by education center. In addition, in order to increase the client base and as a result of the company's income, a study was conducted to determine the portrait of a potential client, his needs and requests. This study was aimed at marketing analysis of the organization, while using information obtained as a result of integrated audit of the organization, detailed analysis of the internal and external factors of the organization's work by DESTEP, analysis of Porter 5 and SWOT, surveys of current and potential customers in order to identify their level of satisfaction with the conditions in the center and determine the needs and desires of potential customers. The research methodology was based on the study of the question using the mixed research technique, with the conduct of 2 types of surveys among current and potential customers. The use of both quantitative and qualitative methods in combination provides the most detailed understanding of the problem and research question than any of these methods individually. 133 questionnaires were analyzed, 55 of which were filled out by current customers, 78 questionnaires - in electronic form by potential customers. Based on the results of all the above procedures, the author of the study gave marketing recommendations for each of sections 4P. The practical significance of this study lies in the ability to use recommendations for the construction and implementation of an effective marketing strategy in any preschool organization in Kazakhstan.

Keywords: Preschool education, DESTEP, SWAT analysis, mixed research method

1. Introduction

1.1 Brief overview of the organization

"Bala Land" is modern educating center with focus on pre-school education. Company have wide range of educating courses starting from early child development programs, preparation for school, chess, English, Kazakh languages, finishing with vibrant arts as painting, piano, sculpture, dances. The principle of the company is self-realization and comprehensive disclosure of the child's personality. Center takes care not only of the disclosure of their mental and creative abilities, but also of little clients' health. Therefore, in children's center, only safe play and educational materials are offered to small fidgets: grits, water and sand, which are used for exciting and useful games that develop the fine motor skills of children and increase the stock of their knowledge of the world around them; unique author's study guides, designed and created by hand specifically for our children's center; certified high quality learning materials used in the development center for children. Company has wide range of educating courses, more than 15, starting from early child education programs, preparation for school, chess, English, Kazakh languages, finishing with vibrant arts as painting, piano, sculpture, dances.

1.2 Aim and objectives of the research

Aim of the research was to develop an effective marketing strategy for the Bala Land Childcare Center. The following objectives were established:

- Marketing analysis of the internal and external factors influencing the Company.
- Development of questionnaires for regular research of the needs and preferences of current and potential customers.
- Recommendations for the implementation of an effective marketing strategy.

To achieve objectives of the paper the following research questions were formulated:

Who are our current clients? Are they satisfied with services of the center?

- How to increase number of loyal customers?
- How to attract potential customers?
- Who are competitors?
- What is *Bala Land's* competitive advantage?
- What should be done in terms of promotion?
- What parents value when they choose a childcare center?

2. Literature Review

For a long time, world practice considers public spending on the development of education as a very profitable investment. According to the United Nations Human Development Reports in the education category, such aspects as: coverage and access to education, its quality, the level of education of the economically active population are evaluated. Today, it is the quality of education that is becoming the leading trend in world development. From the first years of independence in the Republic of Kazakhstan, the reform of education was aimed at creating a training system that is consistent with international best practice and covers all levels - from preschool to higher and postgraduate. Nowadays, there are 10 314 pre-school organizations in the republic, including 3749 private ones (Kazakhstan in numbers 2018). In total, 880.8 thousand children are enrolled in preschool organizations, including 307.3 thousand in private ones. The preschool education sector has good growth prospects - due to demographic growth in Kazakhstan, market demand significantly exceeds supply. If in the early 2000s, out of 100 places in kindergartens, 5 places remained unoccupied (2003), then after 2 years there were not enough places in preschool organizations. At the end of 2018, 106 children of the corresponding age were registered for 100 places. The peak of growth in market demand was observed in 2014, when 109 children claimed 100 seats. According to the state education development program for 2016-2019, starting in 2019, children 5-6 years old will be accepted in grade 0 at schools as a transition to a 12-year education model. This model of education was previously tested in 52 schools throughout the Republic, since 2002 and has shown some effectiveness. Accordingly, from the 2019-2020 school years, children aged 5-6 years old will go to school earlier and the number of children in kindergartens as a whole will decrease. In connection with the transition to a new updated curriculum at the school, changes were also made to the educational program of kindergartens. It is worth noting that this education development program focuses on children over three years old.

3. Methodology

This study was divided into 2 stages: research and descriptive. The research phase included a review of scientific articles, books on this topic, an analysis of already published interviews with experts on the current state of affairs on this issue, regulations and government programs. To determine the needs of current and potential customers, a survey was conducted in print version for current clients and link for google form for potential clients. The survey consisted of multiple choice questions, open-ended questions. That's why a mixed methods research design was taken to analyze the results. Mixed method research design is a procedure for collecting, analyzing, and "mixing" both quantitative and qualitative methods in a single study or a series of studies to understand a research problem (Creswell & Plano Clark, 2011). The basic assumption is that the uses of both quantitative and qualitative methods, in combination, provide a better understanding of the research

problem and question than either method by itself. There are several reasons for using a mixed methods design to conduct a study. Having identified the study as mixed methods, next determine the type of mixed methods design. To identify the design first of all 4 questions are needed to be answered (Malhotra, N. K. & Birks D.F., 2007):

1. What priority or weight does the researcher give to the quantitative and qualitative?

Data collection? In our case, quantitative and qualitative data are treated equally.

2. What is the sequence of collecting the quantitative and qualitative data?

They are collected concurrently.

3. How does the researcher actually analyze the data? The data is kept separately.

4. Where in the study does the researcher “mix” the data? The two forms of data mixed during data collection, between data collection and data analysis, during data analysis.

Using these four questions, mixed methods design was identified, which is in our case – Convergent Parallel Design. The purpose of a convergent (or parallel or concurrent) mixed methods design is to simultaneously collect both quantitative and qualitative data, merge the data, and use the results to understand a research problem. (Creswell, J.W., & Plano Clark, V.L., 2011). A basic rationale for this design is that one data collection form supplies strengths to offset the weaknesses of the other form, and that a more complete understanding of a research problem results from collecting both quantitative and qualitative data. How does the process of a convergent study work? The researcher gathers both quantitative and qualitative data, analyzes both datasets separately, compares the results from the analysis of both datasets, and makes an interpretation as to whether the results support or contradict each other. The direct comparison of the two datasets by the researcher provides a “convergence” of data sources. During the study both quantitative and qualitative data was collected. The survey was decided to conduct with the use of open-ended questions in questionnaire and multiple choice questions in questionnaire. This research is made in two phases. For the first, quantitative phase, her research question is “What factors influence clients to attend kids club?” Later, in the follow-up, qualitative phase, question is “When clients mention ‘good level of service’ as a factor influencing them to become a client what do they mean?” In this study, researcher collects quantitative survey data and then follows up with qualitative open ended questions data to help explain the initial quantitative results. The study is conducted using mixed methods research.

4. Analysis and Finding

4.1 Analysis of internal and external factors affecting the operation of the enterprise

4.1.1 DESTEP analysis

DESTEP analysis was chosen for analysis of external environment of Bala Land. DESTEP analysis shows that there are two main trend factors influencing presented business: social and economic. Efficient combination of them helps company to succeed. Environmental and Political factors were not taken into consideration, because they are not so important in the sphere of pre-school education.

Demographical

Population of Kazakhstan was 18,488,450 people as of May, 2019, based on the latest United Nations estimates (Worldometers, 2019). In 2018, natural increase was positive, as number of births was higher than number of deaths. Last year increase in population was 1.55%, this year it equal 1.10% (Worldometers, 2019). Children, who are the basic segment of Bala Land, constitute 1/5th of whole population of the country. On average, a woman in Kazakhstan gives birth to 2.41 children, which is a very high number when compared with other countries (Worldpopulationreview.com, 2018). This is why the population growth rate is also very high. It is around 1.24% (2017 estimate) and will continue to grow until the high birth rate can be reduced in the country.

Economical

GDP of Kazakhstan has increased just on 1,26% during 2018 (Tradingeconomics, 2018). Official anticipated increase in 2018 is 1.7 %, statisticians expect the increase of 1.5-2% (Tradingeconomics, 2018). Analysis of previous GDP ratios shows that country's GDP growth worsened since 2008. The services sector is the most important and accounts for 54 percent of total GDP (Tradingeconomics, 2018). The biggest segments within services are: wholesale and retail trade and repairs of motor vehicles and motorcycles, which constitute 15 percent of total GDP (Tradingeconomics, 2018). Dependence on crude oil price, high import volume, unemployment, low market capability, corruption, bureaucracy, make it difficult to improve situation in short-run. World economy stagnation, resource-oriented exports caused several depreciations of KZT. Kazakhstani economy went through 5 KZT devaluations starting with 4.7 KZT vs. 1 USD. Last depreciation took place in August 20, 2015. KZT exchange rate went down on 28%, which caused enormous reactions throughout all sectors and spheres Kazakhstan business. Economical factor has direct impact on Bala Land profitability, as it influences purchasing power of consumers. It is worth observing country's economic situation as one of the trend-setting factors.

Social

Kazakhstan community is family-oriented. Based on 2017 estimates, children account for 30.4 % of total population of Kazakhstan (Ministry of education and science of RK, 2018). As country has severely continental climate, lifestyle of entertainment in shopping malls is very popular here. 63% of Almaty population, for example, goes to shopping malls for doing shopping, and 21% of them make emotional purchases for treating themselves. So potential customers of Bala Land is wide layer of community.

Technological

Development and popularity of technologies have great impact on services provision business. First of all, it is video surveillance systems with applications for mobile phones to make an ability of controlling children during their presence at Bala Land. Accounting and CRM software that allows companies to cut down expenses and save time to use it efficiently. The company does not have CRM automated systems that will properly control all indicators and sales. Such systems would allow to more effectively analyzing the company performance.

4.1.2 SWOT analysis

The initial step is to conduct a SWOT analysis to identify the strengths and weaknesses of the institution. This will allow you to adjust the direction of marketing and identify key promotion methods.

Table 1: SWOT analysis

Strengths:	Weaknesses:
<ul style="list-style-type: none"> • The location of the center a sleeping apartment area with many young families with children, near the school, allows many parents to be attracted through word of mouth and advertising in the school, • New building with designers modern repair, • A wide range of services to reach a large target audience, • Adequate pricing policy • Excellent methodology and highly educated staff • Highly motivated staff – bonus system • 	<ul style="list-style-type: none"> • High responsibility for children. • The need to look for staff. • The need to increase base of clients attract, new one • New brand – low level of loyalty
Opportunities:	Threats:
<ul style="list-style-type: none"> • Providing wider range of services. • Opportunities to expand own business. • Work in the "useful" sector of the economy. 	<ul style="list-style-type: none"> • High level of competition.

<ul style="list-style-type: none"> • Wide opportunities to attract customers. • The lack of bureaucratization in this area of the economy. • Growth in demand even during the economic downturn in the country. • Low financial barriers to entry to the market (almost no them). • Ease of paperwork. • No need to obtain a license (for our type of developmental center). • Educational sector tax breaks: no VAT and CIT tax. 	<ul style="list-style-type: none"> • Changes in the tax regime for educational institutions, as a result of which the work of the center may be suspended. • Decrease in incomes of the population and as a result decrease in demand for the services provided. • Dismissal of the faculty, as a result decline in the amount of children
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4.1.3 Porter's Five Forces Analysis

Porter's Five Forces Analysis for Child Education Services Industry has been provided. It encompasses the supply-side and the demand-side dynamics, internal rivalry, threat of substitutes and threat of new entrants (Kottler, J.P. (2009).

- **Competitive Rivalry**

Rivalry is high due to there being so many different competitors. Larger companies, such as Umka, Geembory have economies of scale in advertising and administration. However, smaller companies such as Bala Land can use more convenient locations and local networks to their advantage to gain a larger market share of the communities' business. Converting customers who use substitute products is another large part of the competitive rivalry within the industry.

- **Threat of Substitute Products**

Substitute products include childcare facilities and learning centers, individual tutors. Other direct competition also includes established kindergartens, personal babysitters, and the stay at home parents.

- **Threat of New Entrants**

The possibility of new entrants in the industry is high due to the ease of obtaining the necessary documentation and attractiveness of the market. Also, the number of state-supported pre-kindergarten and child care programs continue to grow.

- **Bargaining Power of Customers**

Customers have some bargaining power. There are many options within the child educating industry, but finding high-quality services that is also reliable, affordable, and accessible can be very difficult for working parents. They tend to flock to businesses who can offer products or services that meet their need for a low price.

- **Bargaining Power of Suppliers**

Suppliers have the most bargaining power because they're able to offer greater value without reducing price. Although there are substitutes, it is hard to put a price to value. The greater the perceived value of child educating services, the less likely customers are going to haggle on the price and the greater the chance competitors' customers will want to register their child.

4.2 Analysis of current customers

4.2.1 Portrait of current customer

To understand the situation in the current market of Bala Land, For a more detailed definition of the portrait of the current client of the Children's Center, a survey was conducted among parents. The survey involved 55 people. The survey consisted of two parts. The first part was related to determine the portrait of the current client. The second part was related to determine the needs and wishes of the current client. Descriptive research has been used to gather quantifiable information that can be used for statistical inference through data analysis obtained in questionnaires. This type of research takes the form of closed-ended questions, which limits its ability to provide unique insights. The primary data were collected using quantitative data collection method

mostly through using questionnaire survey-based methodology. Other methods included open-ended questions in questionnaire that represented a qualitative data collection method.

Sampling Method:

Population description: The sample population was family members who bring their children to our center for education purposes. Their age range is 20 and older, families who have children with middle and upper middle incomes.

Sampling area: Research was carried out at the premises of Bala Land.

Sample size: an estimated sample size was 110 consumers out of the total available database of customers. The response rate was 50% with 55 respondents who reacted to questionnaires that measure the satisfaction level. The questionnaire for the survey is attached in Appendix 2. The questionnaire was divided upon different criteria, like the product itself, differentiation of services, employees’ performance, entry rates, facilities etc.

Sampling Procedure: Judgmental sampling for the survey was chosen which is more convenient for the owner of the business, where subjects were selected according to which were best representatives of the population with regard to the attributes or characteristics under research. To collect the information, customer evaluation box was introduced and the questionnaire forms were distributed at the cashier for customers to fill-in or same questions were asked orally.

Sampling Unit: Target customers were housewives who spend most of their time with children, busy moms who have nannies, or leave their kids at child learning centers, fathers who come with children and grandmothers. Age and income segmentation were not an issue, the segmentation variables were according to gender, lifestyles, occupation and approach to children upbringing.

Interpretation: Data have been analyzed and presented by using charts and tables through Microsoft Excel.

4.2.2 Data Analysis

The findings from questionnaire data are provided below.

Current clients of the childcare center have following features:

- ❖ Age 26-35 - 56% of respondents
- ❖ Higher education – 85% of respondents
- ❖ Attending any other childcare center – 34% of respondents
- ❖ Income of a family – 500 000 and more – 75% of respondents

Table 2. Meeting and Greeting Clients (parameters: provision of information and friendliness of reception personnel)

Rating Scale	Frequency of Responses
Excellent	38
Good	11
Average	6
Poor	0
No. of Respondents	55

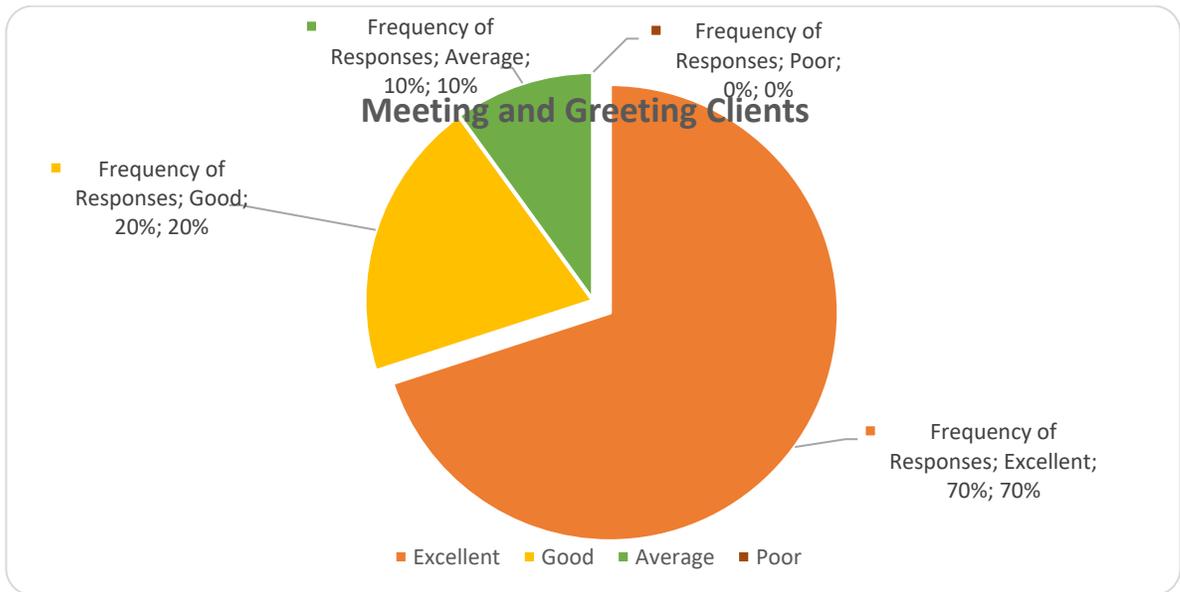


Figure 1. Customer Satisfaction by Meeting and Greeting Clients Criteria in %

Here, 70% of respondents think that they are provided with excellent service in terms of meeting and greeting criteria, 20% think it is good and only 2% rated staff at reception performance as average, they offered us to create a universal uniform for the teaching staff.

Table 3: Floor Staff Performance (parameters: interaction with children)

Rating Scale	Frequency of Responses
Excellent	44
Good	7
Average	4
Poor	0
No. of Respondents	55

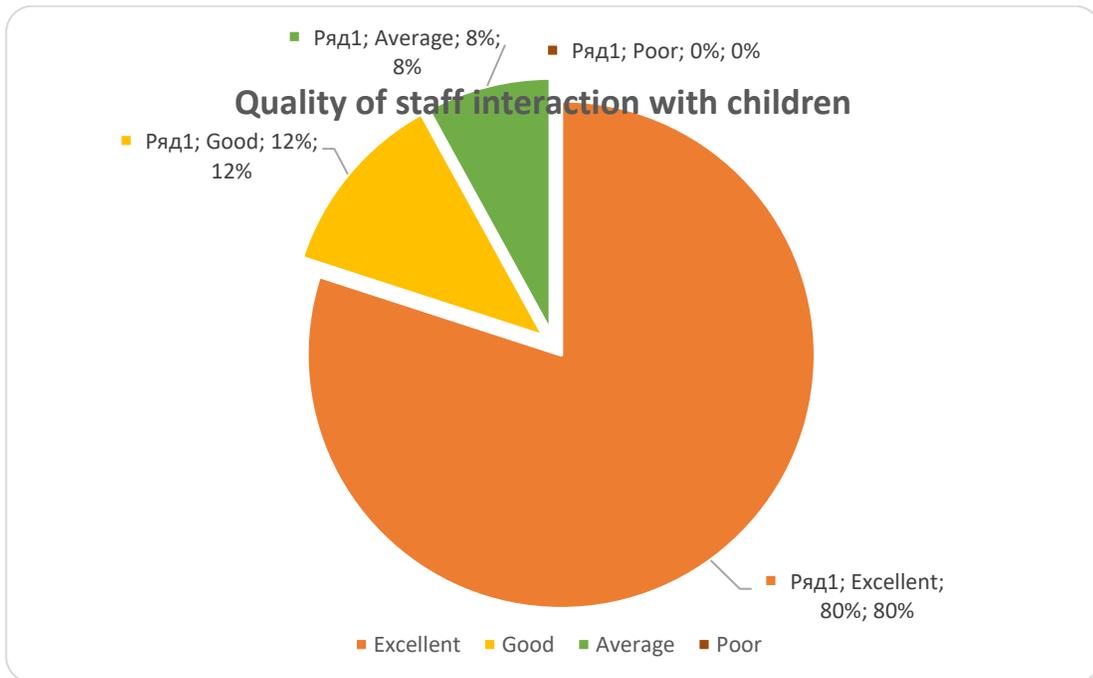


Figure 2. Customer Satisfaction by Floor Staff Performance Criteria in %

Staff performance by parameters of interaction with children produced the most unexpected results as 30 respondents gave an “Excellent” rating for this, 80% of respondents. This means that customers are highly satisfied with how employees do their job and play with children. This criteria was the most important in the survey, because it directly reflects how customers view performance of employees and this criteria provides with a view that 80% of customers are likely to come back.

Table 4. Physical Environment (parameters: safety and quality of equipment)

Rating Scale	Frequency of Responses
Excellent	36
Good	13
Average	6
Poor	0
No. of Respondents	55

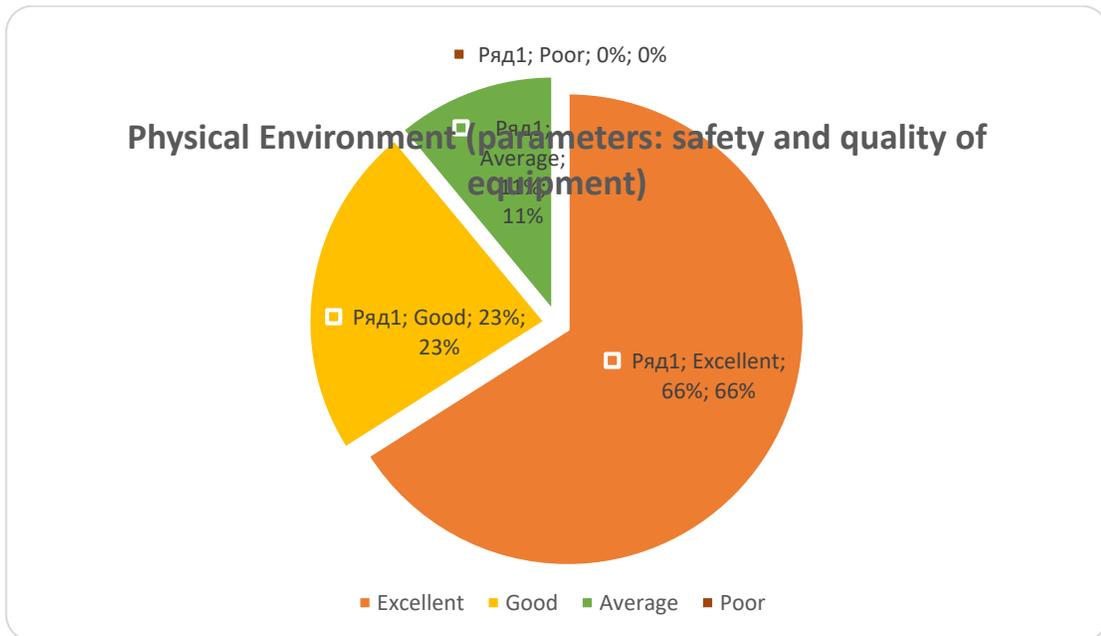


Figure 3. Customer Satisfaction by Physical Environment Criteria in %

Physical environment criteria was evaluated by parameters of safety and equipment range of teaching aids. Most of respondents are satisfied with safety of the educating area and think premises is highly equipped with necessary staff, still 2% of respondents are not satisfied with the state of equipment. In terms of safety, parents concluded that advanced technological solutions are required for them to be able to oversee their children through applications on smart phones.

Table 5. Rates and charges (parameters: price meets quality)

Rating Scale	Frequency of Responses
Excellent	31
Good	13
Average	10
Poor	1
No. of respondents	55

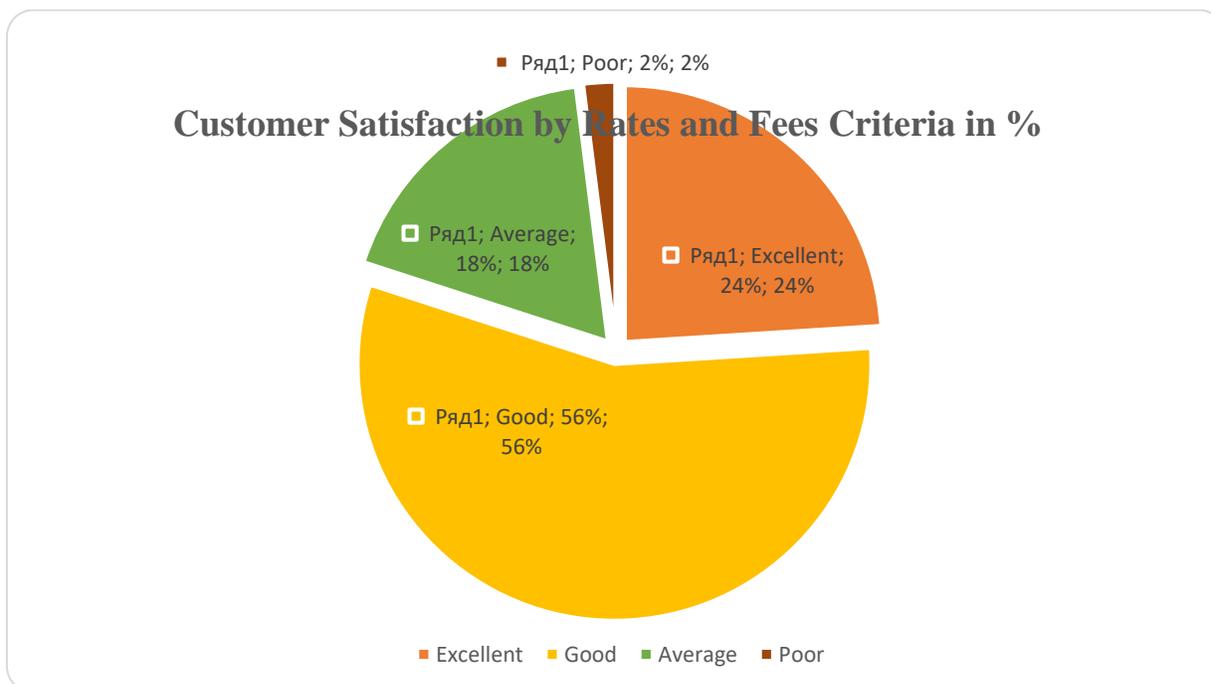


Figure 4. Customer Satisfaction by Rates and Charges Criteria in %

Course fee at kids educating centers is always a considerable factor to the customer to be satisfied with. Customers were asked whether Bala Land charges reasonably for the service they are providing to the customer. Among 55 customers, 18% responded “Average” and 80% said “Good and Excellent” the rest rating pricing as poor. That means that more than a half of the respondents are satisfied with the pricing system at the center. There were also additional comments given, stating that pricing particularly are not flexible for single mothers and guardians, as for these families attending our premises becomes a cost burden.

Table 6. Variability of services (parameters: educational services, foreign languages, creative activities, developmental activities)

Rating Scale	Frequency of Responses
Excellent	35
Good	9
Average	7
Poor	4
No. of Respondents	55

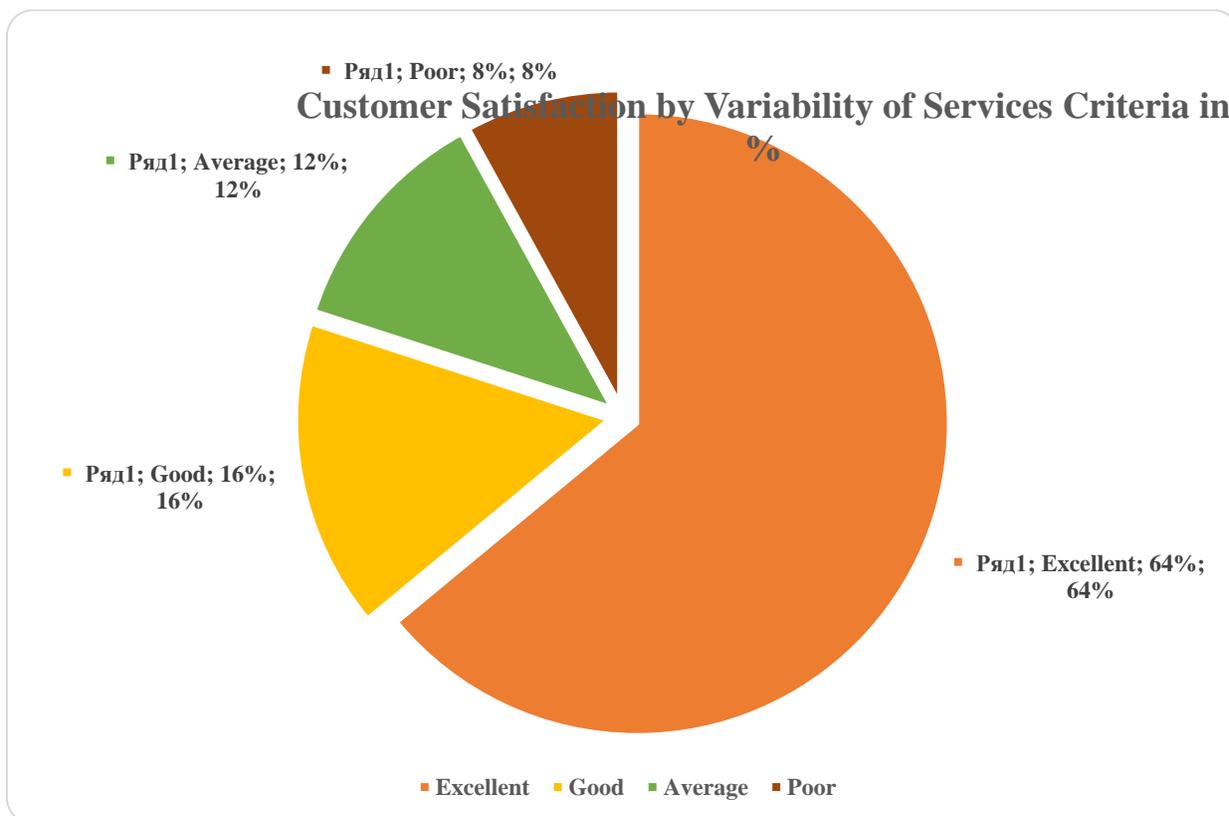


Figure 5. Customer Satisfaction by Variability of Services Criteria in %

64% of respondents are content with the variability of services that Bala Land provides for children. These services mostly include educational services (preparation for school, reading, math), foreign languages, creative activities (painting), developmental activities (for one year old children). Some respondents mentioned the ability to be taught in Kazakh language, others suggested to add some additional programs for physical activities, and implement afterschool care.

Table 7. Overall quality of service (based on parameters above)

Rating Scale	Frequency of Responses
Excellent	35
Good	13
Average	7
Poor	0
No. of respondents	55

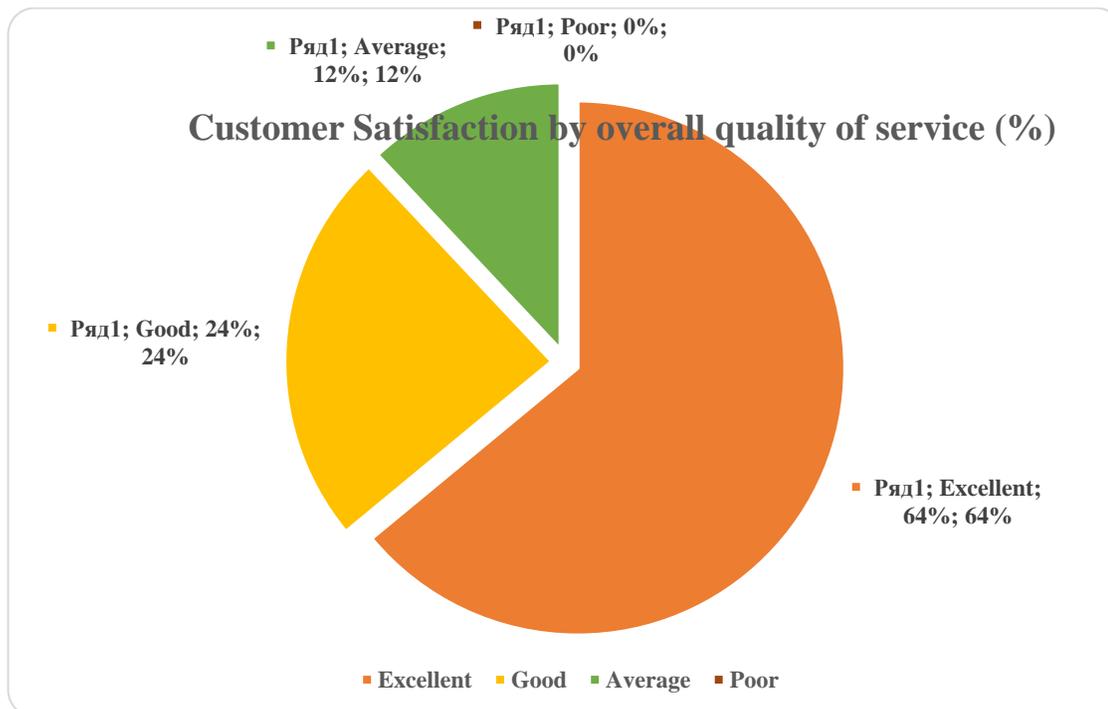


Figure 6. Customer Satisfaction by Overall Quality of service in %

Most of the customers (64%) are satisfied with the overall quality of services provided. 24% think that the overall quality is good and 12% of respondents believe it is generally average. According to the surveys conducted on this study, 64% of the customers consider that variety of services provided at Bala Land is enough to satisfy their needs and expectations. This could be influenced by the fact that the company strives to provide new craft and art classes and performances for children on a weekly basis so that regular customer does not get tired of the services. In addition, customers do not face difficulties using Bala Land services because they are located near their houses. Moreover, customers are able to prepay for classes they attend. 20% of the customers consider that the entry cost is high in particular for multi-children families, single mothers and guardians. Also, 50% of the customers find that the facilities are super convenient and 80% consider the quality of premises is good. In addition, all the customers surveyed consider that the staff is highly trained and perform their duties in an efficient manner. Additionally, 80% of the customers consider that the employees greet them well when they arrive, 76% of the customers consider that the employees are friendly and courteous. In addition, 87% of the customers find that the employees react well to their complaints and suggestions. All this data suggests that the customer service at Bala Land is outstanding added to the fact that 88% of customers would likely recommend the educating center to their friends and colleagues.

4.3 Analysis of potential customers

4.3.1 Portrait of a potential target customer.

The needs of the potential target customer were identified as a result of a study conducted among 78 residents of Almaty. The majority of customers agreed that early education centers are efficient because kids get ready for the elementary schools acquiring reading, writing and numeracy skills. According to the report made by the Ministry of Education and Science (3) there is a high demand for kindergartens, mini centers and early education centers due increased birth rate. The shortage of public pre-school entities resulted in the rise of demand for private ones. Since it is market, there is a competition. In order to expand market share, the director of *Bala Land* Center has to identify the opportunities in early childhood education service sector.

4.3.2 Data Analysis

The type of research design used is descriptive. Because structured direct survey was created for prospective customers - method of obtaining information based on the questioning of respondents and spread it through web based questionnaires made using Google Forms tools (available at: <https://forms.gle/MmzH8QeUMgaxSjQX9>). Potential number of correspondents expected to be 150 individuals. In fact, response rate is 48%, so far, exact number was 78 respondents. To understand importance of pre-school education for our clients itemized rating scales were used. Questions were multiple choice questions, dichotomous and scale and the words used which are easily to understood by the respondents. Questionnaires were prepared in 3 languages to have higher respondent rate – English, Russian, Kazakh. Estimated number of questions is 15. Questionnaire were pretested through sending out to few friends and relatives. All aspects of the questionnaire were tested, including question content, wording, sequence, question difficulty, and form. With few respondents pretests was done by personal interviews. Protocol analysis were used in pretesting. The responses obtained from the pretest were coded and analyzed.

Respondents' Profile

The background information provides the following respondent profile. The average monthly income of the respondents is quite high, half of them at have at least above 300 000 KZT per month. Every second surveyed individuals (56%) are between 26 and 35 years old. The following more frequently mentioned age category is 36-45 years old (41%). Nearly all respondents fall into these age categories. More than 50% of respondents live in neighboring districts - Bostandyk and Auezov ones.

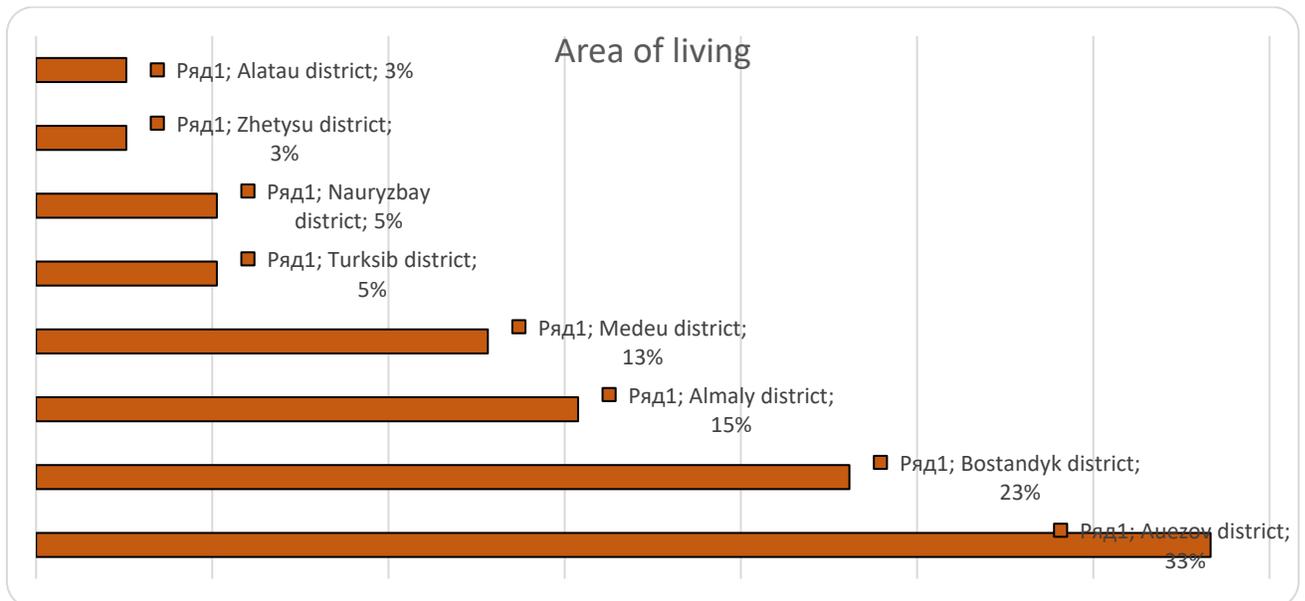


Figure 7. Area of living of the respondent

Almost 80% of respondents have higher education degree, so the surveyed population is quite well educated. Nearly 75% of respondents admitted that their children visited some early childhood education center.

Table 8. Respondent Pool Statistics

Category	Frequency of Responses	% out of all respondents
Average monthly income		
below or equal 100 000 KZT	10	13%
100 001 - 300 000 KZT	26	33%
300 001 – 500 000 KZT	20	26%
500 001 or above	22	28%

Age Category		
26 - 35	44	56%
36 – 45	32	41%
46 and above	2	3%
Education background		
higher education degree	60	77%
postgraduate degree	8	10%
vocational school	10	13%
Area of living		
Auezov district	26	33%
Bostandyk district	18	23%
Almaly district	12	15%
Medeu district	10	13%
Turksib district	4	5%
Nauryzbay district	4	5%
Zhetysu district	2	3%
Alatau district	2	3%
Attending any childcare center		
Yes	58	74%
No	20	26%
Total	78	100%

The teaching styles that respondents prefer are the following: *I am familiar with the listed styles but I do not have any preference* first position (28%), and second position – *Montessori* (26%). From this answers conclude that respondents do not have any particular preferences and mostly aware of Montessori school. This means that potential customers should be informed about the benefits of the Bala Lands teaching style.

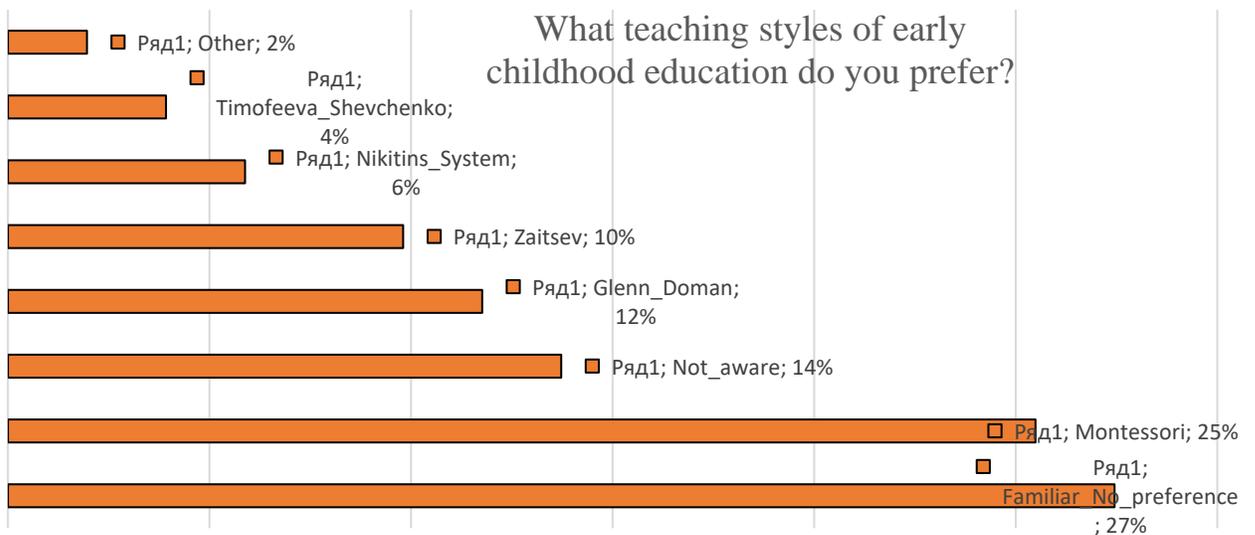


Figure 8. Teaching styles

The criteria chosen by parents to select childcare center follow this ranking: qualifications of teachers and kind, accommodating attitude to a child represented nearly third of respondents. Third position sanitary condition which is 13%. Least considered criteria's are word of mouth and short travel distance to a center. This is unexpected from the hypothesis because it was supposed that the latter two criteria are very important.

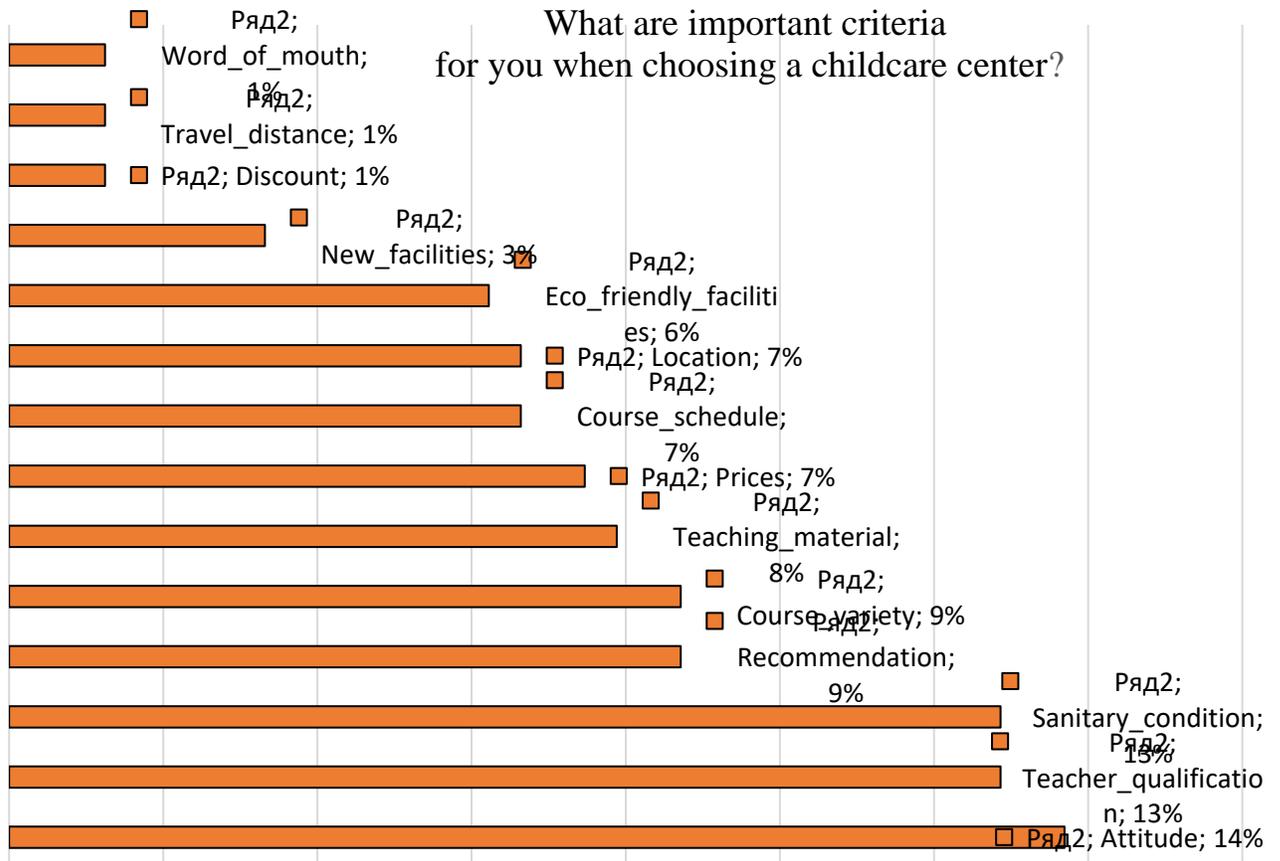


Figure 9. Important criteria's for choosing childcare center

Statistics of answered respondents about eco-friendly facilities are 54% of parents prefer school with eco-friendly facilities. While the rest of parents said that for them it doesn't matter, they don't know or it is not relevant. From this results the hypothesis: "new and eco-friendly facilities are important in selection process" is confirmed by the survey. Respondents answered that they are interested in discounts but they prefer to check the details of the offer. This option was chosen by 64% of respondents. Second portion of respondents is made by people that would look through all the services included in the offer. Minority of respondents said they would enroll their kids. This means that discounts do not easily change the minds of parents as they prefer to be more informed before deciding to enroll in pre-school institutes.

Analyzing channel of information about child care centers concluded that recommendations of people that I know is the most used channel. Second position Instagram channel and third place word of mouth. The hypothesis about Instagram account and word of mouth are confirmed by results of survey.

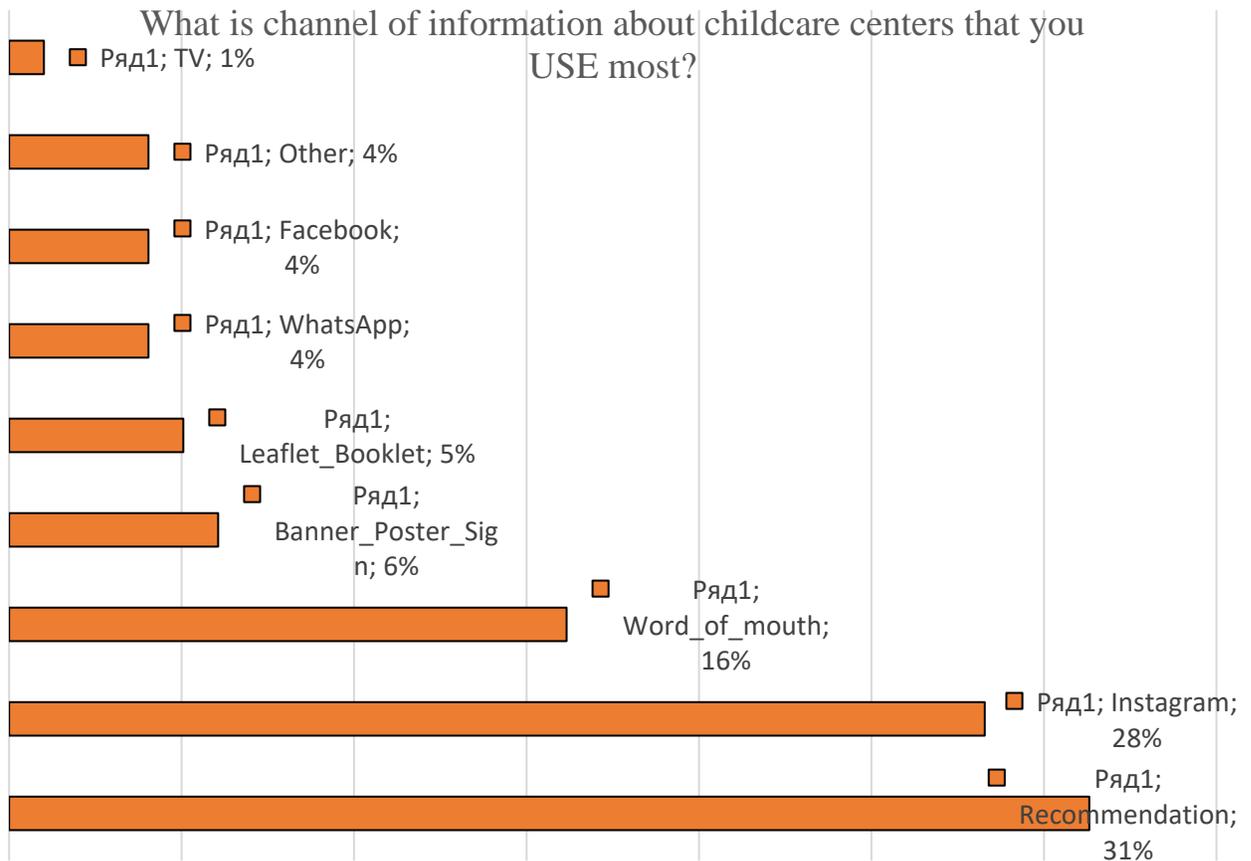


Figure 10. The most popular channel of information about childcare center

The channel of communication that is trusted mostly is the recommendation from people “know, Instagram and word of mouth”. This is quite interesting as a result, because even though parents look for information through social media, they still prefer personal advice. Considering the reasons that could influence the decision to change the current childcare center for another one, the most selected from the online questionnaire were these ones: more qualified teachers, more convenient location and move to another place of living. Location is indeed one of the very important factors that, as we imagined beforehand, influence the choice of the childcare center. The most attractive features of the competitor child care centers can be analyzed by category.

5. Limitations

Several limitations to the study was considered. First of all, target population is not so easy to identify and reach in Almaty, as there are no contact list (White Pages) or sampling frames that may help us to find these people. Secondly, time was not enough to gather at least 100 respondents (which was supposed to be the minimum to have reliable conclusions), as not all our contacts were willing to participate in our survey.

6. Recommendations

Marketing recommendations will be given for each section of 4P.

Product.

As the result of the investigation it was found that the majority of customers are satisfied but not fully satisfied about the service and facility provided by Bala Land. The specific tasks of the children's development club are also determined:

- creating a favorable development environment in which the child will feel comfortable;
- development of the child's interest in self-knowledge of the world;
- creating favorable conditions for the development of the child's abilities;
- creating a psychologically comfortable environment;
- socialization of the child;
- an individual approach to each child.
- add sports clubs in martial arts, open groups in the Kazakh language of instruction, vocals, playing other musical instruments.

Promotion.

The advertising of the children's center should contain a maximum of useful information, on the basis of which potential customers will be able to form an opinion about institution. For business at a children's development club, the most effective promotion tools will be:

- 1) Creation and promotion of a children's club's own website with the parallel management of its own group on social networks. The content of the group or profile should be diverse, including not only organizational issues and advertising of the club's services, but also should contain useful information - these can be tips for training, various articles telling about the benefits of a particular lesson, etc. Through social networks it is convenient to carry out various promotions and bonus programs.
- 2) Placement of an announcement about a children's club in schools, state kindergartens and other crowded places of the target audience.
- 3) Posting ads in homes that are geographically close to the institution. The most effective in this case is advertising in elevators.
- 4) Posting information regarding the children's club on various thematic forums in cities.
- 5) Participation in various recreational activities, active social work, sponsorship in projects.
- 6) The provision of additional services. This can be a free trial lesson or a video surveillance service that allows parents to watch online how classes with their child are broadcast online.
- 7) Competition reviews, which allows you to disseminate information about kids club, use the word of mouth tool and attract new customers.

Place

The study's results lead to recommend that Bala Land really should expand and open new branches in other regions of the city, or it could be feasible to start selling franchise options for owners who do not have enough experience in this sphere, but have desire to develop their business in the sphere of education.

Price

The company could do so by implementing special discount for this category of clients, for example offer 10% discount. Introduce loyalty cards and bonus system for VIP clients in order to be more flexible with pricing and build stronger relationships with current customers. Another recommendation is to invest in CRM solutions that will help providing customers a more personalized service; this will help maintain the current customers and to attract new customers to Bala Land.

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УДК 336

“FINANCIAL PERFORMANCE OF COMPANIES, WHO HAVE BEEN IMPLEMENTED INNOVATION POLICY IN THE REPUBLIC OF KAZAKHSTAN AND APPLIED FOR STATE PROGRAM ON GRANT SUPPORT”

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ABSTRACT

Economy of Republic of Kazakhstan historically were based on mineral resources extraction. Being a part of planned economy of Soviet Union grand economy Kazakhstan for 70 years were exposed as source of mineral extractions, iron, coal and starting from mid 1950s of wheat. After gaining independence and going through all steps of economy transformation from planned to capital based economy, Kazakhstan started to turn into industrialization phase, investing into production sites, innovation and technology usage.

This paper examines list of companies, which started implementation of innovation techniques and technologies, both for raising production effectiveness and finding out new solutions and even new productions.

PROBLEM STATEMENT AND OBJECTIVES

Historically economy of the Republic of Kazakhstan was considered as resources based for Soviet Union's needs. This situation was structured from several facts. First, is capacity of mineral resources within Kazakhstan's territory, about 1/3 of all mineral resources in USSR were allocated on the territory of our Republic. Secondly main production sides were built or transferred during World War II and policy of Moscow was not aimed for industrial development of this particular region. So after gaining Independence in 1991 country faced a difficult situation and a lot of questions and problems had to be resolved during that period. In early 2000s country started to implement industrial development strategy. Innovation fund was opened, it was one of the first steps to massive industrialization. While several support program were implemented primarily among several segments, innovation and technology development with risky projects were still on cases stage. In 2010 grant support program had been established. That special program was designed and implemented primarily to encourage business and productions to involve into innovation development, usage of technologies both production and management and with those initiatives raise compatibility level of local manufacturers. Another purpose was to encourage to invest in technology development and commercialization of own research and development products and results.

The main purpose of conducting this research is to investigate whether allocating to innovation and research and development within production counts as beneficial policy or strategy for company within new emerging market and with strong government support. Another objective could be counted as subsidiary is to assess effectiveness of governmental support policy on innovation and technology implication initiatives,

because taking into account that policy implemented and support granted strategy is relatively new for the market of Kazakhstan's Republic no fundamental or case based research been realized.

Motivation for conducting this kind of investigation are personal for me because it primarily examines my work within "National Agency for Technological Development" JSC (thereafter – NATD). NATD is obliged to realize state policy of innovation initiatives support from the first hand. I have been involved firstly into the process of application expertise, both technical and economical, after I had an experience of working within project group responsible for controlling of companies which had already obtained support from the Republic. And after that stage I have been moved to work on application process, starting from consultancy to grant issuance. So taking into account that I have been involved into whole process from application to final control and assessment, for me research would be as summarizing act and will show joint pattern or justify my observations that I have made while working at NATD.

As for implications, results of research as was stated earlier could be used to assess state policy on usage of grant support tools. Also it could be used as a guidelines for companies aiming for further development and those who has concerns about investing in risky initiatives like research and development, technology acquisition or building innovation implementation within their productions.

Currently there is no working publications or investigations conducted on topic of innovation usage in Kazakhstan, because it is relatively new field and available data allows investigating on small sample sized groups. Nevertheless, it is an excellent opportunity for researchers to make a significant contribution with practical implication.

Problem and limitations according to this research specifically is data gathering and timing, and also scarceness of open-to-public information. In another hand that would be also counted as strong asset for our work, because we have enough data on financial and non-financial information and statements of grant applicants during year 2013-2015, which allow us to observe initial state of those companies easily.

PRELIMINARY LITERATURE REVIEW

First article that would be a start for our research is written by group of scientists in Nigeria and is aiming to find out could small and medium sized manufacturing enterprises in Nigeria innovate and implement technologies in their production sites. Taking into consideration that we are going to investigate in our research not only big production sites but also small and medium sized enterprises with willingness to implemented new ideas and innovations this paper on performance and ability to innovate and also what factors describe those abilities.

A sample population of 100 companies in the field of food and beverages, pulp, paper products, plastic and rubber products segments were allocated for this study. Questionnaire was used as main data gathering tool and after that descriptive and inferential statistics techniques were used to analyze the data.

Paper also investigates involvement of National Innovation System and how knowledge is spread throughout different organizations and decision-making institutions and how successful this exchange. According to results, out of 100 questionnaires 89 were used for analysis, average age of companies was 14 years with average number of people employed being 54. Main result is that according to companies own assessment about 18% of them achieved innovation. According to researchers about 16.9% of companies have been achieved innovation. But at the same time none of companies according to researchers achieved major results in innovation or unique and science – based. The main result according to the paper is that innovation implementation can be achieved by implementing special techniques on technology usage, production organization or management. Paper also demonstrates that higher degree of employees primarily influence on innovation implementation level, especially among management or founders.

In comparison Nigerian and Kazakhstani's initiatives are similar in way that both are aiming for leverage of competitiveness level of production companies and making them being able to survive in world market with free product exchange.

Second paper was written by Ondrej Zizlavski, representative of Brno University of technology in Czech Republic in 2014 and presented during 19th International scientific conference in Riga, Latvia.

The main objective of this paper is to focus of measurement techniques of innovation projects. NPV (Net Present Value) has been used as the main one along with detailed literature review, specifically focusing on economic performance of the innovation projects. Authors are proposing to use three methods preliminary focusing on long-term results and taking into consideration riskiness on innovation projects:

1. Risk – adjusted NPV – this method could be difficult to implement as long as Kazakhstani market in sense of innovation and readiness for adjustment is not stable enough and also keeping in mind that several sources of political kind or financial decision could interfere into the process.
2. Certain equivalent NPV – this method could be used because it examines future cash flows at the same time available data contains information about future 3 year period of predictions about cash flow input.
3. Stochastic NPV – this method could be used as a role model but in reality can cause some disturbances because probabilities' range would be wide.

The paper itself does not contain conducted research; it can be used as pre-research guidelines for study conduct with data and parameters.

The work emphasizes again the need of in-depth research on innovation implementation experience of companies and their financial performance, question that we want to try to answer during our own study. Thus, to find out if companies engaged in innovation and technology implementation are shown better results of financial performance after experiencing and realizing those initiatives.

And third article has more practical meaning in long-term, it goes two steps ahead. If our hypothesis would be settled and we would found out direct positive impact of innovation implementation and financial performance, next step is to give companies guidelines on how to encourage and implement innovation policy and this article is all about that.

Paper also focuses on developing methodologies for small and medium sized companies, which are also our main focus. There is also assessment of research and development initiatives within companies and usage of best techniques for that purpose mainly focusing on how to settle management and flow of information among main participants.

Primarily for this stage of research this paper would not be as useful as for post-research work.

As it was already mentioned there is scarcity of information Kazakhstani market of innovation implementation and innovation usage. This particular fact can cause some level of uncertainty, at the same time it also can be considered as additional motivation to conduct research and write down about the thesis topic.

УДК 336

“FINANCIAL PERFORMANCE OF MICROFINANCIAL INSTITUTIONS IN KAZAKHSTAN”

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Abstract

Relevance and goals. The activities of the Microfinancial Institutions (hereinafter – MFIs) in terms of growth in profit abilities are subject to a variety of external and internal factors. It is necessary to comprehensively evaluate the influence of factors for the implementation of the process of forecasting and identifying the reasons that are stimulating or blocking the development of industry health. MFIs would be able to find the definition of the main measures to optimize their activities and improve its operation efficiency. Disregarding the impact of these factors, it is impossible to shape the development strategies of the MFI and the banking system generally.

Materials and methods. In this study, I used the multiple regression method, statistical research methods to estimate the influence of macroeconomic and internal factors on the level of development of MFIs health in Kazakhstan.

Results...

Findings...

Keywords: MFI, Retained Earning to total Assets ratio, Retained Earning to total Equity ratio, company's asset size, Debt to Equity ratio, Coefficient of own capital adequacy k1, Coefficient of maximum risk for one borrower k2, Inflation rate, GDP growth, Kazakhstan.

History

Microfinance performs several important socio-economic functions. First, it provides an opportunity for wide segments of the population realize entrepreneurial initiative, helping citizens to start their own businesses first, becoming entrepreneurs, and then develop it into micro and small business.

Secondly, through the provision of consumer loans, microfinance increases purchasing power and living standards of the population, the most socially vulnerable its parts (pensioners, students, cadets, etc.). Unlike microcredit, traditional bank lending technologies, as a rule, do not allow large-scale work with data customer categories.

Thirdly, the spread of microfinance can also reduce the shadow component in the economy. This is due to the fact that all institutions working in this niche lead quite transparent activities themselves and require the same from their customers. Also with development microfinance base is gradually narrowing for "shadow usury." It is more profitable for entrepreneurs to apply to MFIs, where the fee for the use of funds below, the processing of loans takes place promptly and, most of all most importantly, the transaction is legal. Finally, MFIs, stimulating the development of micro and small enterprises through the issuance of microloans, are growing future banking clientele [3].

In world practice, microfinance exists and develops for more than 30 years, gradually becoming more and more serious factor in economics and social life as developing as well as developed countries. First microfinance project accepted consider the project for financing the poor, developed in the 1970s. Professor Mohammed Yunus from Bangladesh. He issued to the inhabitants of this country as loans small amounts of own money provided that they will not be spent on consumer needs, but invested in a small own business. Over time, this initiative grew into the creation of public organization - Grameen Bank (Grameen Bank of Bangladesh) - the first microfinance bank in the world, which to this day remains the benchmark of the "classic" effective microfinance (today its clients are millions of people). At the same time, similar projects were implemented in Latin America and Africa.

Widely known for lamas of their countries received many national microfinance leaders, including Banco Solidario (Bolivia), Compartamos (Mexico), Enterprise Development Group (USA). In recent years, many countries have microfinance development have made significant strides in securing broad strata population financial services, in connection with which the deficit of the latter on a global scale is gradually decreases. Only for 2004-2006 volume of assets the global microfinance sector doubled, exceeding \$ 100 billion, and the number of my clients grew by 50%, exceeding 80 million people in more than 100 countries. If as of January 1, 2004, 135 leading MFIs had an aggregate loan portfolio about 3 billion dollars and served more than 9.5 million customers entrants, as of January 1, 2006, 150 leading MFIs had the total loan portfolio is already about \$ 5 billion and served over 20 million customers.

In poor countries (such as Bangladesh) MFIs play a very important role, giving out hundreds of thousands loans (sometimes just a few dollars) and creating an opportunity for their recipients literally make a living. At more developed countries, microfinance activities are structured somewhat differently, we are talking about more large loans provided to support certain vulnerable social groups or certain activities. Therefore, not by chance that the UN declared 2005 the year of microfinance and in 2007, the Nobel Peace Prize was awarded to the founder of the microfinance movement, Mohammed Yunus [4].

Industry and Legal

Microfinance in Kazakhstan began to develop much later than in others countries since about the mid-2010s. Wherein the boom in the development of microfinance MFIs in one form or another has already fallen on first decade of the 21st century so if in 2013 an MFI there were only 5, at the end of 2015 there were it was already 71, and nowadays October of 2019 - about 170. Between 2016 and mid of 2019 loan portfolio has

grown more than 4 times, amounting to about 267.371 billion KZT (On 1 July 2019), and total assets amounted to 302.558 billion KZT [15].

However, the development of microfinance in Kazakhstan began in a complex legal environment characterized by the lack of basic federal legislation governing the activities of MFIs. In this period, the microfinance activity was carried out on the basis of the norms established in the Civil Code of the Kazakhstan. Such situation restrained the development of the microfinance market, and in a number of cases legitimacy of the activities of a number of its institutions, primarily organizations that are not credit was doubtful. Often such organizations and their leaders were accused of conducting illegal banking activity because they provided loans, which is one of lines of activity of credit organizations (banking and non-banking).

Formation of the legal field of activity non-microfinance institutions credit organizations at the federal level started 2012. Federal Law of the Republic of Kazakhstan entered into force in 26th November 2012 No. 56-V. “On Microfinance organizations” (hereinafter – MFI Law).

The MFI Law brought microfinance to a qualitatively new level, turning MFIs into civilized participants in the financial market. He is clearly defined concepts such as “microfinance organization”, “microfinance activity”, “microloan”, etc., and established the legal framework and the procedure for state regulation of activities This MFI brought transparency and orderliness to this segment of the financial market of the country.

Now in Kazakhstan microfinance activity (microfinance) is recognized microloan activity. Main characteristic of this financial instrument is the amount of loan that can be provided for one borrower. The amount cannot exceed eighty times the size of the monthly calculation indicator established for the corresponding fiscal year by the law on the republican budget. Carry out microfinance activities on credit organizations are entitled to a legitimate basis (banking and non-banking), pawnshops and other legal entities. However, as an MFI, it is only entitled to implement it legal entities that have acquired such status in the manner prescribed by the MFI Law.

Legal entity acquires MFI status after making an entry about him in the MFI state registry. One of the prerequisites for obtaining the legal entity of the status of an MFI is its legal form. The applicant must be registered in the form of business partnership. Application for entering registration submitted to the authorized body, which is considering it and in the absence of grounds for refusal no later than 15 working days from the date of receipt of documents is obligated to enter the MFI in registry of MFIs. Only after this legal entity acquires the status of MFIs and, accordingly, rights and obligations under the MFI Law. It should be noted that the National Bank of the Republic of Kazakhstan not only maintains a register of MFIs, but also implements in the future control and supervision of their activities [7].

Literature Review

The literature review focused on the determinants of MFI performance and profitability associated with internal and macroeconomic factors. Set of MFI characteristics, macroeconomic and regulatory indicators as well as financial structure variables were set in order to explain MFI health. This paper examines the effect of defined independent variables (MFI-specific, macroeconomic, and industry-related) on the profitability of the Kazakhstan MFIs industry. In the literature, MFI profitability is typically measured by the return on assets (ROA) and return on equity (ROE). It is usually expressed as a function of internal and external determinants.

(Lanchen El Kharti, 2014) In the panel data analysis of determinants of financial performance of MFIs in Morocco, results showed that age and productivity ratio didn't have influence on ROA and ROE. It is explained that probably because the management of observed MFIs were not mature enough, which interfered loan officers from acquiring required level of technical knowledge.

Vice-versa, MFIs with portfolio at higher risk have higher instability. Huge impact on ROE is explained that at the start MFIs credit are distributed mostly from equity. That means, MFIs with high with high portfolio credit risks lead to limiting revenue, which limits amount of money to loan. The portfolio at risk over 30 days

is the most significant determinant of the MFI sustainability, having the highest regression value. Author suggest to MFIs' management to focus risk management.

Analytical Framework

I am going to use multiple linear regression analysis technique for identifying relationship between dependent and independent variables. The present study involves two models consisting of two different dependent and six independent variables.

For the significance level I took 0.05.

The form of our equation for multiple regressions:

$$Y1 = \beta0 + \beta1 X1 + \beta2 X2 + \dots + \beta6 X6 + \varepsilon$$

$$Y2 = \beta0 + \beta1 X1 + \beta2 X2 + \dots + \beta6 X6 + \varepsilon$$

Where,

$Y1$ and $Y2$ are dependent (explained variables);

Xi = i th independent (explanatory variable), $i = 1, 2, \dots, 6$;

$\beta0, \beta1, \beta2, \beta3 \dots \beta6$ are the partial regression coefficients of respective independent variables.

As dependent variables I chose Retained Earnings to Assets ($Y1$) and Retained Earnings to Equity ($Y2$) ratios. For the independent variables that are considered in study are Asset Size (Size), Debt to Equity (D/E) ratio, Coefficient of own capital adequacy ($k1$), Coefficient of maximum risk for one borrower ($k2$), Inflation rate, GDP growth (GDP).

Null and alternative hypothesis tests for my models defined as following:

1. $H0$: Size, D/E, $k1$, $k2$, inflation and GDP have no impact on RE to Assets;
2. $H0$: Size, D/E, $k1$, $k2$, inflation and GDP have no impact on RE to Equity.

The prudential standards and other norms and limits binding on the MFI are developed in accordance with the MFI Law and establish prudential standards and other norms and limits binding on the MFI and the methodology for their calculation.

Retained earnings - this is the part of equity that has been accumulated since the establishment of the MFI, i.e. it reflects the capital formed as a result of current activities. The amount of retained earnings enables shareholders to determine the actual return on investment in company, evaluate the activities of the company's management and take into account the risks associated with investments. The indicator of retained (net) profit is the basis for declaring an annual dividend. Shareholders, making a decision on the distribution of profit for the reporting year, determine the amount of dividends (profit per share), deductions from profit to reserve capital, if its formation is stipulated by the accounting policy of the enterprise, deductions for the repayment of losses of previous years, and part of retained earnings remaining organizations as an additional source of financing activities.

Coefficient of own capital adequacy of a microfinance organization is characterized by a coefficient $k1$ and is calculated as the ratio of equity to the amount of assets on the balance sheet. The coefficient $k1$ has to be at least 0.1.

The maximum risk per borrower is characterized by a coefficient $k2$ and is calculated as the ratio of the risk size of a microfinance organization per borrower for its obligations to the equity of a microfinance organization. The coefficient $k2$ does not exceed 0.

PRELIMINARY METHODOLOGY

For research realization a set of data about grant applicants would be used. Application for grant support in 2012-2015 required submission of several forms and company's documents for obtaining state support. Because all of the grants were not fully financing projects, economic and financial research and assessment has

to be conducted. For that reason in application package companies or individuals has to include financial statements referring to first group and prolonged cost frame for both groups - companies and individuals.

As for primer sample we will choose group of applications which satisfy following criteria:

- Availability of financial statements, thus these criteria eliminates our research only to companies. Individual entrepreneurs were eligible to send application but only for international patenting and technology commercialization.
- Availability of financial statements after approval of grant issuance. This criteria narrows sample size to less participants, because it takes into consideration only those who have been obtained government support for innovation implementation and obliged to perform and follow policy of innovation.

Those are main restrictions that influence on number of companies participating in the research. Time framework for data analysis would be taken before grant approval, approximately 2013-2014 and after grant realization after four-five years, thus 2018-2019 years.

All parameters would be analyzed based on financial statements figures and also accounting ratios would be used in order to find out similar pattern among all companies. Quantitative data provided in application and available now on public sources like KASE (Kazakhstan stock exchange) would be also used and examined.

In the research we are going to justify that companies' being active in implementing innovation and seeking fund for technology usage were more beneficial after taking money under the framework of state support program of innovation grants. At the same time usage and spread of money being exposed for grant can affect capitalizing parameters of companies. Keeping in mind that fact we have consider those applications aiming for technology or equipment acquisition separately from main group of applicants because those grants were developed for license acquisition, at the same this type of grant were used for equipment also, if company buys it from rights and intellectual property holder.

Depending on available data we can conduct several measurement techniques like Net Present Value, regression analysis and overall observation. After research evidence we are assuming that evidence would show positive correlation among companies willingness to invest into innovation and technology usage, with certain limitations being applied.

As for the future use of research results, along with justification of hypothesis we will build a guideline for companies, who want to start build their innovation policy and knowledge exchange for better results. Those guidelines would consist of management structure, failures of innovation project runners and list of characteristics that company have to have in order to build sustainable system of innovation implications.

Results would be sent to National Company engaged now in the process of industry development and grant issuance for practical usage.

SIGNIFICANCE OF THE THESIS WORK

Justification of the fact that state company on innovation development especially on grant issuance will demonstrate to state representative the importance of continuation of determined path on innovation support and development. On the other side it will help to break skepticism from local market about need of state program and its low effectiveness in comparison to high costs and opportunity costs of that budget money.

Also building practical guidelines for companies in small and medium sized segments of the economy can give additional effect on innovation usage and raise of compatible economy and industry.

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УДК 336

“Determinants of the Kazakhstani Tenge Exchange Rate after Approval of the Floating Exchange Rate Policy by NBRK and its Effect on Accounting”

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PROBLEM STATEMENT AND OBJECTIVES

Since 1999, Kazakhstani tenge has suffered multiple devaluations and lost its position against the US dollar in 80 times. There were many official publicly accepted reasons behind this, both internal and external. Starting from drop in oil prices, Asian Financial Crisis 1997-1998 and ending with Russian Economic Crisis, World Crisis 2008, Foreign Exchange Market Speculations, Problems with Payment Balance of RK, and so on.

The uncertainty and volatility of the Kazakhstani currency always worried both the local businesses and investors from abroad. As the transactions at the local level are obliged to be made in local currency, companies tend to lose billions in income due to unexpected fluctuations of the tenge.

Market experts state multiple factors that affect the Kazakhstani tenge exchange rate; however, the prevailing factor has not yet been investigated in depth. Previously, before 2014-2015, there was a tendency to highlight that oil prices are the dominant factor, which dictates the ups and downs of local currency. However, in recent

years, the dominant effect is more given to the economic situation in the neighbour country – Russian Federation.

After the announcement of August 2015, the National Bank of the Republic of Kazakhstan (NBRK) has not spent any more money on keeping the tenge exchange rate fixed and statement that from now on the tenge exchange rate enters into floating course, meaning that there will not be any artificial interventions and Tenge will fully be affected by the market.

Taking into account the factor of floating exchange rate, the objective of this research paper will be to try to determine the most influential factors that affect the KZT rate. The secondary objective I want to highlight is to determine does the government and national banks comply with the floating exchange rate policy or, nevertheless, they still intervene in the forex market to avoid unwanted and unprofitable fluctuations.

PRELIMINARY LITERATURE REVIEW

- 1) *“Four years in free diving. What affects tenge exchange rate?”* article written by journalist Yelena Britskaya, sums up the opinions and thoughts of local business professionals and financial market experts on the floating exchange rate policy. Experts discuss four factors that can affect Forex rate. Among them are oil prices, Russian rouble exchange rate, Kazakhstani payment balance, and Kazakhstani budget schemes.

Dias Kumarbekov, a business analyst of the Center for Applied Economic Research, states that the correlation effect of KZT forex rate with the oil price is only about 9%. This statement was also supported by Ex-Head of NBRK - Bolat Zhamishev. Dias Kumarbekov also claimed that currently, NBRK intervenes in the exchange rate market and stabilizes tenge.

Petr Svoik, economist, tells that KZT rate is not able at all to react on oil market fluctuations because Kazakhstan is only raw material base and the Kazakhstani oil is traded far abroad of Kazakhstan and not by KZ companies.

General Director of Damu Capital Management, Murat Kastayev, also supported the argument that NBRK holds the Kazakhstani tenge exchange rate. As an example, he cites the fact that there was a steady increase in oil price during the first half of 2019; however, NBRK did not allow tenge to strengthen its positions as Russian rouble did. In February 2019, Ex-Chairman of National Bank of Republic of Kazakhstan, Daniyar Akishev, said that first time from the 2014 RK balance of payments has shown “surplus,” which confirms the overall improvement of the macro-economic situation in Kazakhstan and as a result will lead to strengthening of KZT exchange rate. In May 2019, the current Chairman of NBRK, Yerbolat Dosayev, confirmed the claim of his predecessor.

Murat Kastayev also stated that NBRK intentionally keeps the KZT rate at a low level to stimulate the replenishment of the Kazakhstani budget. This is because lower exchange rate leads to an increase in tenge generated income of exporters that results in higher taxes paid.

In support of the argument of government intervention, analysts from Freedom Finance, Daniyar Orazbayev, stated that NBRK can also affect the tenge exchange rate by using the resources of Unified National Pension Fund and National Fund.

Finally, Dias Kumarbekov and Murat Kastayev mentioned that from 2015 to 2019, which is the exact floating rate period, there is a strong correlation of 90% between Russian rouble and Kazakhstani tenge exchange rates.

Sergei Drozdov, analyst of State Corporation “FINAM,” mentioned that one of the factors that stimulate such a high level of correlation is that Russian Federation is the key partner in Eurasian Economic Union.

In the end, analysts summed up that the expected KZT exchange rate will strengthen its position not lower than 370-380 KZT and not higher than 390 KZT per USD level till the end of 2019. This level of tenge suggests that, nevertheless, NBRK makes some interventions to keep tenge in this range analysts think.

- 2) *“Oil prices, exchange rates, and asset prices”* article written by Marcel Fratzcher, Daniel Schneider, and Ine Van Robays in 2014 states that there is no clear positive dependence of oil commodity price and USD exchange rate. The main idea of the article is that there is “bidirectional causality” between the US

dollar and oil prices. It occurs because the US financial market is the most developed one, and the oil price affects the exchange rate not as commodity unit but as a financial asset.

PRELIMINARY METHODOLOGY

It is planned to apply both the primary and secondary resources to reach the objectives of this research.

Secondary resources:

Secondary resources will be divided into two types: 1) research articles with applied data analytics to determine the factors that affect exchange rate and its relationships. 2) articles of journalists that will contain the opinions, thoughts, suggestions, and statements of Financial Market experts and business professionals 3) the third type will relate to the articles of the auxiliary type that will support the statements from the articles mentioned above. There are news reports, government announcements etc.

Primary method:

The primary method will be based on Correlational Study type of empirical model. It will involve the obtainment of data set for the analysis of factors and function itself. The data will include KZT, RUB exchange rate statistics, Oil price statistics, data on Balance of payments, budget spendings, etc. The data will be processed using software tools, and the results will be based on sensitivity analysis and other conventional statistical analysis methods.

SIGNIFICANCE OF THE ISSUE

The topic itself is related to the life of every Kazakhstani citizen since it directly affects the level of his/her consumption and savings. For the last 5 years, the exchange rate of tenge per USD is the most monitored factor in the Kazakhstani markets. Understanding of factors that affect the exchange rate and sorting down of them from the most powerful to the least will help the Kazakhstani businesses to be more prepared for future fluctuations by developing more clear expectations and hedging their risks consequently. One of the factors in support of this argument is that for the last 3 years the local contracts concluded by the “middle” and “high” level of businesses on the purchase of goods and services suffered some developments. Nowadays, most of the contracts in foreign currency contain the terms and clauses on the exchange rate fluctuations, which results in artificial creation of embedded derivatives to be used as a hedging mechanism by companies.

The results of the research will practically help companies to partially hedge the risk of foreign exchange rates fluctuations by timely tracking of the fluctuations in determinants and predicting their effect on KZT exchange rate. Thus, companies may be able to adjust their future operations (contract drafting, purchases etc.) in accordance with their expected exchange rates.

It is also possible to assign the tracking of volatility of exchange rates determinants and developing monthly exchange rate expected values for Treasury departments of the companies and implement this in procurement policy. Treasury departments will develop the optimal upper and lower limits of exchange rates for every month of fiscal year and then, the procurement department can conclude contracts only within this fixed range. This policy implementation will provide the best value for the companies, which have significant import transactions.

TIMELINE OF THESIS WORK

The thesis work will cover the period starting from August 2015, the date of announcement on NBRK on switch to floating exchange rate policy, to the August 2019 to reflect the full 4 years of analysis. The data for this timeline is readily available. The timeline will present the most updated status on KZT exchange rate fluctuations and the factors behind them.

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“The Internalization of China`s Commercial Bank Strategy”

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Abstract: Commercial bank internationalization is refer to an evolution process which means the commercial banks are engaged in financial activities which beyond national borders, from the regional activities to the integration world market, China`s commercial banks has a long history to carry out the international business, currently ,the market value and tier1 capital scale of some big domestic banks have entered the forefront of the world`s big banks, but the geographical scope, the operation mode and the cope with business still have big gaps compared with the big global banks. The domestic market, domestic business and domestic clients are still the basis of the survival and development of China`s banking industry, and have low degree of the participation in international division of labor and financial globalization.

Since the global financial crisis which happened in 2008, the international monetary system was facing reform, the rapid growth of China`s economy has drawn much attention. Home and abroad are beginning to advocate and promote the internationalization of the RMB. A lot of international practice and relevant research shows that RMB internationalization and the internationalization of commercial banks are complementary to each other, there is the reinforcing relationship between them. Therefore, under the trend of RMB internationalization, China`s commercial banks are facing the rare historical opportunity.

This paper establishes the research framework and the ideal based on the relevant theory research and builds the reference standard through the research of the current development condition of commercial bank internationalization and the practice research of the commercial bank internationalization in developed counties under the similar background. Then, this thesis tries to find the valued enlightenment from the comparison and offers one aspect of decision-making reference for the domestic commercial bank internationalization.

Key words: commercial bank, international development, strategy choice

Introduction: With the economic and finance globalization, the gradual development of the market, and the economic dependence make the countries from all over the world inevitably integrate into this historical trend. In order to occupy a place under such an international situation, countries have begun to take action for international development. Besides, the internationalization in the economic development of various countries have become increasingly prominent. With the continuous opening of the domestic financial market, Chinese companies have begun to “go out” and need domestic commercial banks to provide comprehensive service support. Under such a background, the international development of Chinese commercial banks is particularly important. At present, the market capitalization and Tier 1 capital of some large commercial banks in China

have occupied the forefront of the World Bank industry, but they still rely mainly on the domestic market in terms of customers and business scope. Compare with other global banks, China's commercial banks still need to make improvement on geographical span, business model, business scope and management model.

Since 2008, influenced by the subprime mortgage crisis, the US dollar-dominated world monetary system has been widely questioned by all walks of life, and the world monetary system is facing more and more reforms. During that financial crisis, the RMB value has been stable and has a tendency to rise. As China's economic strength continues to increase, domestic and foreign scholars have repeatedly proposed that the pace of internationalization of the RMB should be accelerated, so that the world monetary system can be supplemented and improved. According to statistics from the Society for Worldwide Interbank Financial Telecommunications (SWIFT), by the end of 2018, the RMB has become the world's second largest financing currency, the fifth largest payment currency, and the sixth largest foreign exchange currency. At the end of November 2018, the National Bank of China has signed reciprocal currency swap agreements with central banks or monetary authorities in 34 countries and regions. The total size of the agreement is about 350 billion yuan. In the context of the restructuring of this international monetary system, there have been good opportunities for the internationalization of the RMB, and its international use is gradually expanding. The increasing internationalization of the RMB requires domestic commercial banks to provide support. Integrating the external environment and internal needs, the international development of China's commercial banks is an inevitable choice. The internationalization of the RMB will provide new development opportunities for China's commercial banks. The scale of business, business scope, market development level and international competitiveness of China's commercial banks will be significantly improved. China's commercial banks should seize this opportunity to continuously promote their internationalization. Development process. This paper studies the internationalization of China's commercial banks in the context of the continuous opening up of China's financial market and the deepening of the internationalization of the RMB, and focuses on the theoretical and temporal significance of its research on the future development strategy of the country. The strategy determines the future development direction of the company. It is a strategy of overall and long-term development. In the face of increasingly complex competition situations and the development of appropriate development strategies, enterprises can select long-term sustainable development according to the strategy. As China's commercial banks embark on the international stage, the environmental situation which they are facing is more complicated. The ability to adapt and integrate two markets and two resources at home and abroad is high. Therefore, it is necessary to make the right strategic choices and determine appropriate experience strategies. Advance the internationalization process of China's commercial banks in an orderly manner, so that they can occupy a place in the highly competitive international financial market, and gradually move toward international multinational banks.

The research objective of this paper is Chinese commercial banks. According to the current development status, China's large state-owned commercial banks are the main force of international development. The internationalization of small and medium-sized joint-stock banks is relatively low. China Merchants Bank other than the five major banks. The highest level of joint-stock commercial banks, the development of city commercial banks is mainly concentrated in the domestic market, the scale of assets is small, the international letter is still in the exploration stage, so it does not have research value. Therefore, this paper mainly focuses on China's five major state-owned commercial banks and joint-stock commercial banks represented by China Merchants Bank. Based on relevant theoretical research, the author establishes ideas and frameworks, and draws the necessity of research by comparing the gaps between the internationalization level of Chinese commercial banks and global big banks. Then it analyzes the development status and existing problems of Chinese commercial banks, and uses Citibank and Taking the internationalization practice of Industrial and Commercial Bank of China as an example, this paper tries to promote the development of commercial banks by means of the development opportunities of RMB internationalization and chooses the international development of China's commercial banking industry from four aspects: strategic layout, business model, business scope and risk management strategy. This paper is divided into five chapters. The first chapter mainly introduces the background, research significance, research content, research ideas and framework of this paper. The second chapter is a literature review, which mainly introduces the concept of internationalization of commercial banks, and analyzes the motivation theory and development strategy theory of commercial banks' internationalization. The third chapter firstly quantifies the measurement of the internationalization standard of

commercial banks and compares the current internationalization gap between Chinese commercial banks and the world's large multinational banks. The necessity of research is explained. Then the development of internationalization of Chinese commercial banks is elaborated. The status quo and the existence of problems. The fourth chapter uses Citibank as an example to explain how it realizes its international development under the background of international economic and financial development at the time, and compares it with the international development practice of typical Chinese commercial banks (China Commercial Bank). A successful verification with reference is obtained. The fifth chapter explains that with the continuous improvement of the internationalization level of the RMB, Chinese commercial banks can learn from the internationalization practice of Citibank in the United States, so that the internationalization of the RMB will lead the promotion of the internationalization of Chinese commercial banks, and from the strategic layout, management The four aspects of model, business strategy and risk management strategy select the internationalization strategy of Chinese commercial banks. Enhance the international competitiveness of Chinese commercial banks.

Research Questions: General speaking this thesis supposed to address following four questions?

- 1) How about the current status of China`s commercial banking industry?
- 2) How successful the Citibank globalization comparing to ICBC?
- 3) What kind of challenges will China`s commercial banks confront in its forthcoming internationalization journey?
- 4) Which strategic avenues China`s commercial bank to facilitate its ”going global” adventure?

Methodology: Comparative analysis of research methods. Comparative research is one of the most commonly used analytical methods in the writing of papers, especially data comparison. This paper not only compares international data between domestic commercial banks, but also compares data between large commercial banks in China and large multinational banks in the world. The comparison between international commercialization and practice of Chinese commercial banks and world-wide multinational banks is through comparative research methods. It presents the strategic layout and overall plan for the internationalization of China's commercial banks.

Case study method. The case study uses specific examples as evidence to answer questions that appear in the text. The nationalization of commercial banks is not a certain country but a worldwide event. When analyzing this world event, it is of great significance to select typical cases for research. Through in-depth discussion of an event, significant conclusions can be drawn. This paper analyzes the international practice cases of Citibank in the United States, and draws on the guiding experience of the internationalization process of Chinese commercial banks so far.

A unified research method for qualitative analysis and quantitative analysis. This method of analysis is also a commonly used method in theory. In this paper, the research on the necessity and feasibility of China's commercial banks to adjust their international development strategy, as well as the way of overseas expansion, the establishment of overseas branches, and overseas business models have all adopted qualitative and quantitative analysis. Method.

Research methods for mutual analysis of dynamic analysis and static analysis. As far as the development of internationalization of commercial banks is concerned, it is a dynamic process. This paper not only studies the internationalization of commercial banks at a certain point in time, but also studies the international development of a certain period of time. That is to say, this paper not only analyzes the static time of commercial banks, but also analyzes them dynamically. The combination of the two can more accurately analyze the characteristics and trends of the international development of Chinese commercial banks, and choose appropriate according to this. Development strategy.

To study the creation of vision, first, most of the current literature research on the internationalization of commercial banks mainly focuses on the theoretical aspects, with a few specific examples of a country, and

concentrated on the case analysis of commercial banks in developed countries. This paper is based on the specific case analysis and comparative analysis based on the research to further elaborate the nationalization development strategy of commercial banks in developing countries. Second, in recent years, the research direction is how international companies in developed countries enter overseas markets, and there is a lack of research on the development of large enterprises in developing countries in other countries. This paper explores how to improve the international competitiveness of other developed countries by analyzing the international development of Chinese commercial banks.

Purpose of the Study: Firstly, the research on vision is based on research. Firstly, most of the researches on the internationalization of commercial banks in the literature mainly focus on the theoretical aspects. A few countries take a country as an example for specific analysis and focus on the case analysis of commercial banks in developed countries. And this article is based on specific case analysis and comparative analysis to further elaborate the nationalization development strategy of commercial banks in developing countries. Second, in recent years, the research direction is how international companies in developed countries can enter overseas markets, and there is a lack of research on the development of large enterprises in developing countries in other countries. This article analyzes the international development of Chinese commercial banks to explore how to improve their international competitiveness with other developed countries.

Innovation of research methods: Based on the relevant theoretical construction analysis framework and ideas, this article compares and analyzes the internationalization practices of commercial banks in western developed countries under similar background on the basis of the current status and relationship of the development of Chinese commercial banks and RMB internationalization. The comparison found valuable enlightenment. Based on the opportunities brought by RMB internationalization, it analyzed the development strategies that China's commercial banks should adopt in terms of strategic layout, business model, business scope, and risk management.

Literature Review In economics, internationalization is the process of increasing involvement of enterprises in international markets, although there is no agreed definition of internationalization. The concept of commercial bank internationalization covers a wide range. Specifically, it refers to the process in which a country's commercial banks engage in financial activities beyond the national scope to the world market, conduct international financial business through overseas mergers or acquisitions, and evolve from regional activities to global markets. In the process of overseas development, commercial banks gradually move from closed to open, and their use of funds and resources depends on the world market, and hopes to achieve maximum benefits and minimization costs. Specifically, the internationalization of commercial banks includes two aspects: First, it is continuously expanded through the international model. Second, commercial banks began to develop into a multinational banking stage, and improved their internationalization level by selecting appropriate internationalization strategies. In the process of internationalization of commercial banks. Chinese commercial banks are increasingly connected to the outside world. The entry of foreign banks into the Chinese market will lead to more intense domestic competition and will also have an impact on the domestic market structure. Chinese commercial banks gain more financial resources by gaining more experience in the international market. In the end, the international operation of local banks and the localization of foreign banks are integrated to form a panoramic view of the internationalization of commercial banking.

Comparative advantage theory, Aliber (1976) put forward the basic theory of international development of commercial banks-comparative advantage theory. He believes that the lack of advantages that banks have in developing financial products has led to differences in interest rates between deposits and loans. For banks, the greater ability to create financial products means greater comparative advantage. To further test this theory, he conducted a Q ratio analysis, which refers to the ratio of the market value and face value of a bank or stock. The results show that the cost of funds affects banks' ability to expand their financial market share, and therefore can reflect the comparative advantage of banks in different countries. The specific results are as follows: When the bank's Q ratio is greater than 1, the bank usually chooses to expand the overseas market first; when the Q ratio is less than 1, the bank chooses to shrink the overseas market, which indicates that when the Q ratio is higher, the bank's chances of expansion are also relatively large. However, as far as the actual financial market

situation is concerned, the interest rate of a bank's deposits and loans can be caused by government intervention, which has nothing to do with the efficiency of the bank. This theory well explains that a bank with a higher Q ratio can implement overseas expansion to gain market dominance, but does not explain how to use financial products with comparative advantages.

Internalization theory was first proposed by Buckley and Casson, and Canadian economist Gruman (1981) cited it in the analysis of internationalization of commercial banks. He pointed out that there are many sub-markets in the international market, but the development of these sub-production trials is not complete and there are differences between them. When commercial banks begin to develop internationally, they can take advantage of this diversified advantage to earn money. Take more profits, so the internalization benefits obtained in the international financial market competition are far greater than the domestic market. That is to say, compared with the domestic market, international banks gain more benefits in the international market. In addition, when a commercial bank engages in financial activities in overseas markets, it must bear certain production costs and operating costs. When the development of a commercial bank transcends national borders and only develops business in overseas financial markets, its morning report is relatively low. In this regard, banks can gain more potential advantages when operating internationally than general multinational companies specializing in production and operation activities.

Dunning (1977) proposed the theory of international production frustration, which is also known as the OLI theory, which believes that the choice of foreign direct investment is mainly determined by three factors: (1) Location advantages The deterioration of the investment environment has caused enterprises to no longer have a comparative advantage in domestic production, and instead chose to invest abroad. (2) Ownership advantages, that is, investors have unique resources and capabilities in tangible and intangible technologies, patents, trademarks, management and coordination skills, etc. (3) Internalization advantage, that is, investors have the ability to combine ownership advantages and location advantages and internalize them to reduce transaction costs. This theory has important theoretical value for explaining the internationalization of banks. The direct motivation of the bank's international operation is officially because the bank has the above three advantages. Yannopoulos (1983) extended the application of this theory to multinational banks. He believes that the advantage of ownership occupies a dominant position in the theory of sadness. On the product side, the ownership advantage represents a uniqueness that includes both the product and the recognition of the product. The short-term competitive advantage of multinational banks depends on the uniqueness of the product: while the long-term competitive advantage depends on the uniqueness of cognition. When a commercial bank has some uniqueness, its development can obtain a greater competitive advantage.

It is difficult to unify the development stages of a commercial bank into a theoretical system. It is a description and summary of the development stages of a commercial bank. Scholars have studied the stage theory from different angles, including Giddy's three-stage theory, British Dicken's four-stage theory, and domestic scholar Fan Ye's five-stage theory.

1. Giddy is a three-stage theory

Giddy proposed a three-stage theory in 1982. He believes that the development of commercial banks can be divided into three phases, namely the international business phase of the home country bank, the offshore financial service phase and the host country business phase. This theory is derived from the theories of international trade and multinational corporations' banking business investment, which are based on the monopoly advantage theory of overseas expansion, and have obtained comparative advantages in the international and domestic markets.

2. Dicken's four-stage theory

The British professor Dicken (1988) believes that the international development stage of banks can be divided into four stages, which can be divided into: domestic banking stage, international banking stage, international full-function banking stage and global functional banking stage. According to these four phases, Dicken analyzed the four phases in detail from four perspectives. These four perspectives are: business objects, business scope, entry mode, and service goals.

	Frist Phase	Second Phase	Third Phase	Forth Phase
	Domestic Bank	International Bank	International Full Function Bank	Global Functional Bank
Business Object	Import and Export	Active foreign direct investment	The needs of multinational companies	
	Mainly trade-related foreign exchange operations, the operation of capital is short-lived	Increasing and overseas debt and investment, conducting long-term capital business overseas	Retail and non-traditional banking, such as leasing, investment banking, consulting, investment management, etc.	
Enter Model	Building relationships with foreign banks	Expansion of overseas branches and offices	Expansion of overseas branches, capital participation, establishment of non-bank affiliates, absorption of funds, loans and investments worldwide	
Main Service goal	Residents	Residents	Residents	Residents and non-residents

3.Fan Ye's Five-Stage Theory

Chinese scholar Fan Ye (1997) believes that the growth of the bank is based on the premise of the bank's domestic expansion of overseas customers. With the home country's foreign direct investment enterprises and the gradual development, this growth is passive, incidental and conscious. This process can be divided into five stages: they are: the preparation stage, the beginning stage, the international operation stage, the transnational operation stage and the global operation stage. Each stage has a different management method. He explained the transnational operation of the bank at each stage from knowing thoughts, market scope, business content, organizational structure, structure entry form, management philosophy and other aspects. The regulations are clear and show there is a gradual advancement principle between each stage. Compared to the three-stage and four-stage theory, Fan Ye's five-stage theory is more applicable to Chinese commercial banks. Details as follows:

	guiding ideology	Market range	Business content	organization	Institutional Entry Form	Management concepts
prepare phase	Without international guiding ideology	Home Country	Foreign currency deposits to provide trade finance and international settlement for import and export	NO	Correspondent bank	Strengthen and expand domestic business and customer relationships
Initial phase	Basic international	Heuristic access to	Provide customers	Establishment of	Representative office	Actively engage in

	l guiding ideology	international markets	with more direct financing services	International Business Department	and other forms	home banking international banking business and expand its share
International Management phase	Start to develop and implement internationalization strategy	International financial center with more concentrated customers	Business scale expansion	The status of the international business department in the head office is rising	Shareholding, new construction, alliance	Prepare for broad participation in international financial markets
Transnational operations phase	Transnational business strategy	Expansion overseas to multiple countries	Service-oriented banking as a whole	Deregulation of branches	New construction, M & A, alliance	Reasonable allocation of overseas resources and overall planning of transnational business activities
Global operations phase	Global integration strategy	Expand to Worldwide	traditional businesses, it also operates non-bank financial services	Transnational multi-level management system and coordination structure	M & A-based, new construction as a supplement	Leading international financial markets

Conclusion: In the past decade, while the Chinese economy has grown at a dramatic rate, Chinese big four commercial banks completed toxic asset stripping, shareholder reform and IPO's. In addition, new commercial banks developed well and become more profitable. Some Chinese commercial banks exceed the traditional huge banks in the world in terms of their total asset during the financial crisis. But we also have to keep in mind that Chinese commercial banks have flaws in regulatory management and structure of globalization, which can help guide the way of banks in their future development.

Firstly, Chinese commercial banks are now entering a new stage of development. All the Chinese big four are now in the top 10 of World Bank industry in terms of total assets. This is due to both the booming economy of China and the low profitability of western banks. Besides the big banks, city's commercial banks also show very good capability of growth.

Secondly, one advantage Chinese bank has is their high profitability. High rates of return on total assets and return on capital and low operating costs give Chinese banks a high profit margin of around 30%.

Growth is the other advantage of Chinese commercial banks. Through the recapitalization effort by the government, IPO's, mergers and acquisitions, capital strength has grown rapidly, whereas western banks have experienced a hard time during financial crisis and their assets shrank. The strength of Chinese banks now exceed those of Germany in 2008, the UK in 2009, and Japan in 2010, and the scale of Chinese bank industry is almost the same as those of the USA. Compared from growth rates, Chinese banks are only slower than Brazil and Mexico, but the quality of assets is also high.

Fourthly, the risk management ability should be improved. The capital adequacy ratios of Chinese commercial banks are lower than Japanese and European, but at the same level of American. This limits both internal development and the ability to merge and acquire globally. Also, the experiences, measures and estimation ability of risk management are relatively low, and the regulatory system is not complete, which has kept Chinese commercial banks from being the world's best commercial banks.

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УДК 334

“INTERNATIONAL STUDENTS SATISFACTION WITH HIGHER EDUCATION INSTITUTIONS IN KAZAKHSTAN”

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Abstract: Over the past ten years, "Internationalization" has become a priority in the higher education sector in Kazakhstan. Internationalization aims at achieving balanced mobility and the development of multicultural society. The Internationalization process has been reflected by not only the exchange of students between countries, but also improving the quality of higher education standards, the universalization of knowledge, development of innovative higher education, strengthen the research capacity of universities, further development of the National Qualification System, increasing the accessibility of higher education for international students etc. According to the Ministry of Education and Science (2018), Kazakhstan is aiming to increase international students to 50000 by 2022. Almost all higher education institutions in Kazakhstan are working on it: try to implement double degree programs, student exchange programs, and joint programs as well as develop English medium programs, and partnerships with world's leading universities and the Central Asian states; try to recruit more and more international students in general. However, there are several shortcomings in this process, one of the main direct influencing factors on increasing the number of foreign students is: there are paid more attention to the general process, and neglected the students' satisfaction with international educational experience. In this work, the author aims to investigate the relationship between international students' satisfaction and education offerings of Kazakhstani universities like tuition fees, financial aid effectiveness, and admission service effectiveness, quality of academic advising, living arrangement, campus facilities, campus safety and security, academic staff. This study finally combines the main influencing factors which delaying the Kazakhstani universities from more international students' recruiting and measure how the Kazakhstani higher education are ready for competitiveness with world's leading universities and attract more and more international students in the future. Although this indicates that the finding of this research cannot be generalized to the all Kazakhstani universities' problems with international students, this study contributes to the advancement of consumer behavior in the educational industry of Kazakhstan, particularly in terms of international students' satisfaction in Kazakhstani universities.

Keywords: Kazakhstan, Higher Education, Kazakhstani Universities, International Students, Satisfaction

Introduction

1) Background information on international students' statistics around the world and Kazakhstan: Millions are leaving their own countries to seek knowledge abroad every year for various purposes, such as better quality of education, better job opportunities, self-integrity, or just for fun catching their youth. As a result, the number of people going abroad is increasing year by year. According to the estimation of Study International Staff (2018), there are 2.1 million recorded in 2001, then spiked by around 138 percent to hit 5.0 million by 2018. Recent data from the International Institute of Education's (IIE) Project Atlas suggests there are 16 chief host countries: the US, Canada, UK, Australia, Germany, France, Japan, New Zealand, China, Mexico, Netherlands, Spain, Sweden, Russia, Finland, and India. The rankings are based solely on the total number of international students in the countries listed and not the overall percentage of international to

domestic students. The countries' sizes have not been taken into consideration. International students numbered 1.68 million in 1999 globally, according to the United Nations Educational, Scientific and Cultural Organisation (UNESCO) Institute for Statistics, a figure which has increased by almost 70 percent in the past 10 years. According to the Statista Research Department's estimation (2013), the number of internationally mobile students in the world expected to hit 8 million by 2025.

In the context of Kazakhstan, according to Kazakhstan's Committee on Statistics, there are 542,458 students enrolled in higher education institutions in 124 universities nationwide in the academic year 2018-2019 in Kazakhstan, with the highest concentrations of students in Almaty, Shymkent, Karaganda, and Aktobe. Over 100,000 our students study abroad and 1,865 studied in the United States (2017-18). Compared to this, there is approximately 14,000 international students study in 100 universities nationwide in Kazakhstan, obviously the number of international students is still low, but there is a figure expected to rise to 50,000 in recent years (Centre for International Programmes April 2018). The current breakdown includes 3,663 Uzbek citizens, 3,290 from India, 1,320 from Turkmenistan, 1,290 from China and 1,026 from Kyrgyzstan.

2) Internationalization in higher education in Kazakhstan: Over the past ten years, Internationalization has become an inalienable part of the educational sector of countries all over the world. After gaining independence, Kazakhstan needed reforms in all its industries and sectors. In the situation of globalization, Kazakhstan followed the steps in the internationalization process. To be an educational strong country there are required a highly-skilled population who can realize the reform's realistic value and signification and can represent the country on the world stage. From this perspective, the President of the Republic of Kazakhstan Nursultan Nazarbayev established following international programs and education methods, such as International Scholarship "Bolashak" (1993), National qualifications framework (NQF) & credit transfer system (2012), "Attracting foreign scientists" Program(2009), Bologna Process (2010), "Intellectual Nation 2020" & "100 concrete steps" (2015), Implementation of "A three-level" Model of higher education (2015), European Diploma Supplement for international students and a multilingual educational method. These programs and reforms have helped many people enhanced their skills and be ready to serve in the education sector of Kazakhstan; helped to ensure the quality, attractiveness, and competitiveness of Kazakhstan universities; allow converting Kazakhstan documents on higher education for participation in the international educational environment; implementation of joint international programs; implementation of double-diploma education; development of mechanisms of qualification; International cooperation allows Kazakhstan to learn from the experience of foreign states in the field of education, together with this opportunity to improve the quality of education and meet the requirements of globalization; Graduates of Kazakhstani universities can receive the European Diploma Supplement, recognized by all member countries of the Bologna Process (The program Erasmus+, 2015), sending students and teachers abroad; attracting foreign teachers, professors and researchers; the attraction of foreign students in Kazakhstan; development of joint educational programs with foreign universities, the system of double diplomas, modular study abroad; introduction of foreign textbooks and multilingual programs in the educational process; opening of language centers; A multilingual educational method allows international students receiving an education in English, Kazakh, and Russian languages; it is an advantage for Kazakhstan universities to attract foreign students. Along with this, the government of Kazakhstan provides educational grants for foreign students, which includes housing and a monthly stipend. The main flow of students is from countries like China, South Korea, Afghanistan, Pakistan, Turkey, Uzbekistan, Tajikistan, Azerbaijan, Mongolia, Ukraine, Romania, Kyrgyzstan, Egypt, and Belarus. Foreign citizens in their first year are trained in preparatory courses, after which they receive an education their bachelor, master, and Ph.D. programs at the university.

3) The importance of current research: In order to attract more international students to Kazakhstan, it's time to take a real action to evaluate the quality of educational services and resources in various higher education institutions in Kazakhstan from the perspective of international students by measuring their satisfaction and provide the basis for the institutions to improve education and management, so as to achieve the goal of high-quality education and attracting the source students and retention of current students.

Higher institutions should create a humane campus service system that allows students to enjoy a pleasant university experience. Universities should pay attention to and begin to organize the implementation of student

satisfaction evaluation, and take student satisfaction as an important means to measure the quality of higher education, as an important basis for institutions to obtain educational resources. Improving student satisfaction can improve student retention and student loyalty. An institution's image and reputation are to a large extent built by the students. After graduation, alumni should still be considered "past customers" of the institution, as they help develop a competitive edge for the future enrollment challenges. Satisfied alumni will help the school not only financially, but also with positive recommendations for future students. They can influence other people's college choice and certainly will make decisions for their children in the future.

By knowing the above-mentioned background situation in the Kazakhstani market, the Kazakhstani universities must realize the importance of keeping up not only with historical reform and implementation, but also the fundamental details on campus, which directly influence on students' satisfaction. This highlighted how crucial the current research is to assist these Kazakhstani universities to make a strategic plan and take actions to improve student satisfaction. Therefore, it can be seen that how to improve university foreign students' satisfaction has become an urgent question to answer. In this study, the author aims to measure foreign students' satisfaction, to select their evaluation on local universities' quality, to analyze the existing problems from admission to the overall experience abroad. Finally, combine the main influencing factors which delay the Kazakhstani universities from more international students recruiting, and provide targeted solutions for the problems.

Methodology: The study explored the influence of the academic, social, and environmental factors on the international students' satisfaction, for which a quantitative survey was designed and questionnaire is the research instrument. All the constructs in questionnaire have been adopted based on the original articles. Collected data will be analyzed using SPSS. The focus of this study was on international students at Kazakhstani universities (bachelor, master and doctorate). A questionnaire is developing and focusing on all bachelor, master and doctorate international students in Kazakhstan universities. Now data are collecting paper questionnaire and online questionnaire version. Online survey is conducting via email and phone to invite participants. An email is sent to instructors to seek permission for the researcher to administer the survey in the last 10 minutes of class time. Participation in the survey was entirely voluntary and anonymous, In addition to that, the questionnaire contained a cover statement that the experimenter was not connected with the university and was not concerned whether reactions were positive or negative. Only honest opinions were of interest. Participation in this paper-and-pencil and online survey is voluntary, and it was made clear that students do not have to answer if they had already answered the survey in another class. The survey is administered in English to make it more accessible for most international students. The survey was constructed of nine separate sections: Student overall satisfaction, the course evaluation at the university, citizenship skills and knowledge, sense of belonging, interaction, awareness and utilization of campus resources, teaching staff, academic advising, financial assistance and tuition costs, a total of 23 questions are constructed in the questionnaire. The first nine questions gathered information about demographics: age, gender, degree, course level, field of study (specialty), country of origin, scholarship, GPA, year of international experience in Kazakhstan, and university (college) of study. The first section focused on "student overall satisfaction" and included statements related to students satisfaction compared with her/his expectations, education quality of student, students willingness to recommend the university to others etc.. The second section (The course evaluation at the university) had 17 statements focused on the course evaluation aspects: timing, duration, content, and lesson delivery whether the course encouraged participation, academic performance, and improved skills etc. The third section (Citizenship skills and knowledge) had four statements focused on the knowledge that participants had of the local community and development and whether they were aware of the available research funding and training opportunities. The fourth section (Sense of belonging) focused on whether the students felt part of the campus life and felt willing to continue with their education at this university. The responses for sections 1-4 were recorded on a 5-item Likert scale ranging from (1) strongly disagree to (5) strongly agree. The fifth section (Interaction) focused on the frequency of interaction with course instructor outside class, academic advisors/ counselors, close friends at this institution, and graduate students/ teaching assistants on a six-item scale: "never," "once a week," "two or three times a week," or "daily." In the sixth section (Awareness and utilization of campus resources) there is a list of campus resources, and students are required to indicate whether they were aware of each service or support provided on campus by selecting "yes" or "no" and also rated their frequency of use of these resources by selecting "frequently", "occasionally", or "not at all". In the seventh

section (Teaching staff) students are required to indicate their satisfaction or dissatisfaction with their teaching staff, evaluate whether their teaching staff is friendly, approachable, effectible, whether they willing to help the students, respect the students and give the students helpful feedback on the their performance. The eighth section (Academic advising) the participants are required to evaluate their academic advisor, indicate their satisfaction or dissatisfaction with availability, helpfulness and effectiveness of advisor. In the ninth section (Financial assistance and Tuition costs) participants are required to evaluate financial supports from the university, like availability of variety of scholarships, Flexibility or university's plans for payments of student loans and T-fees, Mode and process of payment of fees etc.. The responses for sections 7-9 were recorded on a 5-item Likert scale ranging from (1) very dissatisfied to (5) very satisfied.

Literature Review: Students' satisfaction is as a short term attitude, resulting from an evaluation of a student's educational experiences. It is a positive antecedent of student loyalty and is the result and outcome of an educational system (Zeithaml, 1988). Again Elliot & Shin define student satisfaction as students' disposition by subjective evaluation of educational outcomes and experience. Therefore, student satisfaction can be defined as a function of relative level of experiences and perceived performance about educational service during the study period, Carey, et al. By considering all, students' satisfaction can be 534 American Journal of Educational Research defined as a short-term attitude resulting from an evaluation of students' educational experience, services, and facilities.

Students' satisfaction is a multidimensional process that is influenced by different factors. According to Walker-Marshall & Hudson (1999), Grate Point Average (GPA) is the most influential factor in student satisfaction. Marzo-Navarro, et al. Appleton-Knapp & Krentler identified two groups of influences on student satisfaction in higher education as personal and institutional factors. Personal factors cover: age, gender, employment, preferred learning style, student's GPA and institutional factors cover quality of instructions, promptness of the instructor's feedback, clarity of expectations, teaching style. Wilkins & Balakrishnan identified the quality of lecturers, quality of physical facilities and effective use of technology as key determinant factors of student satisfaction. As well as, student satisfaction in universities is greatly influenced by the quality of the classroom, quality of feedback, lecturer-student relationship, and interaction with fellow students, course content, available learning equipment, library facilities, and learning materials. In addition to that, teaching ability, flexible curriculum, university status and prestige, independence, caring of faculty, student growth and development, student-centeredness, campus climate, institutional effectiveness, and social conditions have been identified as major determinants of student satisfaction in higher education.

SERVQUAL is a most popular widely used service quality model which has been applying to measure students' satisfaction around the world. SERVQUAL is a questionnaire that has been designed, developed and tested in a business environment, by Parasuman in 1985 to measure service quality and customer satisfaction of a business considering five dimensions as tangibility, reliability, empathy, responsiveness, and assurance. That questionnaire was administered twice, one to measure customer expectations and next to gain customer perception. Though it is widely applied in industry, it is much criticized in higher education literature by scholars like; Teas (1992), Buttle (1996), Asubonteng, et al (1996), Pariseau & McDaniel (1997), Aldridge & Rowley (1998), Waugh. Being a government university is a non-profit service industry, it is difficult to apply a business-focused service quality model to measure student's satisfaction as it is. For example, the model more focuses on service providers' quality than tangibility. In a university environment, student satisfaction is determined by multiple factors in which the quality of service providers is a small part.

The investment theory of students' satisfaction with Hatcher, Prus, Kryter, and Fitzgerald illustrated the behavior of students' satisfaction with an academic performance from an investment point of view. According to the theory, student perceives their time, energy and effort as an investment and seek a return form that. Accordingly, students will satisfy if they are rewarded in relation to the investment they made. The SERVQUAL measures students' satisfaction from the organizational point of views but the satisfaction of students is influenced by students' side also such as their dedication, perception, results, attitudes...etc. The gap was filled by Noel-Levitz in 1994 developing the "Noel-Levitz Student Satisfaction Index" for higher education which covers faculty services, academic experience, student support facilities, campus life, and social integration. Later, Keaveney and Young (1997) introduced Keaveney and Young's satisfaction model for higher

education. It measures the impact of college experience on students' satisfaction along with faculty services, advising staff and class type considering experience as a mediating variable. But the model is too narrowed into few variables and largely ignored university facilities, lecturers, non-academic staff and services in assessing satisfaction. Going beyond mediating models, Dollard, Cotton, and de Jongein introduced "Happy - Productive Theory" in 2002 with a moderating variable. According to the model students' satisfaction is moderated by students' distress. Consequently, student satisfaction goes up when distress is low and satisfaction goes down when distress is high. The models were too narrowed into a small part of the satisfaction.

Elliot & Shin developed a more comprehensive student satisfaction inventory in 2002 covering 11 dimensions and 116 indicators to measure the satisfaction of students in the higher education industry. The dimensions were academic advising effectiveness, campus climate, campus life, campus support services, concern for the individual, instructional effectiveness, recruitment and effectiveness of financial aids, registration effectiveness, campus safety and security, service excellence and student-centeredness. This index covers all services provided by academic and non-academic staff to students as well as has touched physical facilities and other related services being affected to students in a university environment. Similarly, Douglas, et al developed "Service Product Bundle" method in 2006 to investigate influences on student's satisfaction in higher education, taking 12 dimensions in to consideration which were professional and comfortable environment, student assessments and learning experiences, classroom environment, lecture and tutorial facilitating goods, textbooks and tuition fees, student support facilities, business procedures, relationship with teaching staff, knowledgeable and responsiveness of faculty, staff helpfulness, feedback and class sizes. The dimensions were arranged under four variables; physical goods, facilitating goods, implicit services, and explicit service. Unlike the SERVQUAL, Service Product Bundle method provides a more comprehensive range of variables that influence student satisfaction in higher education.

Jurkowsch, et al. developed a framework to assess students' satisfaction and its impact, in higher education. In this framework service performance, university performance, relationships with student, university standing works as antecedents of satisfaction and promotion works the successor. Later, Alves and Raposo developed a conceptual model to assess students' satisfaction in 2010. According to the model student satisfaction in higher education is determined by the institute's image, student expectations, perceived technical quality, functional quality, and perceived value. These influences can be identified directly or indirectly through other variables. The model further illustrated student loyalty and word of mouth as the main successors of satisfaction. When student satisfaction upsurges, he will psychologically bind with university and its activities. That represents the level of loyalty he or she has. Consequences will be spread among friends, relatives, prospect students, and interested parties then and there as word of mouth. The main criticism for the model is that it has largely ignored the main functions of a university; teaching and learning in measuring the satisfaction of students but it has been developed adding two successors of satisfaction as loyalty and word of mouth.

Moving from conventional satisfaction models, student's satisfaction is now measured by hybrid models. Shuxin developed a conceptual model integrating two mainstream analysis: factor analysis and path analysis. The direct path of the model explains the impact of perceived quality on student loyalty and indirect path describes the impact of perceived quality and student expectation on loyalty through student satisfaction. Recently, Hanssen & Solvoll develop a conceptual model combining the satisfaction model and facility model. The satisfaction model was developed to explain how different factors influence students' overall satisfaction and the facility model was developed to explain the influence of university facilities on student overall satisfaction. According to the model, student satisfaction work as a dependent variable of the overall model and host city, job prospects, costs of studying, reputation, physical facility are working as independent variables of the satisfaction model. The facility model of the framework is used to identify the facilities at the institute that are most influential in the formation of student overall satisfaction, therefore dependent variable (university facility) of facility model is used as one of the explanatory variables in satisfaction model. The model has more focus on university facilities and little attention was paid into teaching, learning and administrative process of institutes but it revealed a new path for scholars precisely combining two separate models for satisfaction literature.

Conclusion: Various student experiences in the university lay the foundation for future success and final

graduation. Student perception about the academic, social, and environmental aspects of the university community can have a significant impact on overall study experiences. Collected data will be explored and analyzed by SPSS and regression analyzing to predict international students overall satisfaction with Kazakhstani universities. Findings will be provided in the final thesis paper. The current research found that though student satisfaction is the key factor of universities to keep a high rate of international student recruitment and retention according to previous researches, there were not enough studies researched this topic in Kazakhstani market. Thus, the author investigated the drivers of student satisfaction toward the private universities in Kazakhstan such as KIMEP University, NAZARBAEV University, Alma Management University, and KBTU. Based on the international students answer, in some university even has not an academic advisor and learning language center on campus. Several steps are recommended to Kazakhstani universities based on the current results: improving more support service resources and campus facilities, increasing the teaching staff's overall skills, providing professional development opportunities for the faculty members who are teaching the international students from other countries, arranging academic advising for international students, organizing more interaction activities for support service workshops for international students.

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Appendix:

The factors that influence international students' satisfaction with the higher education institutions in Kazakhstan

1. Gender:
2. Age:
3. Degree:
4. Course level:
5. Field of study:
6. Country of origin:
7. GPA:
8. Scholarship:
9. Years of living in Kazakhstan:
10. University of study
11. Student overall satisfaction: do you agree or disagree with the following statements?
12. The course evaluation at the university: do you agree or disagree with the following statements?
13. Citizenship skills and knowledge: do you agree or disagree with the following statements?
14. Sense of belonging: do you agree or disagree with the following statements?
15. How often have you interacted with this course instructor outside class?
16. How often have you interacted with academic advisors/ counselors?
17. How often have you interacted with close friends at this institution?
18. How often have you interacted with graduate students/ teaching assistants?
19. Awareness and utilization of campus resources: are you aware of each of the following campus resources?
20. Awareness and utilization of campus resources: how often have you utilized each of the following campus resources?

21. Are you satisfied or dissatisfied with teaching staff in the following aspects?
22. Are you satisfied or dissatisfied with academic advising effectiveness in the university?

УДК 332

“Effective leadership style: the case of XYZ Company”

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Abstract. The style of management is understood as a set of the most frequently used principles and methods of management by the Manager. It is a habitual manner of behavior of the head in relation to subordinates which is expressed in what ways the head, carrying out the functions, induces collective to initiative and creative performance of the tasks assigned to it; as the head controls activity of subordinates. The relevance of the topic is due to the existing need to choose a management style that can be implemented, the impact not only on the effectiveness of the organization as a whole, but also on the socio-psychological climate in the team. The object of research in this paper is the logistics company "Company XYZ", located in the city of Almaty. The subject of the research is: determination of the most appropriate leadership style for effective work in the company XYZ; determine whether a fifth level of leadership (J. Collins) is most appropriate for the effective operation of XYZ. The aim of the work is to analyze leadership styles and find ways to improve them. The information base for the study was the scientific developments of Russian and foreign authors, the application of testing and survey techniques.

Key Words: styles management activities, management, the efficiency of the organization, improvement of management style

Introduction. The effective work of organizations and the implementation of the tasks are impossible without the use of management functions: planning, organization, motivation and control. The result of each function depends on the effective management of the Top Manager. Organizational activity is an integral part of the practical management of people, the purposeful influence of the organizing subject on the object - the guided group. As established by psychologists and sociologists, the effectiveness of work in the enterprise largely depends on the leadership style. The means of influence of a manager on the performance of an organization may change. The manager, in this case the manager, can adopt one or another leadership style, because it is he/she who is characteristic of him/her. The work of the head acquires, in the end, certain well-established forms and content - leadership style. Under the leadership style is understood as the combination of the most frequently used manager-manager principles and methods of management. This is the habitual behavior of the manager in relation to his/her subordinates, which is expressed in the ways in which the leader, in carrying out his/her functions, encourages the team to carry out the initiative and creative implementation of the tasks assigned to him/her; how the supervisor controls the activities of subordinates. (Andreev V.I., 1995.-114 p.) The relevance of the chosen topic is due to the existing need to choose a management style that can be implemented, the impact not only on the effectiveness of the organization as a whole, but also on the socio-psychological climate in the team. The object of research in this paper is the logistics company "Company XYZ", located in the city of Almaty.

Research Questions:

1. How to identify the leadership style practiced at the XYZ company?

2. How to determine which leadership style is most suitable for effective work in the XYZ company?
3. How to determine whether the fifth level of leadership (J. Collins, 2000) is most suitable for the effective work of the company XYZ?

To achieve this goal, it is necessary to solve the following tasks:

1. To study the theoretical material about the concept and essence of leadership styles.
2. Analyze the types of styles guides.
3. Consider improving the influence of leadership styles on the effectiveness of the enterprise.
4. To get acquainted with the characteristics of the enterprise and its organizational structure.
5. To analyze the organizational and management activities of the “XYZ company”.
6. Develop recommendations for improving the style of leadership of the organization.
7. The theoretical basis for writing the work was the works of domestic and foreign authors.

Methodology.

This study was designed as a cross-sectional study for quantitative research that was used to gather relevant information about leadership styles and the socio-psychological climate between employees. Thus, this study is classified as a survey study.

Procedures and samples

Since the purpose of this study is to study the leadership styles and attitudes of employees in the company by interviewing employees and managers, the target group of this study included both employees and managers of the company who work there.

A prerequisite for employee participation as respondents in this study was that he / she had to work at least one year under the current leader. Thus, a combination of targeted, stratified and simple random sampling methods was used for sampling. This was done to ensure that target populations were adequately represented in the sample and to improve efficiency by increasing control over the composition of the sample.

Response rate and sample size

As shown in tables 2 to 6, the sample consisted of 10 and 6 participants. I distributed 6 questionnaires to the leaders and 10 subordinate questionnaires, all of which were successfully completed and returned with 100%, respectively. Finally, a total sample of 16 respondents, including managers, was used in the study.

Sources and data type

Social psychologist J. Moreno, who is a well-known psychiatrist in America, initiated the method of sociometric techniques for the diagnosis and study of the relationship between individuals and existing groups in order to improve and improve the moral climate in the team.

The sociometry test is designed to study emotional relationships between individuals in a team and to solve the following questions:

determination of the degree of disunity or cohesion among the members of the selected group;

identifying the authoritativeness of individual members of the team with characteristics of sympathy or antipathy, the definition of the group of stars, leaders and rejected, which it is possible to starve all other participants;

detection of cohesive subgroups, which are headed by informal leaders.

The method allows to study and analyze the dynamics of relations in the group in order to use the data for the restructuring of the team, improve the efficiency of the common cause, the cohesion of the current group. Moreno sociometry is carried out in a group way, the procedure requires little time and is a useful procedure to improve relations between individual members.

Purpose of the Study. The organizational structure is aimed primarily at establishing clear relationships between individual departments of the organization, the distribution of rights and responsibilities between them. It implements various requirements for the improvement of management systems that find expressions in various management principles.

The organizational structure of the organization and its management are not something frozen, they are constantly changing, improving in accordance with changing conditions. The organizational structures of management of organizations associated with international transportation are very diverse and are determined by many objective factors and conditions. These may include, in particular, the size of the production activities of the organization (large, medium, small); production profile of the organization; scope of the organization.

In order to determine the strategy of the organization's behavior and implement this strategy, management must have an in-depth understanding of both the internal environment of the organization, its potential and development trends, as well as the external environment, its development trends and the place occupied by the organization.

It is assumed that the results of the strategic analysis will identify the opportunities and threats that may arise in the organization in the future, the strengths and weaknesses of the organization, which will determine the strategy and the overall policy of the enterprise in terms of optimizing the organizational structure of management.

In evaluating the consumers of the products, it was revealed that the core of the target audience for the enterprise being created is small and medium-sized industrial and trade enterprises that use the services of transport and forwarding companies 1-2 times a week. For effective long-term functioning, an organization must develop a strategy for its development, the initial stage of which is the formulation of the organization's mission. The mission of the company is to provide transportation services to organizations and individuals in order to ensure reliable and short-term delivery of cargo, providing the necessary conditions for the safety of cargo; to be a leading, dynamically developing organization with an impeccable reputation, realizing and improving the potential and capabilities of employees, contributing to the development of society and providing guaranteed income growth for clients and staff of the organization. In order to develop a strategy to use the most favorable opportunities of the external environment, taking into account the most powerful factors of the internal environment of the organization, a SWOT analysis is applied. Based on the analysis, it was determined that the "XYZ Company" for the first time of the organization's existence can implement a focusing strategy as a functioning strategy, and a concentrated growth strategy as a development strategy. To occupy a leading position in the market, it is recommended to carry out a number of activities.

Literature Review. The existing leadership and management research suggests that the leadership style of managers can lead to higher measures of organizational commitment in their direct reports. As previously suggested, there is a significant body of literature that implies the relationship of leadership style to employees' organizational commitment. Some of these researches (Avolio et al., 2004; Lo et al., 2009) have demonstrated positive relationships between numerous leadership styles and employee attitudes, motivation and performance; all of which can affect to employee commitment levels. Also the benefits of employee's organizational commitment have been well documented in the existing management literature. Committed employees are more likely to develop patterns of punctuality or to be chronically present at work (Brockner et al., 1992; Hunt & Morgan, 1994). Employees that are committed are also less likely to leave the organization to explore other opportunities (Allen and Meyer, 1990). Organizational commitment has also been shown to

positively affect motivation, organizational citizenship, and job performance (Lok & Crawford, 1999; Meyer & Becker, 2004).

Leadership style is a part of any management apparatus. Distinguish individual and general leadership style. The concept of style is appropriate to apply, first of all, in relation to the personality of the leader, and the individual style appears as a special form of combining the production function of the manager with his/her function of regulating personal relationships between members of the team subordinate to him/her. However, it is impossible to reduce it entirely to the personality of the leader and to evaluate it as a peculiar form of the manifestation of his/her individuality. The fact is that the personality traits of a leader, for all their importance, are far from exhausting the components that form his/her inherent leadership style. These components constitute a subjective beginning and a subjective element of style, and meanwhile the style always has a common objective basis.

The subjective factors determining the style include (Zhuravlev A. A. 1994.):

- principles and attitudes that determine the ability to use power;
- the specifics of the mental warehouse of the manager (temperament, character);
- the choice of forms and methods of influence on subordinates in each specific situation;
- unique personal qualities that define the "managerial style";
- individual characteristics of the social roles of the leader;
- the level of professional knowledge, intelligence and culture that determines the nature of behavior.

As can be seen, subjective factors depend on the personality of the manager, and objective factors are formed under the influence of the environment. Objectively, the leader's style is dictated, first of all, by a conscious goal, which as a law determines the method and nature of its actions and with which it must subordinate its will.

In general, the objective components of the style can be summarized as follows:

- The specifics of the system, its goals and objectives, the management structure;
- Laws of management;

Specificity (functional purpose) of the scope of a specific activity; (Vinogradova S. N., 2007.)

- The environment of production (technological level of production, forms of organization of labor, the provision of material resources);
- The peculiarity of the team led (structure, level of preparation, nature of relationships, social and psychological characteristics of the performers);
- Methods and techniques of management used by the senior management.

These components of the style predetermine the peculiarities of the combination in the activity of the head of the production function and the function of regulating the relationship in the team, the nature of the traditions and methods of communication established in it, and thus the style of work.

So, work style is a way of influence of the head on subordinates for the purpose of effective performance of administrative functions. The style is influenced by the personality of the head, the ways and techniques by which he/she performs the managerial function. The complexity and diversity of these relationships determine the high variability of specific leadership styles, which can be classified on various grounds.

The next important task in the theoretical description of leadership styles is the problem of their classification.

Classification is a special case of applying the logical division operation of the concept volume, which is a certain division of division (division of a certain class into types, division of these types, etc.) Classification is intended for permanent use in any science or area of practical activity, usually, signs that are essential for these objects are selected as the basis of division in the classification.

The abundance of classifications of leadership styles in theory testifies to the complexity of this social phenomenon.

Three approaches to the definition of an effective leadership style are most often encountered: an approach from the standpoint of personal qualities, a behavioral approach, and a situational approach (Podoprigora M.G. - 2008. - 261 p.)

An approach from the point of view of personal qualities - according to the personal theory of leadership, the best of managers have a certain set of common personal qualities, and if these qualities could be revealed, people could learn to educate them in themselves and thereby become effective leaders.

Behavioral approach - created the basis for the generally accepted classification of leadership styles. According to the behavioral approach to leadership, effectiveness is not determined by the personal qualities of the leader, but rather by his/her manner of behavior towards his/her subordinates.

The behavioral approach identifies two main areas of leadership style:

First, it is characterized by a minimal degree of delegation to its subordinates of its authority, the desire to achieve goals at any cost without giving any or minimum trust to the employees.

Secondly, it is determined by the leader's desire to achieve goals by creating a business-like confidential environment in a team.

In the first case, the style ranges from authoritarian to liberal, and in the second, from business oriented to person oriented.

Conclusion: In this paper, I reviewed such leadership styles as democratic, authoritarian, liberal, and 5th leadership style on the example of the Director of a transport company. As a rule, all chiefs use an authoritarian style, but it cannot be said that only one of the styles is used. As a rule, this is the ratio of authoritarian and democratic styles. Studies have shown that in their practical work, managers do not use one well-established leadership style. They are forced to constantly adjust it in accordance with changing both internal and external conditions. Now managers need to pay more attention to the human qualities of their subordinates, their loyalty to the company and the ability to solve problems. Using the models reviewed in this paper, which were studied by various researchers, the manager will be able to analyze, select and evaluate the results from the use of a particular leadership style in a particular situation. The choice of leadership style depends not only on the authority of the manager and the effectiveness of his/her work, but also the atmosphere in the team and the relationship between subordinates and the manager. When the entire organization works fairly efficiently and smoothly, the manager discovers that in addition to the set goals, much more has been achieved, including simple human happiness, mutual understanding and job satisfaction.

In conclusion, I would like to say that the most effective leadership style is the 5th level style. Because, the leaders of the fifth level have the qualities of all the leaders from the first to the fourth level. Level 5 leaders are a paradoxical combination of hard will and personal moderation. They are stubborn and ruthless. But they are modest. They are ambitious for their company, and rarely allow their ego to become an obstacle to the success of an organization. Although they make great contributions to their organizations, they attribute these outstanding achievements to their employees, external factors, and simple luck. Leaders of level 5 lead with disciplined people, disciplined thought and disciplined action.

Such people show employees their love for the company and infect them with their example. It should be said that not all of your subordinates know how to motivate themselves, but if they see that you, as a leader, are charged with incredible energy, they themselves begin to work better. With such leaders, the company will always be the most successful and great. And for a long time!

At whatever level of leadership you are, always strive for the fifth level, because it is there that you will be able to fully unleash your own potential.

We wish you good luck in choosing a style!

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“Market entry strategy of fast-moving-consumer-goods multinationals in Kazakhstan”

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Abstract. For the last two decades, Kazakhstan has achieved remarkable economic growth to become the strongest economy in Central Asia. Having abundant natural resources throughout its vast territory, Kazakhstan has developed a lopsided structure of economy that heavily relies on extractive sector at the cost of other sectors essentially neglected and declined, thus will presumably suffers from lack of self-sufficiency in the long run. Despite the Kazakh government’s struggles to expand the non-extractive sectors and diversify the economy, the country’s manufacturing sector has remained alarmingly lagged behind. Taking Kazakhstan’s fast-growing population and the

increasing gross national income per capita into consideration, it is no wonder that the country is incapable of fulfilling the soaring demand in the domestic consumer market with its undeveloped manufacturing industry. Kazakhstan's consumer market, however, has continuously expanded in volume, driven by vigorous influx of global fast-moving-consumer-goods (FMCG) manufacturers that have filled in the gap between mounting demand and lackluster supply in the national market. The purpose of this paper is to shed light on the effectiveness of market entry strategies that enabled the FMCG multinationals to manifestly dominate the Kazakh consumer market. The paper discovers how the global FMCG giants adopt and adjust their market entry strategies in a bid to penetrate into the relatively new country, with a focus on how each company overcome the threats and maximized the opportunities they face in the Kazakh market. Through a combination of systematic research and qualitative research methods, the study finds answers to the following research questions: 1) how each of the multinationals have gear their market entry strategies to enter the Kazakh FMCG industry; 2) which distribution channel the multinationals use, given the nature of the Kazakh retail business; and 3) how the multinationals fine-tune their marketing mix for the Kazakh market. Outcomes of the study are expected to broaden knowledge about the Kazakh consumer market, providing valuable insights for global consumer goods manufacturers and marketers who look for greater market share not only in Kazakhstan, but in other new market space as well.

Key Words: fast moving consumer goods (FMCG), consumer market, multinationals, market entry strategy, Kazakhstan

Introduction. For the past two decades, Kazakhstan has made impressive economic growth to become an unparalleled powerhouse in Central Asia, contributing 60% of the region's total GDP (World Bank, 2018). The country's GDP has grown by 3.8% in first half of 2019 from USD 181.2 billion of the previous year and is expected to continue to boost by 4.1% on average every year from 2019 to 2023 (Sovereign Wealth Fund Institute, 2019). Most of the fast-paced economic development of Kazakhstan from 2000 to 2010 has been fueled primarily by the country's abundant endowment of natural resources, especially petroleum, natural gas, and minerals, and the export revenue of primary commodities (United Nations Conference on Trade And Development, 2019; World Bank, 2019).

However, the hydrocarbon boom did not come without a cost. Since early 2000s, a myriad of research has warned that Kazakhstan displays clear portents of 'resource curse,' or a paradoxical phenomenon when resource abundance negatively affects the country's long-term economic development by widening the disparities between oil and non-oil sectors. While Kazakhstan's resource-based industry has performed as a driving force of the country's economic growth and prosperity, other labor-intensive sectors such as agriculture and manufacturing sectors have neglected and remained underdeveloped due to the concentration of means of production and investment to the primary industry. To be specific, Kazakhstan's extractive sector represents 21% of the country's GDP and the hydrocarbon exports is attributed of two-thirds of the country's export trade value in 2017 (Organisation for Economic Co-operation and Development, 2017). Majority of the inbound FDI's are gravitated to the extractive sector –70% in 2018 and 64% of the cumulative FDI inflow of the last decade– crowding out investment in the non-petroleum sectors (Boston Consulting Group, 2018).

As prescribed in the resource curse theory, the high dependency on natural resource and mineral sectors makes Kazakhstan largely susceptible to external shocks, particularly fluctuations of the global commodity prices, and macroeconomic risks, the appreciation of the Kazakh currency. A series of external shocks, such as the global economic crisis of 2008 and the commodity price crash of 2014, was a wakeup call that intensified the urgency of addressing the country's unhealthy reliance on the primary sector. To avoid the repercussions of the resource curse and sustain the economic growth, the Kazakh government has implemented wide-ranging structural reforms to create the conditions for diversification of the national economy. To transition the economy away from an overreliance on natural resource, economic diversification has been a priority for the country. Since early 2000s, the Kazakh government has undertaken extensive industrial development and innovation programs, such as the Innovative Industrial Development Strategy Until 2015 and the Kazakhstan-2030 Program which were planned in order to decrease economic dependence on the resource-based sector and increase the competitiveness of the non-resource-based sectors.

Aiming at diversifying the economy as a priority, the Kazakh government has carried out the policy of cultivating favorable business environment and improving investment climate in the country. Kazakhstan has radically streamlined procedures of business operation to significantly reduce the time and cost for starting a business, registering property, getting electricity, filing declarations, and dealing with construction permits and commercial disputes (Deloitte, 2019). As a result, in 2019, Kazakhstan ranks 1st out of 190 countries in protecting investors and also ranks 28th in the World Bank's Ease of Doing Business Index, which assesses the investment attractiveness of 190 countries, rising 8 places from 36th in 2018 and 43 places from 71st in 2008 (World Bank, 2019a). Kazakhstan also took the 41st place out of 186 countries in the 2018 Index of Economic Freedom and imposes lower corporate tax than neighboring countries (Deloitte, 2019).

Research Questions. Through extensive literature review, the researcher could access to plenty of information on the remarkable economic trajectory of Kazakhstan and the government's vigorous economic reforms to alleviate the consequences of the resource curse effect. A number of literatures forewarns that, in spite of the government's diversification efforts, the lopsided Kazakh economy will suffer from the lack of self-sufficiency eventually due to lagging non-oil sectors, particularly manufacturing industry.

Although Kazakhstan's score in the Human Development Index, which indicates life expectancy at birth, education level, and per capita income, has been on the rise at an impressive rate of around 1% a year since 1995 (OECD, 2017), and the population has been increasing rapidly at around 1.5% per year (World Bank, 2019a), the country's manufacturing industry is still alarmingly undeveloped. Not surprisingly, Kazakhstan is incapable of serving the mounting demand in domestic consumer market.

Nevertheless, Kazakhstan has the fourth largest share of food in consumer spending in the world (Eurobak, 2019) and its fast-moving-consumer-goods (FMCG) market has been steadily growing in volume, at 2.6% between 2018 and 2019 (Nielsen, 2019). This expanding trend of the consumer market does not only reflect the rapidly increasing household disposable income which is expected to grow by 17% between 2019 and 2022 (World Bank, 2019a), but also implies the abundant inflow of exports to fill up the shelves of Kazakhstan's marketplace.

Very little research, however, has been done on the nature of Kazakhstan's consumer market, not the industrial market. This research will focus on how Kazakhstan has managed to fulfill the soaring demand in the domestic consumer market, particularly fast-moving-consumer-goods (FMCG) market, whereas it certainly does not have sufficient production capability to serve by itself. FMCG products, or also labelled as consumer-packaged-goods (CPG) products, are purchased frequently and quickly and typically of low-cost and low-involvement. The rationale behind choosing the FMCG sector over other lagging sectors of Kazakhstan as a research object rests on the fact that the industry is characterized by the constant level of market demand in any national market regardless of the country's production capability and the aggressive market supply by multinational oligopolies.

Taken into account that Kazakhstan is relatively new economy –the last Soviet republic declared independence only in 1992– and that the country's underdeveloped manufacturing industry has allowed FMCG multinationals to enter and dominate the national market in an oligopolistic manner, examining the Kazakh consumer market will yield meaningful findings for international business in regard with market entry strategies and marketing strategies to grab a greater share in new market space. The research is designed to answer the following research questions:

- Q1. Which market entry strategies the FMCG multinationals use to enter the Kazakh consumer market?
How did they gear their strategies to overcome entry barriers of the country?
- Q2. Which distribution channel the multinationals use, given the nature of the Kazakh retail environment?
- Q3. How the multinationals fine-tune their marketing mix for the Kazakh consumer market?

Methodology. The study will be a combination of systematic and qualitative research methods. To answer the first research question, which market entry strategies the FMCG multinationals use to enter the Kazakh market (Q1), systematic research process will be used. An extensive, in-depth, and focused literature

review will find the country-specific factors of Kazakhstan, both opportunities and threats, that multinationals face entering the market as well as the company-specific factors of each of the multinationals that helped –or hampered– the company’s penetration into Kazakhstan. With understanding of the company-specific factors, companies will be grouped in four different categories according to their entry strategies: exporting, franchising, undertaking turnkey projects, and establishing wholly own subsidiaries.

The multinationals’ choice of distribution channels in Kazakhstan (Q2) will be studied based on the preceding comprehension of retail environment of the country. A systematic research will be conducted to compare and contrast distribution options in the country and group the FMCG multinationals into each of the channels and explain their strategic reasons.

The paper also examines the marketing strategies of the FMCG multinationals fine-tuned for Kazakh consumers (Q3) through a qualitative research. The researcher will conduct on-site observations at both offline and online marketplace in Kazakhstan while carrying out focused case studies with an eye on each company’s strategies behind choices of; brands and product lines to introduce to the Kazakh market, product localization, price level, promotional efforts, and positioning tactics.

Data Collection and Data Analysis. The systematic research for Q1 and Q2 utilizes not only each company’s official publication but also primary data from highly credible sources, including World Bank, Organisation for Economic Co-operation and Development, International Monetary Fund, and Deloitte CIS Research Center. For Q1, secondary qualitative data is also collected, primarily interview articles with global companies’ executives who are operating business in Kazakhstan, which can be found in professional sources such as PricewaterhouseCoopers, Boston Consulting Group, and Eurobak, a non-profit organization of the European business community in Kazakhstan. For Q2, secondary data regarding the country’s retail business environment and geographical dispersion of population is strictly selected from reliable publications, including a Chicago-based global management consulting firm A.T.Kearney’s Global Retail Development Index, World Bank’s Doing Business Index, and so on. Data collected from the in-depth systematic research methods for Q1 and Q2 will consolidated and trimmed down through text analysis to yield meaningful findings.

For Q3, qualitative case studies and on-site observations for Q3 will be carried out in grocery retailers in Almaty city, from small and medium-scale shops to large-scale distributors, such as Magnum Cash&Carry, Ramstore, Small Supermarket. Data is collected in Almaty city, the most populated and commercialized city in Kazakhstan, with 30.5% of the total national retail market volume and 73 grocery markets, compared to the capital city of Nur-sultan, which takes only 12.3% of total retail market volume and 23 grocery markets, or Karagandy and East Kazakhstan region that takes 8.8% of the share together (Export Entreprises, 2019). The qualitative and statistical data collected from the case study and market research for Q3 will be analyzed through content analysis.

Expected Findings. Through a systematic research, the study will be able to provide up-to-date analysis of business environment and investment climate for multinational enterprises in Kazakhstan. The result of Q1 is expected to discover the optimal market entry strategies, among exporting, franchising, undertaking turn-key projects, or establishing subsidiaries, for FMCG multinationals depending on each company’s own strengths and weaknesses. It will also help to evaluate the effectiveness of the Kazakh government’s efforts to cultivate favorable business climate to attract multinational enterprises and foreign direct investment so that Kazakhstan can set a precedent for other resource-rich countries to mitigate the resource curse effect by attracting multinationals to hold up the lagging manufacturing sector.

Closely intertwined with each other, the answers to Q2 and Q3 will demonstrate which marketing strategies, including distribution, product localization, promotion, pricing, are most suitable to penetrate into the Kazakh consumer market. Successful market entry and positioning cases can be found valuable for global corporate marketers that look for an opportunity to enter into and thrive in the Kazakh consumer market.

Recommendations for Further Research. A cross-national analysis on all Central Asian countries will highlight how Kazakhstan could achieve unparalleled economic growth and attract the vast majority of the FDI inflow in the region when its neighboring countries, especially Uzbekistan, Turkmenistan, Kyrgyzstan,

and Tajikistan are also rich in natural resource reserve. The analysis may discover the impact of country-specific factors, particularly internal political stability and governmental economic reforms for stable macroeconomic environment and economic diversification, on the country's business environment and investment climate.

Furthermore, if longer period of time is allowed, it will be beneficial to conduct a research on spill-over effects, either positive or negative, of the economic activities of FMCG multinationals on the Kazakh economy in the long run. It is recommended to figure out if the domination of multinationals in the market and the industry is either advantageous (i.e. the experience curve effects and the national productivity improvement) or detrimental (i.e. disadvantages such as economic dependence on foreign capital and imports of the consumer industry) for the sustainable growth of Kazakhstan. Such research will proactively teach important lessons for other developing countries which are just opening up new market space for multinational oligopolists, similarly to Kazakhstan.

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«Замена института лидерства на институт администрирования и истощение харизмы лидеров»

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Абстракт: Данное исследование затрагивает один из важнейших аспектов человеческой жизнедеятельности-лидерства. Данный вопрос актуален как для частного бизнеса, так и для государственных образований. Учитывая, что само лидерство и его стили трансформировались на протяжении всей истории человечества, видоизменяясь по ходу прогресса, работа отражает исторические события и процессы. Главной темой проходит роль харизмы в лидерстве. Приведен расширенный обзор лидерства крупнейших стран XX века, а также рассмотрена литература XX века о текущем состоянии дел с точки зрения лидерства как в на государственном уровне так и на в различных корпорациях. Учитывая, что за последнее столетие прошли колоссальные изменения в понимании лидерства, рассматривается вопрос насколько лидерство вообще актуально в будущем, делается анализ ситуации с лидерством в прогрессивных странах Европы и Северной Америки. В учет взято то, что лидерство становится все более демократичным, и все более походит на администрирование и управление.

Данное исследование важно, в том числе, в контексте новейшей истории Казахстана и текущей политической повестки дня, так как с момента обретения независимости в 1991-ом году главой государства являлся Нурсултан Назарбаев, лидер страны, имеющий многие характеристики харизматичного лидера, такие, как вступление в должность в кризисный момент и другие.

По мнению автора, идеи Вебера актуальны для Казахстана и на других уровнях. В последнее время в сфере государственной службы проводятся существенные изменения, главным образом, направленные на повышение эффективности, которая невозможна без отлаженного бюрократического функционирования. То есть, постепенное внедрение институционализма и вытекающих «общественных ценностей» направляют министерства и другие государственные органы на, прежде всего, эффективную работу, фактически КРІ.

Важность данного исследования возросла после того, как первый президент нашей страны снял с себя президентские полномочия 19 марта 2019 года, и, таким образом, впервые в новейшей истории страны и за три десятилетия у страны сменился руководитель.

Ключевые слова: лидерство, харизма, Казахстан

Введение. С самого начала возникновения цивилизации 5-6 тысяч лет назад государственным образованиям необходимо было иметь лидеров во главе в руководстве — функционирования государственной машины. Социумам была необходима объединительная идея под верховенством лидера. Для отображения важности лидерства ниже приведен пример из почти 4000-летней давности.

Насколько известно на сегодняшний день, древние общества были способны создавать монументальные сооружения (яркий пример – древний Египет), в котором при фараоне Сенусерте III и Аменемхете III, правившими в XIX веке до нашей эры, был создан канал, соединивший Нил с Фаюмским оазисом, в результате было создано гигантское искусственное озеро, вмещающее пятьдесят миллиардов кубометров воды (крупнейшее искусственное водохранилище в США сегодняшнего дня вмещает тридцать миллиардов кубометров). Учитывая, что на тот момент не было широко использовано даже колесо, отсутствовали рабочие лошади и железные орудия, строительство подобного сооружения, как и многих других, кажется невозможным. Однако данные объекты были все же созданы усилиями тысяч людей, которые верили в фараона и его небесного покровителя Себека (Харари, 2016).

Вышеприведенный пример далеко не единственный, так как некоторые другие цивилизации создавали строения и сооружения аналогичного масштаба. Это демонстрирует широчайшие возможности при абсолютной полноте власти, а также вере собственно населения в своего руководителя.

В большинстве своем руководители обладали абсолютной полнотой власти, являясь монархиями, ханствами, царствами, за редкими девиациями вроде Древней Греции или монгольской военной демократии. Однако и в этих исключительных случаях во главе должны были находиться сильные и харизматичные личности, а их статус не мог подвергаться никакому сомнению.

Американская и французская революции конца XVIII века значительно видоизменили статус суверенов в государствах, отдавая центральную роль «гражданину». Вместе с тем, новым руководителям, вроде Джорджа Вашингтона и Максимилиана Робеспьера (пусть руководителя не столь успешного) также было необходимо оставаться харизматичными и уверенными личностями.

Лидеры XX века, главные действующие лица крупнейшего военного конфликта в мировой истории Второй Мировой Войны (~~такие, как~~ Черчилль, Рузвельт, Сталин, Гитлер) также были явными лидерами, с персонифицированной властью.

Данное исследование ни в коей мере не дает оценку историческим деятелям, так как, например, Максимилиан Робеспьер крайне противоречивая личность. То же можно сказать и о многих других личностях, которые будут упоминаться и/или описываться далее.

После всех трагедий первой половины XX века, принятия Всеобщей Декларации Прав Человека в 1948 году в развитых государствах Европы, все большую значимость начинает играть институционализм, где человек (в том числе, руководитель), является первичностью организации (института) над личностью.

Безусловно, в развитых странах появляется немало харизматичных лидеров, вроде Рональда Рейгана или Маргарет Тэтчер, однако постепенно увеличивается важность позиции, а не должности. Так, наибольшее безразличие к тому, кто в данное время является руководителем страны, достигнуто в нордических странах вроде Норвегии и Швеции (Брукс, 2013 г.).

Настоящее исследование опирается на теорию о типах лидерства, изложенную немецким ученым Максом Вебером около 100 лет назад в труде «О Законе в экономике и обществе». Макс Вебер, внесший выдающийся вклад в развитие теорий управления, делил лидерство на три основные категории:

1. Традиционное лидерство, характеризуемое безграничным правлением, легитимность которого базируется на традиции, зачастую монархи, феодалы, религиозные лидеры. Большую часть историю государствами руководили именно подобные лидеры, передававшие власть по наследству и обосновывавшие подобную систему традициями и устоями. Аналогично выстраивалась власть религиозных лидеров. Приведенный выше пример про сооружения огромного искусственного озера в Египте относится, как раз, к традиционному лидерству.

Столь древний пример (около 4 000 лет назад) был выбран не по причине того, что более поздних примеров нет или их мало ~~меньше~~, а по причине того, что даже без каких-либо технологий безоговорочное традиционное лидерство способно сподвигнуть тысячи людей на совместную работу, в тяжелейших условиях и с сомнительным вознаграждением. Фактически же традиционное лидерство было самым распространенным вплоть до конца XVIII века, и элементы этого вида лидерства можно наблюдать в некоторых государствах и в XXI веке.

2. Рационально-легальное, в основе которого стоит «законность» занятия должности, Вебер считает неотъемлемой характеристикой индустриальной революции и капитализма. Процессы при подобном типе лидерства являются бюрократическими. Развитие идей гуманизма, а затем и демократических ценностей набирает все большее распространение в мире. Практически все страны мира в настоящее время декларируют собственное устройство, как соответствующее рационально-легальному лидерству. Безусловно, оценки, насколько фактически декларируемое соответствует реальному, значительно разнятся, однако даже заявленная приверженность иллюстрирует общемировой глобальный тренд.
3. Харизматичное лидерство, изначально присущее и ассоциировавшееся с религиозными руководителями, далее распространялось на политических лидеров. Зачастую харизматичные лидеры появляются в кризисные периоды, когда необходимость в них особенно высока. XX век, включивший в себя колоссальные события, с точки зрения научно-технического прогресса, глобализации и двух мировых войн, в промежутке между которыми появились нацистские и коммунистические режимы, породил длинную плеяду кризисных моментов в разных государствах. Как результат, появилось множество харизматичных лидеров. Харизматичное лидерство считается не передаваемым, поэтому в большинстве своем преемникам необходимо было создавать и работать над своей собственной харизмой (харизматичным лидерством).

Основная идея исследования заключается в том, что, согласно Макс Веберу, харизматичное лидерство рано или поздно истощается и становится традиционной рутинной. Рутинная же, в свою очередь, трансформирует социальные отношения в регулярные, предсказуемые и безличные. Автор ставит задачу рассмотреть биографии, ключевые события в карьере некоторых лидеров важнейших государств во второй половине XX века. Выбор именно крупнейших сверхдержав США и СССР выбран ввиду их влияния на человечество в целом, ибо харизматическое лидерство в этих странах имело огромное влияние на лидеров и населения других государств, а тенденции и политика (например, принцип домино, мирное сосуществование, разрядка и так далее) имели колоссальнейшее влияние на человечество в целом. Вторая причина заключается в том, что значительная часть информации, касающаяся данных стран, является общим знанием (common knowledge).

Обезличенность отношений в бюрократии будущего занимает важное место в работах Вебера, и информационные технологии, не существовавшие во времена Вебера, в сегодняшнем мире играют важнейшую роль, в том числе, в Казахстане, где потихоньку минимизируется взаимодействие граждан с государственными служащими, а все большее количество государственных услуг становится доступно посредством удаленного доступа.

Учитывая, что с 80-х годов обрел второе дыхание нео-институционализм, изучающий поведение и нормы современных государственных бюрократических моделей, а также высочайший уровень информатизации и глобализации планеты, растущее население и ограниченность ресурсов, модели государственного управления и поведение стоящих во главе стран лидеров и/или администраторов будут играть важнейшую роль в обеспечении развития, процветания и безопасности человечества. Основным материалом в литературном обзоре охватывает описание лидерства руководителей США и СССР/России. Также присутствуют примеры из некоторых других стран. Учитывая, что исследование затрагивает прогрессивную современность, традиционное лидерство не является частью исследования. В свою очередь, харизматичное и рационально-легальное типы лидерства, не являющиеся взаимоисключающими, являются важнейшей частью исследования.

Материал для исследования взят из вторичных источников, таких, как публикации в научных журналах, литературы.

Методология

Качественное исследование было проведено обзором литературы и посредством полуструктурированных интервью с руководителями и заместителями руководителей..

В настоящей работе два имеются исследовательских вопроса, основанные на теории Макса Вебера об истощении харизматического лидерства:

1. Истошается ли харизматическое лидерство и трансформируется ли в рутину в современном мире (середина XX века-2019 год)?
2. Заменяется ли лидерство управлением? Подразумевается, как показатель развитых государств.

Также имеются две гипотезы исследования:

1. В современном мире (середина XX века-2019 год) харизматическое лидерство со временем истощается и трансформируется в рутину.
2. Лидерство заменяется управлением, чем государство становится более развитым, тем меньшее лидерство необходимо в таком государстве.

Цель исследования

Данное исследование важно, в том числе, в контексте новейшей истории Казахстана и текущей политической повестки дня, так как с момента обретения независимости в 1991-ом году главой государства являлся Нурсултан Назарбаев, лидер страны, имеющий многие характеристики харизматичного лидера, такие, как вступление в должность в кризисный момент и другие. Не представляется вероятным позиционировать лидерство Назарбаева, как традиционное, так как он не монарх/феодал, и к тому же, не имеется возможности апеллировать к традициям, так как предыдущие руководители Казахской ССР назначались из Москвы. В период до Советского в истории страны последним суверенным руководителем был Кенесары-хан, более полутора веков. В то же время, необходимо отметить, что лидерство Назарбаева имеет характеристики легально-рационального.

По мнению автора, идеи Вебера актуальны для Казахстана и на других уровнях. В последнее время в сфере государственной службы проводятся существенные изменения, главным образом, направленные на повышение эффективности, которая невозможна без отлаженного бюрократического функционирования. То есть, постепенное внедрение институционализма и вытекающих «общественных ценностей» направляют министерства и другие государственные органы на, прежде всего, эффективную работу, фактически КРІ. Поэтому – в данном контексте министрам необходимо, отчитываясь перед Главой государства, парламентариями и населением, демонстрировать фактические показатели, нежели харизматично выступать.

Важность данного исследования многократно возросла после того, как первый президент нашей страны снял с себя президентские полномочия 19 марта 2019 года, и, таким образом, впервые в новейшей истории страны и за три десятилетия у страны сменился руководитель. Учитывая, что в июне 2019-го года пройдут президентские выборы, избранному президенту вне зависимости от личности будет необходимо проявлять лидерские качества и управлять страной.

В сегодняшнем мире увеличиваются торговые войны, санкционные войны между крупнейшими государствами, становится обыденной политика протекционизма, приход к власти несистемных политиков, вроде Дональда Трампа, риторику которого называют популистской. Во Франции Марин Ле Пен является популярным политиком. То есть, несмотря на то, что апеллирование к харизме и популизму кажется для развитых государств этапом пройденным, развивающиеся еще на пути, вполне возможны модификации и изменения, и государственные институты может ожидать повсеместное распространение модифицированной харизмы.

Безусловно, в развитых странах едва ли возможно возвращение системы, при которой харизма является основным критерием для успеха политика, а все остальное будет отходить на второй план, однако при наличии практически идентичных показателей эффективности важно не только лидерство, но и харизма может сыграть важную роль. Более того, подобное утверждение усиливается увеличением

правых идей в современной Европе, связанными с мигрантским кризисом, распространением идей евроскептиков и других причин. В Северной Америке вопрос не менее актуален, в начале 2019-го года мир стал свидетелем беспрецедентного по своей продолжительности шатдауна в США, когда не работали многие государственные организации, из-за не способности руководства страны согласовать бюджет, камнем преткновения которого стала предлагаемая президентом Трампом стена на границе с Мексикой.

Исследование продемонстрировало актуальность института лидерства, выражающуюся, в том числе, в потребности обществами лидеров предлагающих решение текущей повестки дня.

Обзор литературы

Глава I

Современные определения лидерства и харизматичности.

Современная литература предлагает множество разных определений лидерства. Учитывая тему работы и во избежание выбора размытого определения, ниже ~~приведено~~ представлено определение для лидерства в государственной сфере (приведенное в отчете Организации Экономического Сотрудничества и Развития (далее – ОЭСР) в 2005 году):

Профайл лидерства включает фокусирование на достижении результатов, критическому анализу, открытости к изучению извне, пониманию обстановки и ее влияния, стратегическом мышлении и действий, создания новых эталонов и моделей работы и развитию персонального видения изменений (ОЭСР 2005:178).

Таким образом, лидеры ожидают от самих себя быть стратегами (Джойс, 2012); и окружающие также ожидают от лидеров – в стратегических действий (Чарльзворс, 2003). Определение от ОЭСР выбрано по причине планов Казахстана войти в число 30 наиболее развитых государств мира, а ОЭСР как раз является международной организацией, члены которой относятся к развитым странам с рыночной экономикой и демократией.

Следующим важным шагом для данной работы необходимо определить ключевые отличия харизматичного лидерства от нехаризматичного.

В своих работах, датируемых ранее 1913 года, Вебер понимал политическую харизму, как власть лидеров, умеющих бросить вызов и/или пренебрегать преобладающими взглядами на мир, создавая новые коллективные объекты на основе дискурсов обоснований против существующего порядка и радикально создавая новые легитимные структуры (Паппас, 2016).

Хотя Вебер во многом ссылаясь на религиозных лидеров, достаточно точно характеризует фактор лидерства при зарождении новых религий, особенно монотеистических. Однако вышеуказанная характеристика полностью применима к событиям и двадцатого века, таким, как распад Российской империи (Ленину и позже Сталину) и Османской империи (Мустафа Кемаль), а также Адольфу Гитлеру и Бенито Муссолини. Также необходимо отметить, что Вебер вполне обоснованно анализировал религиозных лидеров, так как многие столетия, вплоть до XIX-XX веков, распространенной парадигмой считалось, что вся власть у монархов от бога, например, распространенное до революции 1917-го года утверждение, что царь – помазанник божий. То есть, как и власть религиозных людей была непререкаемой, также по очень схожей модели правили монархи, и Вебер был живым свидетелем подобного положения дел, несмотря на распространявшиеся в те годы идеи демократии и меритократии.

Перенос анализ Вебера на легально-рациональную систему современных либеральных демократий, Паппас (2016 г.) характеризует сложившееся положение дел, как высоко-институционализованное, ограниченное правилами и доминирующей бюрократией, где формальные процедуры и верховенство закона преобладают над различным радикализмом. В подобных системах избиратели выбирают своих лидеров, а тем, в свою очередь, подобает править в «системной» манере, то есть, «заниматься ежедневной обычной политикой, которая не ставит под вопрос и не угрожает существующему обществу, а, наоборот, принимает его и воспроизводит его».

Касательно харизматичного лидерства Паппас (2016 г.) описывает таковых, как лидеров, производящих «слом» (break) существующей системы, объявляя изменения «морально легитимными». Таким образом, харизматичные лидеры влияют на демократию радикальными путями, так как

пересматривают демократическую институциональную архитектуру, в противоположность функционирования в привычных установленных правилах.

Однако необходимо подчеркнуть, что Паппас описывает либеральные демократии, и «радикальные изменения», возможные при популистских лидерах, которые, в большинстве своем, регулируются системой сдержек и противовесов, судебной системой и другими демократическими институтами. Также необходимо принимать во внимание, что тектонические сдвиги и изменения, наподобие выхода Великобритании из Евросоюза, хоть и являются радикальными, однако не базировались на одном лидере (который мог быть потенциально популистским), более того, решение было принято на референдуме, в котором могли участвовать все граждане страны. В следующих главах ~~будет~~ имеется более подробное описание сегодняшних реалий Европейской политики с точки зрения харизматичного лидерства и популизма.

Другая характеристика современного лидерства дана Мэри Паркер Фоллет (1928 г.), согласно которой лидерство больше основывается не на личности, а на способности контролировать ситуацию. Такие качества, как «доминирующее влияние» и «агрессивность» Фоллет не считала самыми необходимыми для лидерства. Она утверждала, что, если в прежние времена считалось правильным для лидера отдавать приказы, и успешность лидера измерялась тем, что данным приказам подчинялись, то в ее время в первой половине двадцатого столетия важным было, чтобы лидер мог продемонстрировать, как его приказ логично вписывается в имеющуюся ситуацию. А самым главным качеством для хорошо лидера было умение прогнозировать ситуацию, которая еще не состоялась. То есть, важность наличия у лидера дальновидности.

Необходимо отметить, что в настоящее время дальновидность лидеров среди государственных политиков мирового масштаба является очевидной необходимостью, в большинстве своем вне зависимости от действующего государственного строя. Хамель и Прахалад (1994 г.), развивая идею Фоллет, утверждали, что умение прогнозировать дает возможность лидерам развивать необходимые организационные возможности.

Идея Хамеля и Прахалада укладывается в то, что способность прогнозировать и быть готовым, гибким и восприимчивым к переменам, дает возможность лидерам адаптироваться в изменяющихся условиях. С наличием информационных технологий XXI века любые изменения стали происходить гораздо быстрее, новые идеи распространяются с невиданной ранее быстротой, и современность делает идеи Фоллет, высказанные более 90 лет назад, еще более актуальными для сегодняшнего дня. Идея, высказанная китайским лидером Дэн Сяопином о том, что «~~неважно~~ неважно, какого цвета кошка, главное чтобы ловила мышей» отражает важность прогнозирования и адаптивности. Дэн Сяопин, не отказываясь от коммунистической идеологии, ввел в экономику капиталистические нормы и правила игры. Как результат, Китай совершил огромный экономический рывок, и в настоящее время является второй экономикой мира, обогнав за последние десятилетия Японию, Германию и множество других развитых высокоиндустриальных государств. С позиции сегодняшнего дня выбор Дэн Сяопина в пользу рыночных механизмов экономики кажется очевидным, однако в конце 70-х и начале 80-х годов существенная часть стран имели социалистическую систему, где были распространены идеи «мирного сосуществования». Например, в 1973 году Федеративная Республика Германии признала Германскую Демократическую Республику, и не легко было предположить, что еще за десятилетия до конца двадцатого века политическая карта мира претерпит такие существенные изменения.

Многими историками высказываются идеи, что в Советском Союзе не оказалось личности, имеющей схожие лидерские качества с Дэн Сяопином. Или, иными словами, такого лидера, чье лидерство характеризовалось бы не доминирующим влиянием или подчинением его приказов, согласно идеи Фоллет, а лидера ситуации, который ~~бы~~ смог бы глубже анализировать сущность текущих событий, например, замедление экономического роста в СССР в начале 80-х, и спрогнозировать скорые изменения и в политических реалиях и в массовом сознании. Учитывая, что выполнение приказов в авторитарном Советском Союзе зачастую было своевременным и эффективным, не хватало именно лидера ситуации, который бы довел ~~бы~~ и до политиков и до населения правильность тех или иных предлагаемых его идей. Михаил Горбачев, хоть и начал изменения, которые, казалось бы, соответствовали веянию времени, однако в плане прогнозирования ситуации не был успешен, хотя бы потому, что не осознавал: при объявлении гласности ~~было~~ необходимо дать и реальные политические

свободы – тогда возможно не было бы силового подавления событий в Алматы в 1986 году и в других городах, а силовые методы, наоборот, привели к росту национального самосознания.

С точки зрения автора, что хотели этим сказать???

Глава II

Лидерство и институционализм в историческом контексте на примерах СССР и США XX века

О традициях институционализма писалось еще в античной Греции. Аристотель в своих политических теориях не обходил стороной этот аспект. После заката античной Греции и падения Римской империи тема харизматичного лидерства и институционализма была не столь релевантна, как и переживавшая не лучшие времена наука в целом. «Право сильного», безусловно, актуальное и в сегодняшнем мире – во времена Средневековья играло основополагающую роль, как в отношениях внутри государства (в виде полного подчинения монархам), так и в межгосударственных отношениях. Достижения книгопечатания Гутенберга, Великих Географических Открытий в XV-XVI веках, и последующая за ними индустриальная революция повлекли за собой постепенный переход от феодализма к рыночным отношениям, появлению класса буржуазии, что, в свою очередь, повлекло трансформацию государств в бюрократические машины, частично напоминающие сегодняшнее устройства государств.

Ввиду вышеуказанных факторов и изменившейся реальности в XIX веке ученые и мыслители все большее внимание уделяют функционированию общества, государств, классов (Маркс, Вебер, Найс и многие другие Год?). Безусловно, вышеперечисленные факторы, далеко не единственные, оказавшие внимание на развитие цивилизации и ход мировой истории, однако, само право и возможность обсуждать «государство» и «институт» стало возможным, благодаря вышеуказанным событиям.

Согласно Вебер, тематическое исследование вопроса базируется на рассмотрении нескольких кейсов из современной истории человечества. Примеры взяты из послевоенной эпохи (после 1945 г.), то есть, после создания атомного оружия и ситуации с гарантированным взаимным уничтожением государств, эпохи, согласно Ювалю Ной Харари, когда человечеством впервые за всю историю существования преодолен принцип Закона Чехова: ружье, висящее на стене в первом акте, обязательно выстрелит в третьем.

Также, следующим критерием отбора личностей лидеров является правление в эпоху телевидения, когда население имеет возможность видеть руководителя на экране, пусть и через сито монтажа. Именно поэтому критерию не проводился анализ Хрущева Н.С., так как к концу его правления в 1964 году телевизоры еще не были массовым устройством в домах граждан СССР. Более ранние периоды (особенно в случае с Российской империей) не рассматривались и по причине монархического строя до 1917-го года, а потом из-за достигшего огромных масштабов культа личности Сталина в период его почти тридцатилетнего правления.

Таким образом, первым примером тематического исследования является многолетний руководитель одной из двух сверхдержав эпохи Холодной Войны – генеральный секретарь Коммунистической Партии Советского Союза Брежнев Леонид Ильич. Период до вступления в должность фактического главы государства в 1964 году, и первый период в должности первого лица страны Брежнев Л.И. характеризовался, как энергичный, талантливый человек, эффективно управлявший несколькими регионами страны, в том числе, Казахской ССР. Не углубляясь в экономические показатели в эпоху его правления, которая характеризуется различными исследователями, диаметрально противоположными эпитетами от «Эпохи Застоя» до «Эпохи устойчивого развития», необходимо подчеркнуть, что массовая идеологическая и организационная работа, от внедрения традиции Парадов Победы и выходного 9 мая, внедрения других торжественных событий до институционализации государственных органов активно проводилась в 60-х и в 70-х годах. Однако, уровень энтузиазма и общественного одобрения деятельности руководства страны, в общем, был уже менее высоким, несмотря на то, что экономическая ситуация не ухудшалась.

Первое лицо государства стало героем многочисленных анекдотов, в массовом сознании харизма лидера практически полностью была заменена на образ пожилого болеющего человека. Учитывая, что здоровье Л. И. Брежнева действительно значительно ухудшилось, многолетнее пребывание руководителем в период отсутствия серьезных социальных потрясений, где было реально

(либо вымышлено) необходима демонстрация собственной власти либо харизмы, привели к истощению этой самой харизмы, согласно теории Вебера.

Последующие руководители страны Советов: Ю. Андропов и К. Черненко не рассматривались в анализе ввиду короткого периода их правления.

Однако, необходимо отметить, что при отсутствии функционировавшего легально-рационального лидерства в СССР сформировался достаточно примечательный для мировой истории пример: начиная с похорон И. Сталина в 1953 году следующим главой государства становился председатель похоронной комиссии предшественника (за исключением перехода власти от Хрущева к Брежневу, так как Хрущев был отстранен от власти и скончался не на посту). То есть, несмотря на официальное наличие бюрократического легально-рационального лидерства, согласно которому Первого (позже – Генерального) секретаря коммунистической партии выбирал Центральный Комитет, де-факто первопричинами были фактические позиции тяжеловесов. Таким образом, переход власти к преемнику был замкнутой процедурой в руководстве страны, а привычность того, что следующим руководителем будет председатель похоронной комиссии, коррелирует с традиционным лидерством, согласно Веберу (год?): вступление в должность нового руководителя соответствует тому, как это делали до этого (патерналистский подход, так как руководство государства лучше знает, кому должно возглавить страну). История знает и более свежие примеры, имеющие некоторые аналогии с советским временем. Так, например, после смерти президента Узбекистана Ислама Каримова в 2016-ом году, исполняющим обязанности, согласно бюрократической системе легально-рационального лидерства главы государства стал Нигматилла Юлдашев, через несколько дней отказавшийся от должности.

В 1985-ом году главой СССР становится Михаил Горбачев, имеющий высокий уровень популярности, шокировавший на первых порах открытостью к населению. Важнейшим подспорьем считалась молодость Горбачева, резко контрастирующая с возрастом предыдущих лидеров. Также положительную для него роль играло истощение харизмы предыдущих лидеров, и, хотя данное утверждение звучит парадоксально, в отношении Андропова (инициалы), бывшего лидером государства 15 месяцев и Черненко (инициалы), занимавшего аналогичный пост еще более короткий период, ключевой момент заключался в том, что и Брежнев, и Андропов, и Черненко относились к одному поколению, бывшему на руководящих постах в стране длительный период. При этом, все члены Политбюро того периода воспринимались, во многом, неразрывно друг от друга.

Перестройка и гласность, вошедшие в мировую политическую историю без перевода с русского языка, позволили позиционировать Горбачева (инициалы), как привносящий абсолютно новое, и предвещавший ускоренную модернизацию СССР. Однако, после событий в Алматы, Прибалтике, Тбилиси, Баку, когда решение протестных настроений было произведено посредством силы, а не декларируемого диалога, харизматическое лидерство либерального руководителя продемонстрировало соответствие действиям, и харизма начала быстро истощаться. К концу своего правления в 1991-м году харизма открытости стала невостребованна, а геополитическое поражение в Восточной Европе опустило уровень популярности Горбачева и для консервативных слоев общества, особенно на фоне его противника Б. Ельцина. Активные и уверенные действия Ельцина в 1991-ом и 1993-ем годах (расстрел парламента РФ) охарактеризовали его, как решительного сильного человека, в тоже время Горбачев на выборах 1996 года набрал 0,51% голосов, хотя еще десятилетие назад был уверенным главой государства.

Возвращаясь к Ельцину, необходимо отметить, что в свой второй срок после операции на сердце и дефекта речи его харизматическое лидерство было также истощено.

Владимир Путин с самого начала своей политической карьеры огромное внимание уделял собственной имиджу и развитию харизмы, отвечая запросам общества. Из этого обстоятельства вытекли эпатажные выражения: «мочить в сортире» и другие – подобного толка. Популярность в первых двух сроках была обеспечена окончанием Чеченской войны и экономическим ростом. В свою очередь, экономический рост повлек за собой появление прослойки среднего класса, который имел уже несколько иные запросы в виде более демократического и транспарентного государства, свободной прессы и т.д.

В результате на выборах 2012 года Путин набирает значительно меньше, чем на выборах 2004 года (63% против 71%), а в 2011 году вообще имели место массовые протесты населения. С точки зрения автора, данное согласуется с теорией Вебера об истощении харизмы.

Не вдаваясь в детали Крымских событий 2014 года, с точки зрения международных отношений, и не давая данному событию собственную оценку, автор подчеркивает, что события повлекли за собой существенный рост популярности Путина, а ореол личности и образ главнокомандующего позволил избежать истощения харизмы. Ухудшившиеся отношения с западом и санкции повлекли милитаризацию общественного сознания и увеличение рейтинга Президента РФ. Победа на выборах президента Российской Федерации 2018 года была одержана с рекордными 77%. То есть, если до Крымских событий наблюдалось харизматическое истощение в виде снижающихся показателей, то принципиально новая повестка дня, связанная с открытой конфронтацией с западом, выполнила своего рода перезагрузку для личности и харизмы Путина. К тому же, вопреки многочисленным прогнозам (что Путин будет выдвигать собственную кандидатуру на выборах 2008 года путем изменения законов), данное не имело место быть, и на один президентский срок высший государственный пост в Российской Федерации занял Дмитрий Медведев. Четырехлетний перерыв на должности главы правительства также благотворно повлияли на снижение риска истощения харизмы.

В другой сверхдержаве послевоенного мира, Соединенных Штатах Америки, присутствовало существенное отличие. Законодательное ограничение президентского периода двумя сроками снизило вероятность веберского харизматического истощения. Однако, несмотря на высокий уровень институционализма в США, собственно харизма начинала играть даже большую роль, чем когда бы то не было.

Если в примере с СССР, тематическое исследование началось с руководителя, занявшего высший пост в 1964 году, то применительно к США анализ начнется с того же десятилетия, но тремя годами ранее: с 1961 года. Во-первых, распространение телевидения шло в США более быстрыми темпами, во-вторых предвыборные дебаты, транслируемые перед выборами, были впервые проведены именно в тот электоральный цикл. Транслируемые дебаты между кандидатами, действующим вице-президентом Ричардом Никсоном и Джоном Кеннеди, оказали колоссальное влияние на собственно электоральные техники и открыли новую эпоху в публичной политике. К слову, оба участника дебатов, в итоге, занимали должность главы государства.

Многие эксперты и специалисты отмечали, что в случае отсутствия дебатов харизма Джона Кеннеди, умение общаться в прямом эфире и высказывать свои взгляды и убеждения могли не сыграть такой важнейшей роли, и исход выборов мог быть другим. То есть, учитывая и дальнейшие дебаты во всех следующих выборах телевизионная харизма оказалась революционной новизной, и, несмотря на растущий институционализм государственных и рыночных механизмов, руководители США и других государств получили возможность обращаться одновременно к миллионам сограждан, в отличие от их предшественников, имевших в распоряжении максимум главные площади столиц.

Учитывая, что максимальное время пребывания на позиции во главе США итак составляло сравнительно небольшие 8 лет, из следующих 9 президентов после трагической смерти Кеннеди только четверо находились в должности 8 лет. Линдон Джонсон, занявший пост президента после смерти Кеннеди в 1963, выиграл выборы 1964 года, и имел право участвовать в выборах 1968 года, однако не использовал эту возможность. Президентство Никсона прервалось грандиозным скандалом на шестом году. Джеральд Форд вступил в должность после Никсона без избрания, но проиграл свои следующие выборы и окончил свое пребывание во главе страны в 1977 году. Поныне здравствующий Джимми Картер также был президентом 1 срок. Рональд Рейган, пятый президент после Кеннеди, а также Билл Клинтон и Барак Обама были избраны дважды.

Безусловно, история президентства каждого из вышеназванных людей абсолютно разная, имела место в разные годы, при разных повестках дня (от Никсона, пытавшегося выиграть всеми возможными способами, включая нарушения закона, до Джонсона, добровольно отказавшегося участвовать в выборах второй раз). Однако, не осознание ли собственной уязвимости (Веберского харизматического истощения) подвигла и того, и другого на вышеуказанные действия. Таким образом, хотя телевидение создало потрясающие возможности для политиков, увеличение времени пребывания на телевидении имело эффект.

Уильямс (2003 г.) в своем исследовании теорий лидерства по Максиму Веберу приводит примеры, имеющие значительную схожесть с приведенным выше примером Владимира Путина и Крыма. В своей работе Уильямс описывает ситуацию в Соединенных Штатах Америки после событий 11 сентября 2001 года с точки зрения классификации типов лидерства по Веберу. Так, Джордж Буш, объявляя о

вторжении в Ирак, апеллировал не только реальными фактами, но и собственной харизмой. Согласно проведенным многочисленным исследованиям, в то время для значительной части населения было достаточно следовать планам их президента. Как было сказано выше, для появления харизматичных лидеров кризисные времена являются важной составляющей. Террористические атаки на Всемирный Торговый Центр в Нью-Йорке и Пентагон в Вашингтоне, безусловно, явились важнейшим событием и оправданно характеризуются кризисом, так как моментально встал вопрос об обороноспособности страны и возможности обеспечения безопасности граждан.

Таким образом, Джордж Буш-младший, пришедший к должности президента согласно бюрократической рационально-легальной системе, стал также и лидером харизматичным. Необходимо отметить, что в дополнение к лидерству харизматичному, появившемуся после вышеописанных событий, добавлялось и рационально-легальная должность президента, в рамках которой человек возглавляет и ведет страну. А описанные исследования о желании многих граждан довериться Бушу, имеет много аналогий с традиционным лидерством: патерналистский подход (глава страны знает, что делать). К тому же, Уильямс указывает на наличие факторов, которые облегчали Бушу пользоваться своим лидерством, харизматичным и рационально-легальным. Это собственно история США, имеющая значительный опыт в военных операциях в самых разных частях света. Учитывая, что после создания США, как независимого государства в 1776 году, экономика и развитие практически всегда шли по восходящей, а большую часть XX века экономика США является крупнейшей, и при этом, практически весь период существования страна участвовала в различных войнах. Факт ведения войны можно считать: а) традицией, б) опытом с прошлого, с) обычной моделью поведения США, как глобального актёра на мировой политической арене. Все три указанных вывода являются характеристиками традиционного лидерства.

Вышеописанное позволяет сделать вывод, что на какой-то период времени Буш совмещал все три типа лидерства. Важной деталью является то, что данные события происходили во время начального периода президентского срока. Так как система в США демократическая, а президент, согласно закону, избирается максимум на 2 срока по 4 года в рамках бюрократического рационально-легального лидерства, наличие либо отсутствие харизматического истощения, можно проверить у однопартийцев Буша на выборах 2008 года. Как известно, на выборах Президента США 2008 года кандидат от Демократической партии Барак Обама одержал убедительную победу, почти вдвое обогнав Республиканца Джона Маккейна по голосам выборщиков (365 против 173). Учитывая существующую двухпартийную в США систему, результаты проголосовавших отражают не только электоральную кампанию, но и отношение к предшественнику от партии. Дополняет данный кейс слоган тандема Обама-Байден «Change we can believe in» (перемена, в которую мы можем верить). Здесь наблюдается апеллирование и призывание к изменениям, демонстрирующим существенное несогласие с проводимой политикой.

Феномен харизматического истощения необходимо рассматривать в свете некоторых других исторических и культурологических метаморфоз, происходивших после перехода от феодализма к капитализму. Вебер касается данной тематики в труде «Протестантская этика и дух капитализма» (1905 г.). Он объясняет появление капитализма следствием учения Мартина Лютера, реформацией и появлением протестантизма. Ставшее следствием возникновения капитализма и индустриального общества обеспечило взрывной рост ВВП после 1750 года, когда общемировой ВВП стал расти в среднем на 1,5% ежегодно, при этом до XVIII века рост составлял только 0,01% ежегодно (Банк Англии). Соответственно, распространение и развитие рыночных отношений повлекли появление класса буржуа, и постепенно вопрос традиционного лидерства стал подниматься все чаще, видоизменяясь в легально-рациональное лидерство.

Несмотря на то, что в описанном ранее примере какое-то время у Буша было наличие характеристик всех трех типов лидерства, основой все-таки является легально-рациональное, которое и подразумевается в демократической системе с верховенством закона. Важно отметить три характеристики данного типа лидерства: стабильное, безличное, рациональное. В странах не демократических, в случаях харизматичного лидерства с элементами традиционного возникают ситуации, ведущие, в итоге, к миллионным человеческим жертвам. Возможности выразить «харизматическое истощение» в недемократических странах у населения нет, так как лидерство там нелегально-рациональное. Однако отсутствие возможности выразить «харизматическое истощение» не

означает отсутствие данного явления. Селеньи описывает методы борьбы с харизматическим истощением многолетнего китайского лидера Мао Цзедуна. Харизматичный лидер возглавлял Коммунистическую Партию Китая с 40-х годов. В конце 50-х была принята программа «Большой скачок» (1958-1960 гг.) для ускорения экономического роста. А вот уже в 1966-1976-х годах реализовывалась Культурная Революция. «Большой скачок» возможно охарактеризовать, как более экономический (увеличение выплавки стали); Культурная же революция несла более идеологический характер и касалась борьбы с возможной ревизией капитализма. Селеньи подчеркивает, что Культурная революция могла вполне быть инициирована оппозицией, однако, позже Мао пошел на опережение. Важными элементами обоих мероприятий было восстановление харизмы Мао. Трагедия состоит в том, что обе кампании стоили миллионов жизней погибших от голода и других причин в период данных мероприятий. Таким образом, несмотря на тотальную цензуру, мощнейшую идеологическую работу, проблема харизматического истощения вполне актуальна и понятна долгосрочным руководителям. Также в 1966-ом году Мао уже в преклонном возрасте 73 лет переплыл реку Янцзы, Селеньи классифицирует данное действие, как явно идеологическое и видит целью демонстрацию собственного здоровья и восстановления харизмы.

Апеллирование к харизматичному лидерству встречается и в современное время. После, более чем декады нахождения у руля государства, президент Туркменистана Гурбангулы Бердымухамедов очень активно демонстрирует собственные экстраординарные навыки, включающие спортивную подготовку, игру в боулинг, конструирование автомобилей, пение и другие талантливые навыки. Большинство данных действий транслируются по государственному телевидению. Учитывая, что Туркменистан не классифицируется, как страна со свободой прессы и демократией, и угрозы проиграть следующие выборы у Бердымухамедова не имеется, однако, вследствие истощения харизмы подобные акции имеют место быть.

Глава III. Современные тенденции в системе управления государств

С 80-х и 90-х годов прошлого столетия в системах управления многих развитых государств начался концептуальный переход от государственного администрирования (public administration) к государственному управлению (public management). Основной принцип заключался в замене статичных иерархических процедур на инициативное управление, направленное на эффективность. Наиболее активно проводили данную политику США, Великобритания, Австралия, Новая Зеландия. Главной характеристикой данной политики было уменьшение роли государства и приватизация крупнейших отраслей, таких, как телекоммуникации, инфраструктура, расширение отраслей применения концессионных проектов, в менеджменте стали заимствоваться техники и модели из частного сектора. Континентальная Европа также проводила схожие реформы, однако, в меньших масштабах, оставаясь более консервативной. Учитывая, что данный период пришелся на распад Советского Союза и перехода новых государств от социалистического строя на рельсы рыночной экономики, аналогичные процессы приватизации проводились при отсутствии институционального бэкграунда, что повлекло за собой существенное падение ВВП практически по всех 15 странах бывшего СССР в 90-х годах.

Однако, к середине нулевых годов XXI века ученые и исследователи по государственному управлению Патрик Дюнлеави (Patrick Dunleavy), Симон Бастоу (Simon Bastow), Джейн Тинклер (Jane Tinkler) из Лондонской Школы Экономики и Политической Науки, Элен Маргеттс (Helen Margetts) из Оксфордского Университета в 2005 году публикуют в журнале Исследований и Теорий Государственного Управления (Journal of Public Administration Research and Theory) статью о потере идей государственного управления своей актуальности, где приведены многочисленные проблемы и провалы, произошедшие с больницами, дорогами, которые были в концессии у частных компаний.

Таким образом, начался постепенный переход к public governance (государственному управлению), которое не противопоставлено предыдущим системам управления и свободно от догматических лимитов, вроде необходимости уменьшения роли государства или, наоборот, увеличения. В данной системе очевиднее выбирать наиболее эффективную модель, применительно к ситуации. Главной же целью становится «Общественная ценность» (Public Value).

Вполне очевидно, что при подобной системе государственных машин, традиционное лидерство не применимо, так как практически всеми характеристиками противоречит вышеописанным принципам «общественной ценности».

Предоставленный выше небольшой экскурс в тенденции развития государственного управления все больше отражает парадигму: «государство для человека» вместо «человека для государства». Безусловно, подобные идеи оказались востребованными на данном витке спирали истории развития человечества, хотя и не во всех государствах. Здесь уместно вспомнить немецкие экономические умы XIX века, рассматривавшие экономику без отрыва, а наоборот, в контексте исторического, социо-культурного бэкграунда, в отличие от классических англо-американских экономистов с теорией невидимой руки рынка.

Процессы второй половины XX века, направленные на распространение эффективных, нежели эффективных лидеров, шли вместе с распространением демократии; ведь не только в Восточной Европе, но и в Западной (Испании, Португалии) режимы были не демократические, соответственно, вопрос эффективности не мог ставиться с точки зрения либеральных демократий.

Однако необходимо учитывать, что хоть и без радикализма или идеологических изменений, во всех странах, включая развитые демократии, время от времени проводятся реформы, касающиеся непосредственно государственного управления. Например в 80-ые и 90-ые годы распространялись идеи «нового государственного управления», особенно в англоязычных странах, которые были направлены на передачу многих функций государства в частную сферу, снижения роли государства. Позже опыт показывал, что некоторые изменения нуждались в корректировках, были другие реформы. То есть изменения превращаются в ~~вневне~~ рутинный процесс. И вот здесь уже обнаруживается, что лидерство может быть необходимо при процессе важных изменений, и, уже имея над собой лидера, управленцы и администраторы могут реализовывать задуманные идеи.

Имеются исследования, которые отражают и негативные аспекты замены лидеров руководителями. Бичард (2000 г.) утверждает, что лидерство в государственной сфере становится более важным, когда правительства начинают реформы государственной системы, заключающихся в трансформации. В таких случаях хорошее руководство уже ~~недостаточно~~-недостаточно.

Различия между «руководством» и «лидерством» описаны в работе Коттера (1990 г.), опубликованные в Harvard Business Review: руководство контролирует сложность и производит порядок, а лидерство справляется с изменениями и производит нужные изменения. Джойс (2012 г.) подчеркивает, что руководство и лидерство не взаимоисключающие друг друга явления, а, наоборот, дополняющие.

Коттер указывал, что в американских компаниях слишком много руководства и мало лидерства. Питерс и Уотермен (1982 г.) в исследовании, касавшегося частного сектора, обнаружили, что более формализованные компании были менее успешны на международном рынке, нежели те, в которых было больше свободы и возможности проявлять лидерство. Хотя исследования касались частного сектора, аналогичная логика вполне применима и к государственному сектору. Возможно, что формализованность играла роль некоторого препятствия, потому что исследование посвящалось международной конкурентоспособности американских компаний, а как уже было ранее сказано, «руководство» заменяло «лидерство» в основном в развитых демократических странах (на международной арене таковых пока меньшинство). А компании же из развивающихся стран, не обремененные четко прописанными корпоративными правилами, первые лица которых, имея лидерские полномочия и способности, могли принимать решения, исходя из ситуации и на свое собственное усмотрение, были способны завоевывать рынки стремительнее.

Популизм является ровесником демократии, однако вопрос: чем он фактически является – остается спорным и по настоящее время (Окслей, 2018 г.). В массовом сознании популизм – это когда политики предлагают заведомо невозможные варианты решения проблем или улучшения ситуации.

Барлетт (2018 г.), анализируя причины распространения популистских политиков и партий, отмечает две важнейших характеристики:

1. Предлагают быстрые и очевидные решения для запутанных проблем, зачастую обвиняя кого-то в имеющихся проблемах и сложившейся ситуации.
2. Позиционируют себя, как представляющие порядочных людей, интересы которых ущемлены элитой.

Вышеуказанные инструменты вполне применимы как для правых, так и для левых идей, и, по мнению Барлетта, социальные сети предлагают идеальную платформу для популистских идей, и с их

распространением и влиянием на политику Барлетт связывает распространение популистских идей в последние годы.

В дополнение к вышесказанному, необходимо учитывать, что длина читаемых человеком текстов стремительно снижается, а доля концентрированного чтения еще меньше. Таким образом, подробное объяснение той или иной меры, характерное для либеральных западных демократий, становится менее эффективным, а вот популистские заявления, выраженные в нескольких предложениях, наоборот становятся действенными. Данный аргумент комплементарен для идеи Барлетта.

Однако необходимо ни в коем случае не принижать значимость демократических институтов, являющихся залогом поступательного прогресса развитых государств.

Таким образом, сегодняшнее мироустройство, с человеческой жизнью, как главной ценностью, влечет за собой подотчетность руководств государств. Учитывая тысячи существующих методик оценки эффективности сегодняшних правительств, управление, по крайней мере, развитых демократических государствах действительно становится рутинным, ставятся цели и задачи, а затем общественность и масс-медиа проводят оценку. В такой ситуации харизматичность лидеров многократно отходит на второй план, так как эмоциональным апеллированием и демонстрацией уверенности впечатления на современный электорат уже не провести.

Личная жизнь и личные характеристики политических руководителей все больше отходят на второй план, а важнейшим становится условный KPI. Однако, большинство вышеуказанных моментов свойственно образованным Европейским обществам. В менее развитых государствах спрос на харизматичность по-прежнему высок. Владимир Путин, охарактеризованный в конфиденциальной дипломатической переписке как «альфа-самец», как раз-таки отвечает запросам российского общества, равно, как апеллирующий, примерно к таким же инстинктам населения, глава Турции Реджеп Тайып Эрдоган.

На тему популизма в политике написано существенное количество материалов. К популистам относят и Дональда Трампа, и многих Европейских политиков. Много критики среди европейского населения по поводу миграционной политики. В рамках данного исследования анализ справедливости критики в адрес правых политиков не производится.

Но, если для Европейских политиков и населения популизм во многом атавизм (хоть и не однозначно), то каждое популистское действие партий и политиков детально рассматривается и, как минимум, классифицируется. Однако данное стало реально в основном лишь для развитого Европейского общества. Фактор наличия демократического и развитого общества является важнейшим. В остальном же мире популизм, по-прежнему, является очень распространенным.

В тоже время, ввиду перехода к институционализму в Европе большее внимание уделяется популистским лидерам, зачастую харизматичным, проводятся исследования на предмет того, являются ли харизматичные лидеры популистскими и наоборот.

В последние годы проведено несколько исследований (МакДоннел, 2015 г., Паппас, 2016 г.), которые рассматривают: есть ли связь между фактором того, что политик считается популистом и харизмой политика. В работе Паппаса (2016 г.) анализируется электоральный успех популистских политиков, которые классифицируются, как харизматичные.

В другой работе Паппаса приводятся следующие характеристики популизма:

- опора на экстраординарное харизматическое лидерство
- безостановочная политическая поляризация;
- выхолащивание либеральных институтов;
- использование патронажа для вознаграждения сторонников.

Подчеркивается, что для либеральных демократий харизматичное лидерство не типично, но для популистских партий это жизненно важно, так как ни одна популистская партия не добивалась электорального успеха без харизматичного лидера.

Анализируя данное и другие исследования, становится понятно, что либеральным демократиям лидеры нужно также как и другим самым разным режимам, просто критерии для принятия того или иного человека, как лидера, значительно отличаются.

Заключение:

Примеры многих описанных личностей, описание их биографий, их ключевые действия позволяют считать идею Макса Вебера об истощающейся харизме правильной. Как на примере государств не демократических, где лидеры перезагружали собственное харизматическое лидерство варьирующимися методами, так и в демократических Соединенных Штатах Америки возможно наблюдать индикаторы истощающегося лидерства. Таким образом, гипотеза, что в современном мире (середина XX века-2019 год) харизматическое лидерство со временем истощается и трансформируется в рутину, выдвинутая касательно исследовательского вопроса №1, подтверждается и харизматичность лидеров со временем истощается, причем анализ показывает, что данное применимо как к популистским лидерам, так и к не-популистским лидерам. Очевидно, что институциональные ограничения в либеральных демократиях мотивируют использовать харизматичность в несколько ином ключе, в то время как в государствах, где либеральные и демократические ценности не доминируют, лидеры проводят «обновление» харизматичности в зависимости от количества лет пребывания у власти.

Гипотеза, выдвинутая ко второму исследовательскому вопросу «Лидерство заменяется управлением», не подтверждается, так как имеющаяся литература по исследованиям, проводимым в последние 4 десятилетия в США, Европе и других странах, демонстрируют, что лидерство необходимо для эффективного и успешного управления, как государствами, так и в частном секторе. Важно, что литература касалась как раз-таки развитых стран в большей степени. Важнейшая роль лидерства выявляется при трансформациях и/или изменениях, которые постоянно происходят даже в англосаксонских государствах.

В начале исследования автор предполагал, что обе гипотезы на оба исследовательских вопроса будут иметь одинаковый ответ, положительный либо отрицательный. Однако уже в процессе исследования, обзора из вторичных источников выяснилось, что лидерство трансформируется, становится демократичным и все больше основывается на меритократиях, однако совершенно не исчезает.

Автор на начальном этапе исследования предполагал, что сегодняшняя система управления, которая все больше и больше следует принципам меритократии, как в частном секторе, так и в государственном, не требует от руководителей каких-либо лидерских качеств. Гипотеза основывалась на государственных системах Европейских стран, в особенности Скандинавских, в которых доминирует институционализм, а наличие стран с ярко выраженными лидерами (Россия, Турция) казалось демонстрацией, что тенденция лишь идет с разной скоростью, распространяясь постепенно, как и собственно сами идеи демократии и меритократии. Однако проведенный обзор литературы показал, что критически важно для современных исследователей понимать, что сегодняшние процессы – это трансформация лидерства, видоизменение лидерства, однако, никак не его исчезновение. Необходимо не ставить знак равенства между лидерством популистским лидерством и лидерством профессиональным.

Анализ феномена популизма позволил определить, что популизм выхолащивает либеральные институты, а так как сами либеральные институты до начала работы понимались автором, как обезличенные и безлидерские, то автор считал что популизм это следствие лидерства. Однако изученная литература отразила, что и в либеральных институтах в либеральной западной экономике присутствует лидерство.

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“Оценка системы внутреннего контроля по COSO в автомобильном бизнесе на примере компании ТОО "Royal cars" “

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Абстракт. В данной статье исследованы оценка системы внутреннего контроля компании ТОО "Royal cars" на основании интегрированной модели COSO, выявление несоответствии в операционной деятельности и частично в части подготовки финансовой отчетности, а также рекомендаций и предложения по оптимизации системы внутреннего контроля товарищества в целом.

В работе используются методы сравнения, группировки, системного и аналитического подходов. Систематизация, обработка, обобщение и анализ исследуемого материала осуществлялись в соответствии с общей логикой исследования, последовательностью и необходимостью решаемых задач.

Введение. Управление бизнесом требует навыков и ресурсов квалифицированных специалистов в определенных областях бизнеса. Владельцы бизнеса должны организовать систему учета, информационных технологий и эффективную систему общения между сотрудниками и клиентами. Сила каждой системы напрямую влияет на финансовый успех хозяйствующего субъекта. Понимание внутреннего контроля и его компонентов позволяет владельцам бизнеса структурировать организацию таким образом, который способствует росту и предотвращает путаницу.

Внутренний контроль - это процесс, при котором руководство структурирует организацию, чтобы обеспечить уверенность в том, что организация работает эффективно и результативно, имеет надежную систему финансовой отчетности и соответствует применимым законам и нормативным актам. Успешная система внутреннего контроля не создается в одночасье, а представляет собой непрерывный процесс тонкой настройки внутренней работы организации.

Система внутреннего контроля необходима, чтобы помочь сотрудникам и другим партнерам понять отношение и цели компании в целом. Внутренний контроль обеспечивает разумную уверенность клиентов и других сторон в том, что операции регистрируются надлежащим образом и своевременно. Например, у многих потребителей есть любимый автомобиль, потому что автопроизводитель известен своевременным предоставлением качественных услуг. Другими словами, потребители предпочитают покровительствовать компаниям, которые имеют хорошие системы внутреннего контроля. Официальных совокупных данных по системе внутреннего контроля казахстанских компаний отсутствует. Можно ознакомиться отдельными системами внутреннего контроля в производственных и промышленных компаниях Казахстана. Как известно, СВК является обязательным элементом для дальнейшей эффективной деятельности компании и требует постоянного повышения. Соблюдение всех компонентов системы внутреннего контроля по модели COSO позволило бы избежать отрицательных последствий.

Согласно модели COSO, пять компонентов внутреннего контроля - это (1) контрольная среда, (2) оценка рисков, (3) контрольные процедуры, (4) информация и коммуникации, и (5) процедуры мониторинга [5]. Оценка рисков и контрольная среда охватывают всю систему и оценивают общие цели организации и способы ее достижения. Контрольные процедуры помогают снизить риск и управлять им в организации. Например, пароли размещаются в компьютерных программах для предотвращения несанкционированного доступа. Информация и коммуникация включают предоставление сотрудникам и клиентам возможности выражать и собирать информацию. Успешное общение и информация варьируются от современных компьютерных технологий до регулярно проводимых встреч персонала.

Процедуры мониторинга включает в себя оценку эффективности работы сотрудников и осуществляется путем проведения самооценок или экспертных оценок.

Система внутреннего контроля в автомобильном бизнесе мало исследована в казахстанских компаниях. Компаний, в сфере автомобильного бизнеса в РК, не разглашают внутренние процедуры, ссылаясь на конфиденциальность информации. В этой связи актуальным является оценка и изучение системы внутреннего контроля, а также проведение анализа на соответствие компонентам интегрированной модели COSO на примере компании ТОО "Royal cars" (далее - товарищество).



Методология. Теоретико-методологической основой исследования послужили труды зарубежных и российских ученых-экономистов в области теории и практики управления системы внутреннего контроля и его совершенствования.

В качестве информационной базы использовались материалы различных финансовых и нефинансовых организаций по всему миру, а именно: COSO, Deloitte, EY, Toyota center и т.д. Также были использованы законы и нормативно-правовые акты Республики Казахстан.

Источниками для написания дипломной работы послужили интегрированные модели, разработанные при поддержке Национальной комиссии по вопросам мошенничества в финансовой отчетности (комиссия Тредвея), научные труды в области системы внутреннего контроля в разных сферах и предприятиях, и другие. Материалы данной работы могут быть использованы руководителями товарищества. Также результаты исследования могут быть использованы в учебных целях для изучения элементов системы внутреннего контроля товарищества (СВК) и особенностей СВК в современных условиях.

В работе используются методы сравнения, группировки, системного и аналитического подходов. Систематизация, обработка, обобщение и анализ исследуемого материала осуществлялись в соответствии с общей логикой исследования, последовательностью и необходимостью решаемых задач.

Цель исследования. оценка системы внутреннего контроля компании ТОО "Royal cars" на основании интегрированной модели COSO, выявление несоответствии в операционной деятельности и частично в части подготовки финансовой отчетности, а также рекомендаций и предложения по оптимизации системы внутреннего контроля товарищества в целом.

Из поставленной цели вытекают следующие задачи:

- ✓ описать Интегрированную концепцию COSO и другие виды системы внутреннего контроля;
- ✓ провести анализ деятельности ТОО "Royal cars";
- ✓ провести анализ и оценить системы внутреннего контроля ТОО "Royal cars" по 5 компонентам

- и 17 принципам COSO с учетом специфики автомобильного бизнеса;
- ✓ предложить пути улучшению системы внутреннего контроля;
 - ✓ пути оптимизации системы внутреннего контроля компании.

Заключение: Целью данной дипломной работы было оценка эффективности системы внутреннего контроля в автомобильном бизнесе на примере компании ТОО «Royal Cars» путем применения компонентов интегрированной модели COSO .

В теоретическом разделе настоящей работы рассмотрены модели внутреннего контроля, уточнены понятие внутреннего контроля, пяти компонентов и семнадцати подкомпонентов системы внутреннего контроля по модели COSO.

В практической части была проанализирована деятельность товарищества в целом. Также на основе анализа был применен метод оценки эффективности в процентном соотношении, который показал что только на 38% эффективен СВК а товариществе.

В третьей главе прописаны основные пути оптимизации системы внутреннего контроля.

Система внутреннего контроля должна оцениваться и улучшаться на постоянной основе. В процессе анализа и оценки были предоставлены предложения и рекомендаций для оптимизации СВК.

Внутренний контроль - это механизмы, правила и процедуры, применяемые компанией для обеспечения целостности финансовой и бухгалтерской информации, обеспечения подотчетности и предотвращения мошенничества. Помимо соблюдения законов и нормативных актов, а также недопущения кражи активов сотрудниками или совершения мошенничества, внутренний контроль может помочь повысить операционную эффективность за счет повышения точности и своевременности финансовой отчетности.

Неспособность установить систему внутреннего контроля указывает на отсутствие руководства для субъекта. Многие владельцы малого бизнеса настаивают на том, чтобы сотрудники подписывали документы, указывающие, что они читают руководство, содержащее правила и процедуры. Это обеспечивает ограниченную защиту для владельцев бизнеса, если сотрудник нарушает правила и подвергает организацию риску судебных исков.

Независимо от политики и процедур, установленных организацией, могут быть предоставлены только разумные гарантии того, что внутренний контроль эффективен, а финансовая информация верна. Эффективность внутреннего контроля ограничена человеческим суждением. Бизнес часто дает высокопоставленному персоналу возможность отменять внутренний контроль по причинам операционной эффективности, а внутренний контроль можно обойти путем сговора.

В результате проведенного исследования системы внутреннего контроля в компании ТОО «Royal Cars» позволило выявить основные ошибки действующей системы внутреннего контроля.

1. Организационная структура товарищества очень слабая и запутана, отсутствуют основные структурные подразделения и нагрузка на линейных и функциональных руководителей распределена не равномерно.
2. Отсутствуют важные внутренние документы (Политики, Правила, Положения и т.д.), регламентирующие основные требования и правила.
3. Недостаточно развита кадровая политика.
4. Слабая система безопасности в бизнес-процессах.
5. Отсутствует ключевые сотрудники, которые будут осуществлять полноценный внутренний контроль.
6. Отсутствуют современные ИТ-технологии для формирования отчетов и автоматизации процессов.

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“Transit transportation of the Republic of Kazakhstan: utilizing rail and road, current status, problems and prospects”

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Abstract. A sovereign Kazakhstan is a unitary state, with a huge area of among the ten biggest states in the world. According to World Atlas (2019), they are Russia, Canada, China, the USA, Brazil, Australia,

India, Argentina, Kazakhstan, and Algeria. Historically, Kazakh territory always used for transportation any kind of goods and products between the two continents. Our land was a major part of the Silk Road, especially southern regions of the current Republic. It only had a gap in the Soviet period, because our borders were closed and forbidden for any kind of transition throughout USSR territory. From the beginning of independence, Kazakhstan always wished and intended to be an open and transparent state in terms of world trade and business. It leads the country to have own transit potential as its territory lays between Asia and Europe.

Key words: Kazakhstan, Europe, China, Silk Road, Soviet period, gap, independence, transition, world trade.

Introduction. In the modern world, the importance of the transport industry in the economy of each state, region and even continent is increasing, since the level of development of transport directly affects the competitiveness of the economy and the security of the country. Freight transport is an important sector of the domestic economy of Kazakhstan. The significant territory of the republic and a low population density, the high rate of economic development of Kazakhstan, achieved in recent years, form the growing demand for transportation. Accordingly, the movement of the population and freight flows within the framework of inter-farm relations, economic development and interaction of the regions of Kazakhstan every year becomes an increasingly popular service. Kazakhstan is less-integrated with major global markets. For this reason, the economy of Kazakhstan is highly cargo intensive. Transport plays a crucial role in the implementation of interstate ties. Their intensive growth presents new, increased requirements for the development of the transport infrastructure and regulatory policy, on the state of which the results of the development of the domestic economy of the republic and international cooperation depend to a large extent. The industry has significant international potential, which is not yet fully utilized. World trade has developed rapidly over the past two decades. Due to the advantageous geographical location of Kazakhstan for the passage of cargo flows between Europe and Asia, the country's different sectors including transportation increase revenues. To achieve such a goal, Kazakhstan needs to create a modern transport infrastructure that ensures the transit of goods between the East and the West, which corresponds to the level of developed countries involved in transport integration. The ability to take advantage of its natural geographical advantages requires bringing the transport system of Kazakhstan in line with international requirements and standards, which implies the need to modernize the industry. Moreover, this work is to be carried out as soon as possible so that competitors do not seize the initiative in their own hands, providing alternative Kazakhstani transport routes and a level of service for freight that meets international requirements. In this regard, the current stage of the economic development of Kazakhstan is characterized by a reassessment of the capabilities, tasks, and prospects of the development of the transport complex.

Research Questions:

What are the benefits and prospects of being a transit country for the Republic of Kazakhstan?

What does Kazakhstan need in order to increase transit capacity and benefit from it?

Methodology: The paper assesses and identifies the need for investments and developments of freight transport infrastructure, in particular by utilizing rail and road, to remove problems to develop a sustainable transit transport system. Towards this, by analyzing secondary data collected from the Statistical documents published in official Statistics Committee source, and data derived from the publication of the annual report of JSC Kazakhstan Temir Zholy (KTZ), reviewed journal, work represents total history of information to collect the opinion on key ideas of the theme of the work for better understanding.

Purpose of the Study: To prove that the railway and road-related transit transportation and relations are terrific beneficial for the Republic of Kazakhstan. Because the potential of it for the country's economy shows that this sector needs to be developed largely. The relevance of this topic lies in that the future of Kazakhstan is inextricably linked with the further development of freight transport, which today is called the third, leading branch of material production. In Kazakhstan, all types of transport have developed: rail, air, road, sea, river, pipeline, and electronic. Transport management is carried out by the Ministry of Transport and

Communications, and national companies: Kazakhstan Temir Zholy, Air Astana. Furthermore, the paper considers the development and current state of the transport system of the Republic of Kazakhstan. It is also necessary to study the main provisions of the law "On Transport of the Republic of Kazakhstan". One of the potentials is to consider transit opportunities, transport corridors on the territory of the republic, the creation of a new transport corridor "Western Europe - Western China" and its advantages, as well as coverage of solutions to transport problems by the state and the position of Kazakhstan on the world market.

The current prime minister of Kazakhstan Mr. Mamin (2010) noted in his article in the leading state newspaper, that the current state of the industry as a whole and the main modes of transport as the needs of the country's population in transport services, and the needs of the developing economy of Kazakhstan in transportation, as well as the readiness of the industry to provide transit freight, flows through the country.

In the information provided by the transportation report (Transport strategy of the Republic of Kazakhstan, 2015) made by the government and about its plans before 2015, there were discussions that Kazakhstan is remote from major global markets. Because of this, the economy of Kazakhstan is differing with highly cargo intensively. Over 80% of freight traffic is inland transport. World trade has been growing rapidly over the past two decades. Annual turnover between Europe and Asia, which at this stage is about \$ 400 billion, and soon it could reach \$ 1 trillion. Transport plays a critical role in the implementation of interstate relations. Their intensive growth presents new, increased requirements for the development of the transport complex, from which the results of the development of the internal republican economy and international cooperation. The industry has significant international potential, which is not yet sufficiently involved. In this regard, it is advisable to use the advantageous geographical location of Kazakhstan for the passage of cargo flows between Europe and Asia, which helps increase budget revenues transport companies and the state budget of Kazakhstan.

However, in this situation, we need to consider a quality analysis (such as regression, correlation analysis) to define what Kazakhstan needs to form a modern transport infrastructure that ensures the transit of goods between East and West, which are corresponding to the issue of the level of developed countries involved in transport integration. The ability to take advantage of its natural geographical advantages requires bringing the transport system of Kazakhstan in line with international requirements and standards, which implies the need to modernize the industry.

Literature Review: In recent years, the freight transport and transit relations of Kazakhstan have undergone a significant transformation. Along with positive results, there are issues that the republic has yet to solve for the development of transit. Kazakhstan has a favorable transport and geographical location, in this regard, at present, attention is being paid to increasing the efficiency of transport links both from government bodies and from interested companies. The freight transit transportation in case of rail and road of the Republic of Kazakhstan is a complex industry, carrying out its activities in cooperation with all sectors and economic sectors of the republic. The actual global problem is Low development of railways and roads system.

The transport and logistics infrastructure of Kazakhstan has a small reserve of transit capacity, so the country needs modern container terminals. In the case of solving logistic problems, Kazakhstan can become one of the main players and get the most benefit from trans-Eurasian transit. By the words of Sukhoverkova (2019) discussing the Chinese initiative of the Silk Road Economic Belt, we see that the volume of container traffic on land routes China - EAEU - Europe is growing annually, albeit from a very low base. Responding to changes in the pricing environment, shippers begin to more actively use land transport routes. However, due to the lack of transit capacity with the growth of cargo flows, the efficiency of logistics will decrease, which, accordingly, will affect the preferences of shippers. To solve this problem, the construction of modern container terminals is necessary for Kazakhstan. Their appearance, along with the construction and reconstruction of railways will increase the total transit capacity of Kazakhstan from three to five times depending on the directions. By building three or four basic modern container hubs, according to expert estimates, Kazakhstan will be able to achieve more than doubled throughput in transit and reduce the cost. According to Appendix 1, we present a SWOT analysis of our work in the table that shows strengths and weakness points for the economy of Kazakhstan and whole sector, while we see opportunities and threats for the other countries which are

interested in Kazakh territory as a transit state only and they are taking all the risks for themselves. As a result of this analysis we forecast that Kazakhstan should use all the opportunities giving to him by geographical location and must benefit from neighbor states interests.

By the literature review, We have found our approach of research, the model of calculation in order to analyses the Kazakhstan's Income from railways and road logistics during 18 years and identified appropriate methods of analysis, such as Quantitative methods (which results are valid and reliable) such as Multiple Regression analysis by using Excel software. In this case; Dependent variable is Kazakhstan Income from Railways and Road during 18 years (million USD), Independent variable or factors Transportation of goods by Railways and Roads (million tons) during 18 years, Railway and Road freight turnover (billion ton-km) during 18 years, Export (million USD) during 18 years, Import (million USD) during 18 years, Railway and Road transport lines length (km) during 18 years, GDP of KZ (billion.USD) during 18 years, Population of KZ (million) during 18 years. According to Appendix 2, which shows outputs of multiple regression analysis. The coefficients indicate that Kazakhstan's Income from Railways and Road logistics totally depends on factors, which we are followed, which means, if one of these indicators increases to positive side then Kazakhstan's Income from Railways and Road logistics also rise up or vice versa. By summarizing the analysis, the factors above are strongly interconnected thereby changing or innovating for one or more factors that can significantly affect the positive dynamics of income growth for Railways and Roads. As we know, the growth of transit traffic increases the efficiency of using the transport capabilities of national transport systems and stimulates their reproduction and improvement. A consequence of the growth in transit traffic may be, without significant investment, an increase in budget revenues, revenues of transport organizations and, accordingly, their effective development. Consequently, the transit potential is provided by two main components - the presence in the neighboring countries of capacious, developing markets and the efficiency of the transport system of the transit country.

Conclusion: In Kazakhstan, it is necessary to improve corporate governance in the transport sector, in order to bring the activities of transport companies and individual entrepreneurs in line with increased requirements for the transport industry. It is advisable to unite individual entrepreneurs working in transport into unions and associations. To ensure successful long-term development of transport, increase the efficiency and quality of transport services, it is necessary to apply an integrated approach to the analysis and determination of a promising strategy for the development of the industry, to develop and implement a system of measures to reform the economic model, improve the institutional structure, and optimize regulation of transport development by the state. It is also necessary to formulate an industry-wide system of training, retraining and continuing education for workers in transport and logistics, taking into account international experience.

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УДК 334

“Effective Team Management Skills: the Case of XYZ Company”

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Abstract. The ability to efficiently manage and coordinate a group of individuals is considered to be one of the most important and valuable qualities in the modern labor market. Regardless of the industry, collective activity has been and continues to be important. Efficient leaders should help their subordinates to acquire or enhance such skills as communicating a clear vision, creating a learning environment, facilitating and coaching teams, getting people to talk about problems, listening effectively, steering conflicts away from personalities and toward issues, and cultivating a power base.

Based on the example of an XYZ company, the research determines effective and efficient leadership styles, ways to build influence within a workteam, reasons of individual behavior and methods of mitigating and resolving a conflict in a team. The paper provides review of primary data and studies secondary data to provide recommendations to improve employee performance, happiness and innovation in the workplace. Also, the recommendations cover stages of forming an efficient leader and a work team, as well as developing leadership skills in employees in order to nurturer competent leaders.

Key Words: leader, management, individual, team, team performance

Introduction. The ability to administer a group of co-workers and work in a team that is committed to a jointly chosen goal is extremely essential for an individual’s future. The most important factor of progress is the activity of such a team, where everyone feels himself as part of a whole.

Team management involves teamwork, communication, objective setting and performance appraisal. A team that is filled with individuals who are committed to and passionate about the team's goals, because they coincide with their own needs, is far more powerful, than a team filled with individuals who have over-ridden their own needs, for the good of the team, and are co-operating in a lackluster manner.

However, the culture of teamwork where interdependence is necessary to overcome various and intricate daily challenges, might result in losing one’s individual identity. There the leader's role is to help each individual align his or her own needs and interests, with the goals and pursuits of the team. Every individual needs safety, belonging, and purpose – leaders should identify what employees are lacking and help them fulfill that need. Productivity of each individual as well as that of the organization increases multi folds if an organization is people oriented rather than result oriented. Understanding an individual's strengths and weakness means that a leader can place them in roles that will enable them to use their strengths on a regular basis. When people are able to do this, they excel and are far more productive.

Research Questions. Specifically, the following question guide this study:

1. What are leadership styles?

2. How an individual/leader can influence a team?
3. What are the reasons of an individual behavior?
4. How to mitigate/resolve a conflict in a team?

Methodology.

Type of research design. To answer the research questions a qualitative study will be designed, that will focus on semi-structured interviews and structured questionnaire:

1. face-to-face semi-structured interviews with 15 individuals working in teams will be conducted. Interviewees will be selected randomly. The interview will give insight into an individual's behavior in a team and will allow a closer observation of the participant by the researcher to ensure the data reliability. This level of reflexivity will strengthen the ethical considerations used within the research project
2. a structured questionnaire will be distributed among 100 individuals working in teams, including those, who participated in face-to-face interviews. It's planned that at least 50 answers to the questionnaire will be collected.

Thus, the study will focus on 50 individuals, working in organizations (entities) with ten and more employees, to ensure accuracy and reliability of the data. The interviews will be transcribed and coded using grounded theory (Glaser & Strauss, 1967).

Information needs. Information and data needed for this research will include:

1. study of secondary data: publications, reports, researches, surveys, best international practices, psychological tests, etc. on individual behavior, team management, leadership styles, conflicts causes and management and individuals/leader's influence;
2. developing primary data: face-to-face interviews with employees; surveys/questionnaires among employees.

Data collection from primary sources. As aforementioned, for the purpose of this research it is planned to conduct face-to-face semi-structured interviews with individuals working in teams and structured questionnaire will be filled in by employees working in teams.

Data collection from secondary sources. Secondary data is a valuable source of information for obtaining knowledge and insight into the topic of the research. Information and data about individual behavior and its reasons, individuals and leaders influence, leadership styles, conflicts causes and management will be collected using desk-top research method from publications, online databases, reports, researches, studies and surveys dedicated to similar topics.

Questionnaire development and pretesting. Questions for the face-to-face interviews will be prepared in advance. Questions will be open-ended and factual and will be asked in a prearranged order and recorded to the recording device. The questionnaire will be structured and will have dichotomous questions. The questionnaire will be divided into three parts – first part with opening questions, second part with basic information and most difficult and sensitive questions will be placed in the third part. The questions in each part will be numbered and the questionnaire will be precoded. Questions for the face-to-face interviews and for the questionnaire will be pretested on a small sample of respondents to identify and eliminate potential problems. After the necessary changes have been made, another pretest will be conducted if needed.

Sampling techniques. Our target population is individuals working in organizations consisting of ten and more people. 50 males and females (1:1), of the age between 22-63, employees working in entities with ten and more employees, will be invited to participate in the surveys. 15 participants will be selected randomly for the face-to-face interviews; and will be interviewed by a Research assistant (a professional interviewer). The purpose of the face-to-face interviews is to explore their vision and approach to the research hypothesis. The interviews will be scheduled for an hour and a half. Interviewees will be explained the purpose of the research and why they were chosen for the interview, approximate duration of the interview, whether and how the information will be kept confidential, and the use of the recorded answers. Key data will be summarized following the interview, the information received during the interviews will be verified if needed. Collected data will be transcribed, reviewed and analyzed. It is planned to distribute 100 online questionnaires and collect back at least 50. Participants of the face-to-face interview will be requested to fill in this questionnaire as well. The questionnaire will be online and will be distributed among employees of companies via the network of friends, colleagues and acquaintances. The research will include employees of entities with ten and more

employees, to ensure accuracy and reliability of the data. Upon all secondary and primary data findings are collected and analyzed, visual interpretation of the data will be developed – diagrams, charts, or matrices in order to better display the research findings.

Data Analysis. The data derived from the research will be analyzed using qualitative method. Data analysis will involve identifying common patterns within the responses and critically analyzing them in order to achieve research aims and objectives. The following categories of qualitative data analysis will be used to analyze the data received from face-to-face interviews and questionnaires: content analysis, narrative analysis, discourse analysis. The data received from face-to-face interviews and questionnaires will be categorized using open coding, axial coding and selective coding. Then the findings will be summarized and linked to hypotheses and the research aim and objective of the research.

Purpose of the Research. The purpose of the Research is to identify skills that are essential for modern leaders to make their team an efficient and successful organization. Running a thriving team includes assessing behavior of individuals in an organization, as well as assessing an individual's role in an organization, find the reasons and results of an individual's behavior and ways of influencing an individual in a team to improve the team performance.

Literature Review. Since individual and team behaviors is an essence of any organization's success, there are a lot of books, articles, researches, dedicated to this subject.

1. Reasons of an individual behavior. An extensive nine-year research on group and individual behavior was carried out by Dr. Meredith Belbin, a renowned management theorist. The outcomes of his research formed the basis of his 1981 book "*Management Teams: Why they succeed or fail*", which now became a classic book for successful management. Through analyzing a range of organizations in different business sectors, Belbin established nine clusters of behavior which were called 'Team Roles'.

Belbin describes a team role as "a tendency to behave, contribute and interrelate with others in a particular way. "There are 3 action-oriented roles – Shaper, Implementer and Completer Finisher; 3 people-oriented roles – Coordinator, Teamworker and Resource Investigator and 3 cerebral roles – Plant, Monitor Evaluator and Specialist":

1. *Shaper* is driven, passionate and willful. He/she has a strong urge to perform, looks for challenges and gets things going. Shaper makes sure deadlines are made and goals are met, one way or the other.
2. *Implementer* is the practical organizer within the team. Disciplined, orderly and task-oriented. Implementer puts plans and ideas into easily executable tasks.
3. *Completer Finisher* has the talent to always feel what could go wrong. This leads to a lot of attention to details, checking and rechecking, and a tendency to perfectionism.
4. *Coordinator* is the natural coordinator of the team. He/she looks after procedures, helps team members clarify intentions and summarizes what everyone wants. He/she has a nose for talent and knows how to utilize people to their full potential.
5. *Teamworker* is the most sensitive member of the team, helpful, accommodating and focused on creating a pleasant atmosphere and sense of togetherness. He/she prefers balance and harmony and is close to others.
6. *Resource Investigator* is the cheerful, extroverted person with lots of contacts within and outside the team. He/she is enthusiastic, adventurous and open-minded and always looking for new ideas.
7. *Plant* is the creative thinker of the team. Innovative and original. A free spirit who needs space to fantasize about new and surprising solutions to complex problems.
8. *Monitor* is sensible, thoughtful and critical. The analyst of the team. He/she is always analyzing situations and wants to get to the bottom of things.
9. *Specialist* is an immeasurable source of knowledge in his/her field. An advisor who is gladly consulted and will provide knowledge on a specific topic with pleasure and ease. His/her contributions to the team are his/her substantial knowledge and technical skills.

The tool, used by Belbin to identify team roles is called a 'Self-Perception Inventory' – a questionnaire that has 8 sections with 10 questions in each section. The assessment includes 360-degree feedback from observers as well as the individual's own evaluation of their behavior.

Each team needs to access each of the nine team role behaviors to become a high performing team. However, this doesn't mean that every team requires nine people. Most people will have two or three Team Roles that they are most comfortable with, and this can change over time. Each team role has its strengths and weaknesses, and each has equal importance.

The questionnaire assesses how an individual behaves in a team environment, however this behavior measurement tool is not a measure of personality, as behaviors change according to the environment. Understanding the importance of each of these roles and being able to identify them in team members allows to create a more balanced workforce by complementing each other's weaknesses and strengths accordingly, to get the particular task or project completed. Research showed that the most successful teams were made up of a diverse mix of behavior.

Detailed explanation of causes and effects of individual behavior is given in the book "*Management of Organizational Behavior – Utilizing Human Resources*" by Paul Hersey and Kenneth H. Blanchard. Based on their vast experience of managing their organizations, the authors provide a comprehensive analysis of organizational behavior and practical tips to manage people and teams, which are applicable to public and private management and administration in academic, business, nonprofit, and administrative environments. The 6th edition continues to build on the concepts and techniques of two important applied behavioral science approaches: *Situational Leadership* and *One Minute Management* – programs used worldwide as teaching tools for management and behavior courses such as Organizational Behavior, Leadership, and Organizational Development.

Situational Leadership is the concept that states that there is no single "best" style of leadership. Effective leadership is task-relevant, and the most successful leaders are those who adapt their leadership style to the performance readiness (ability and willingness) of the individual or group they are attempting to lead or influence. Effective leadership varies, not only with the person or group that is being influenced, but it also depends on the task, job, or function that needs to be accomplished.

One Minute Management is the concept that states that an effective manager should excel three techniques: one-minute goals, one-minute praises and one-minute reprimands. Each of these takes only 60 seconds or less, but can tremendously improve how successful managers do their job: getting people to stay motivated, happy and deliver great work.

In particular, P. Hersey and K.H. Blanchard state that: "One of the realities of the organizational behavior is that we must work in and with problem-solving groups to accomplish our aspirations, no matter how much we value and protect our individuality, almost everything we value can only be achieved as a group member. The paradox of modern man is that only as the individual joins with his fellows in groups and organization can he hope to control the political, economic, and social forces which threaten his individual freedom. Only as the individual in society struggles to preserve his individuality in common cause with his fellows can he hope to remain an individual." (p. 345).

2. How an individual/leader can influence the team?

The ways to gain influence on people and in particular on supervisors and have more impact on organizational success are described in the book "*Why Should the Boss Listen to You?*" by James E. Lukaszewski. The author outlines the disciplines that anyone who wants to influence people, and CEOs in particular, should embrace, including systematic, pragmatic, and sensible ingredients and processes for getting to and working at the highest levels, and having maximum impact as a trusted advisor. Lukaszewski identifies and explains the crucial seven disciplines that trusted advisors must master to get and keep the confidence of leaders: be trustworthy; be verbal visionaries; develop a management perspective; think strategically; be a window to tomorrow; advise constructively; and show the boss how to use your advice.

The author emphasizes that: "Leadership success depends on leader-driven communication. In fact, personal communication, in good times and bad, is the most powerful tool leaders have. When we examine how to move organizations, successful leader-communicators follow an interesting pattern of mostly verbal communication and participation with their employees, executives, and others." (pp. 9-10)

Leaders recognize and work to maintain the direction of their organization and what it takes to change, reshape, and perfect that direction. A leader's aspirations and behaviors often create a response among staff functions that causes people to overestimate the potential in situations and to be overly optimistic about results and about what can be changed. (pp. 7-8).

Specific things to solve people management problems are introduced in Ferdinand F. Fournie's book "*Coaching for Improved Performance*". The author provides face-to-face coaching procedures with subordinates to obtain immediate, positive result. The first goal of the book deals with certain specific beliefs managers have about their subordinate workers, about themselves as bosses and about seemingly indefinable process called management. The second goal of the author is to provide practical techniques that can be used to get employees "to stop doing what they should not be doing and to start doing what they should be". F.F. Fournie says that: "The coaching process is a technique that helps managers more successfully bring about performance achievements in business that relate directly to the survival of that business. If you apply these techniques, you will be able to modify problems with subordinates, and will be able to change their behavior."

The research "*The effect of personality type on team performance*" carried out by John H. Bradley and Frederic J. Hebert highlights the impact of personality type on team productivity

Ineffective teams may be the product of inappropriate team composition. Expected benefits of successful teams include *increased motivation, greater task commitment, higher levels of performance, ability to withstand stress, more innovative solutions, and decreased development time.*

Great care must be exercised in building the team to ensure its ultimate effectiveness. There are a number of pitfalls involving group dynamics that can undermine a team's effectiveness. Bradley and Hebert propose a model of the impact of the personality-type composition of a team on overall team performance. The model applies personality-type theory to the team building process and then illustrates the importance of this theory by evaluating a case example of two software development teams.

One of the teams was considered to be very productive by management, while the other team's performance was judged to be unsatisfactory. Team 1's large percentage of introverts, thinkers and perceivers may have resulted in less-effective group communication, while team 2's large percentage of extroverts, feeling types and judgers may have facilitated group communication. Team 2's greater balance of extroverts and introverts, sensing types and intuitive types, and thinking and feeling types appears to have influenced successful team performance. Team 2's large percentage of judging types also ensured that the project was completed in a timely manner.

This case study is valuable because it clearly demonstrates the influences of personality type on two teams that are comparable in age, IQ, problem-solving ability, gender, and task responsibility. The authors identify four critical factors essential to the success of a team: ***effective leadership, intra-team communication, and group cohesion.*** Although all three of these characteristics are partially dependent on the personality types of the individuals involved, personality is rarely directly included in the discussions. The four dominant individual difference characteristics of productive teams – Leadership, Communication, Cohesion, Heterogeneity – can be combined, based on the common thread of personality type, to form an evaluative model of the impact of personality type on team performance.

Based on the case study, Bradley and Hebert make a conclusion that: "Team composition of personality types does appear to be an important explanatory variable for differences in team performance. This case example suggests that in general, diversity and balance in team member personality types is needed to produce successful team performance".

3. What are leadership styles?

Core competencies required for managerial success and tips to determine which competencies are most important in an organization are described in the book "*The High-Value Manager: Developing the Core Competencies Your Organization Demands*" by Florence M. Stone and Randi T. Sachs.

According to the authors, an effective leader should focus on 4 key management competency areas: leadership, continuous improvement, team management, and life and career planning. The authors believe that the following skills should be acquired or enhanced: communicating a clear vision, creating a learning environment, facilitating and coaching teams, playing politics the positive way, getting people to talk about problems, listening effectively, steering conflicts away from personalities and toward issues, focusing on customers, cultivating a power base, and increasing your visibility.

The authors also provide very important guidelines for team management and developing skills to lead team effectively. The following aspects are covered in the book: team facilitation, conflict resolution and mitigation, coaching and counselling the team and team members, advocating the team interests, and motivating and praising the team and team members.

According to James M. Jenks and John M. Kelly, one of the most important skills in the successful manager's repertoire is the ability to delegate. In their book "*Don't do. Delegate!*" the authors give the foresight and flexibility to multiply productivity, improve moral, and achieve solid results without putting in long, counterproductive hours.

The authors suggest that delegation will increase the participation of employees in the company's business, enhance the flexibility and efficiency of the planning process, and ultimately ensure the power of the manager.

Lack of delegation has the following consequences: "Subordinates lack initiative. They fail to seek the manager's assistance or seek it too frequently and seem dissatisfied with their jobs". Successful delegation depends on an interlocking set of interpersonal and professional skills: "If directing and correcting involve talking, and supervising means watching, then coaching requires, above all, listening." (p. 23).

4. How to mitigate/resolve a conflict in a team.

The ability to identify and manage disputes among employees is a much-needed skill in modern business practice. Clive Johnson and Jackie Keddy, in their book "*Managing Conflict at Work: Understanding and Resolving Conflict for Productive Working Relationships*" discuss why conflict occurs, and how to identify and manage it. The authors present four-step guide to help curb and resolve employee disputes in the workplace.

The first step is to 'Recognize Conflict'. Conflict causes distress and disrupts the atmosphere in the workplace. Possible conflict situations should be pinpointed and revealed early on. Turning a blind eye may seem like less trouble at the time, but disputes hardly ever resolve themselves.

The second step is to 'Resolve Conflict'. A leader (and the team) can resolve conflicts by dealing with them swiftly and effectively, and introducing mediation, if necessary. It should be ensured that personal skirmishes don't spill over into work activities.

The third step is to 'Decide on the Method'. The emphasis for a successful mediation lies in the comfort and preferences of the parties involved.

The fourth step is to 'Prevent Conflict'. Conflicts and disputes can be averted by training and equipping line managers, supervisors, and team leaders with the necessary skills and tools to detect and manage conflicts before they need arbitration.

The authors also recommend RESOLVE framework, which involves the following seven concepts and uses a mnemonic for ease of recollection:

R – review / rules / roles: Evaluate the details of the situation, explain the roles of mediators, and describe the mediation process. Then lay down rules of arbitration.

E – emotions: Recognize the sentiments involved in the situation and explain that being emotional can restrict a positive outcome.

S – summarize: Go over the events, and ensure all parties are heard and understood.

O – outcome: Level the playing field and agree on a mutually satisfactory outcome.

L – learn: Take lessons from the situation and apply it to future scenarios.

V – value: Appreciate the time and input from everyone involved.

E – engage: Get everyone to engage with each other, so that similar situations don't recur.

The RESOLVE method is designed to help managers and process leaders ensure that all aspects of the mediation process are covered. The RESOLVE isn't meant to be followed as a step-by-step format, but rather as concepts that can be visited during the mediation process for guidance. While some sequencing may occur between steps, the authors caution that *flexibility* is key when working with tricky situations and heightened emotions.

In the research "*Leaderships that gets results*" by Daniel Goleman, a classic research based on emotional intelligence, the author states that effective leadership still eludes many people and organizations. One reason, says Daniel Goleman, is that such experts offer advice based on inference, experience, and instinct, not on quantitative data. Drawing on research of more than 3,000 executives, Goleman explores which precise leadership behaviors yield positive results. He outlines six distinct leadership styles, each one springing from different components of emotional intelligence. Each style has a distinct effect on the working atmosphere of a company, division, or team, and, in turn, on its financial performance. Coercive leaders demand immediate compliance. Authoritative leaders mobilize people toward a vision. Affiliative leaders create emotional bonds

and harmony. Democratic leaders build consensus through participation. Pacesetter leaders expect excellence and self-direction. And coaching leaders develop people for the future.

The research indicates that leaders who get the best results don't rely on just one leadership style; they use most of the styles in any given week. Goleman details the types of business situations each style is best suited for, and he explains how leaders who lack one or more of these styles can expand their repertoires. He maintains that with practice leaders can switch among leadership styles to produce powerful results, thus turning the art of leadership into a science.

In the paper "*Successful teamwork*" Pina Tarricone and Joe Luca describe a framework that educators can use to help promote effective teamwork in their classes. The authors used a case study to investigate two teams of final year multimedia students completing a project-based unit, in which teamwork was an essential ingredient and immersed in an authentic context.

Tarricone and Luca state that there are six key attributes of successful teamwork: commitment to team success, interdependence, interpersonal skills, open communication and positive feedback, appropriate team composition, commitment to team leadership and accountability.

They emphasize the importance of social interdependence and teamwork and their implications for business success and team success. Business expects far more from employees than technical and generic skills. There is a growing emphasis on employees to not just do their job but to contribute to business success. As the emphasis is placed on individuals contributing to the effective, positive perpetuation of the business through the development of professional and work-related skills; the team culture of business today places additional emphasis on the ability to work effectively within a team environment.

Conclusion. The research focuses on efficient leadership style, on ability and skills to administer a team, and verify that an individual's behavior and attitude are paramount to the teamwork, i.e. teamwork in the workplace is highly reliant on individuals. The climate (culture) of the organization may have either a sense of hostility and fear or a sense of support and goodwill. This culture doesn't happen by accident – it is a product of the behaviors, values and attitudes that are modeled and accepted by individual team members.

The research findings provide responses to the research questions:

1. What are effective and efficient leadership styles?
2. How a leader can influence the team?
3. What are reasons of an individual behavior?
4. How to mitigate/resolve a conflict in a team?

All the research hypotheses are checked and verified in the course of this study:

- 1.1. Leadership style influences team members and performance.
- 2.1. Formal and informal leaders influence on the team and team members.
- 2.2. Team work nurtures leadership qualities in an individual.
- 3.1. Team participation will have a positive effect on individual's skills and improve Team /organization culture.
- 3.2. Individual's attitude and behavior can increase/decrease team performance.
- 3.3. Individual's mastery will increase team effectiveness and individual job satisfaction.
- 4.1. Introducing independent moderator's role will eliminate conflicts in a team.
- 4.2. Conflict resolution/mitigation will be based on scientific approaches (team buildings, trainings, psychologists' consultations, etc.).
- 4.3. Increased job satisfaction decreases conflicts in a team.

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УДК 334

“Understanding Environmental Attitudes and Motivation for Pro-environmental Behaviour in Pre-recycling Society in Kazakhstan”

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Abstract: Transitioning to the green economy and introducing working recycling system are important steps that the Republic of Kazakhstan needs to take to avoid environmental catastrophes. This is a complex problem, and different countries where recycling rate exceeds 50 % used different approaches that worked for their economy and population. However, there is a lack of research about motivation to increase waste recycling and sorting in Kazakhstan. In this research through qualitative interviews RANAS Approach has been proven instrumental in establishing closed loop recycling system in Kazakhstan.

KeyWords- Environmental Marketing, Pro-environmental Behavior, Promoting pro-environmental Behavior, Recycling in Kazakhstan.

Introduction. As the humanity experiences first-hand gruesome consequences of our actions on the environment, such as deterioration of health, climate change, extinction of animals, air pollution, etc. environmental concerns become more and more important and people are vocal about them in different parts of the world. Kazakhstan is not an exception. As population observes heavy smog over Almaty, sees a lot of genetically modified products or hears about constructions taking place in National Parks they talk about it, protest, and try to take some actions towards protecting their environment. And even though in some ways there are opportunities for population to help the environment by reducing our carbon footprint, for instance, using buses that are faster with special lanes for them, metro that has recently been open, or taking a bike or electric scooter to work using special bike lanes, in other ways, such as waste recycling and collection, people who care about waste generation have no outlet for their urge to bring positive input in protecting the environment. Even those people who would want to participate in waste sorting would not do that because there are no separate bins in their buildings. As there have been a lot of unsuccessful attempts made by the government and private corporations to establish a recycling system such as constructions of waste sorting plants in Astana and Almaty and disassembling Almaty plant and selling it as scrap metal or appearance and disappearance of separate bins on the streets of Almaty. Lack of studies conducted in this area led to unsuccessful attempts to implement working recycling at various levels. That is why it is important to explore

pro-environmental behaviour tendencies among the population of Kazakhstan to choose the right strategy in motivating and educating.

Research Questions:

1. What motivates population of Kazakhstan to participate in recycling?
2. What is the current situation in recycling industry in Kazakhstan?

Purpose of the Study. This research unfolded that initiatives that have been carried out by the government and private establishments so far have not been successful for two reasons. First of all, there is no waste sorting at the source. Population usually is not ready to participate in waste sorting. No research has been conducted on environmental behavior in Kazakhstan and psychology behind it. All previous research work that I came across discussed and measured situation where recycling was established and running in the country and the researches discussed what motivated people, who were those who recycled, how were they different in various aspects from those who did not. As there is no recycling system established in Kazakhstan this research was conducted to measure and predict how effective or ineffective it would be, and how to implement effective pro-recycling behavioral change in population

Methodology.

All previous research work that I came across discussed and measured situation where recycling was established and running in the country and the researches discussed what motivated people, who were those who recycled, how were they different in various aspects from those who did not. As there is no recycling system established in Kazakhstan and it would be hard to hypothetically measure how effective or ineffective it would be. Therefore, to explore pro-environmental attitudes and further use this information to predict what would motivate people of Kazakhstan to start waste sorting in their homes I decided to use qualitative study and wield this opportunity to talk to people. For the qualitative study 20 in-depth interviews have been conducted with residents of Almaty. All interviewees came from a middle class, had jobs, cars, lived in their own homes and had previous experience with recycling abroad and were 30-40 years old at the time the interviews were conducted. I used this segment because these people are economically independent and can afford to make their own decisions. As I talked to low-income families, they have not been abroad and have not seen recycling system in place and had other important concerns as paying their debts and providing food on the table rather than thinking about recycling system. The interviews lasted from 30 minutes to 1 hour, depending on how willing the person was to share the information. Thus, with some people, I would ask just about 10 questions, while with others it would be around 100. Those who were aware of the topic were willing to share their experience and used this opportunity to share their concerns and their emotions towards the lack of recycling infrastructure in Kazakhstan.

Social Responsibility	Culture	Experiences abroad	Community	Cleanliness	Awareness	Futures	Negative emotions	Waste of money	Punishment	Timing	Role models	Religion
<ul style="list-style-type: none"> Consciousness Rights or wrong Non-human behavior Responsibility Respect Consequences 	<ul style="list-style-type: none"> Unethical Unattractive Culture Upbringing Non-human behavior 	<ul style="list-style-type: none"> USA China Accepted norms and rules Programs came go back Korea Holland London 	<ul style="list-style-type: none"> Give back to the community Good deeds Feeling good Example to others Kindness Care for others Pressure from the community Approval if from the community Everybody does it 	<ul style="list-style-type: none"> Street, country, planet are all our home Order Esthetics 	<ul style="list-style-type: none"> Experiences with great amounts of waste Observation of other people's negative behavior Respect to other people's hard work Lack of knowledge Harm to the planet Future generations Misleading business Self-awareness 	<ul style="list-style-type: none"> No infrastructure Lack of information Lack of Convictions Mentality 	<ul style="list-style-type: none"> Indignation Spicemishness Irritation Mood Everything is bad Shame Guilt Disappointment Hate Sadness 	<ul style="list-style-type: none"> Economic benefits Waste of resources 	<ul style="list-style-type: none"> Fees 	<ul style="list-style-type: none"> Long time process Stop by stop process 	<ul style="list-style-type: none"> Idols Trend 	<ul style="list-style-type: none"> Fanaticism Faith Misuse

Table 12 Established patterns during conducted interviews

In the beginning of the interview, I would ask what the word “waste” meant for a person. And asked to elaborate from there. We also talked about childhood experiences, if respondents mentioned that they first started

thinking about waste in childhood. I also asked everyone if they travelled or lived abroad, as it was one of the key themes in all of the interviews.

All interviews were transcribed and coded. The transcripts were read and examined thoroughly to figure out patterns and common themes. Coding information is presented in the table above. There is content analysis software, however since interviews were conducted in Russian, and the lengths of transcripts were manageable, the content analysis was conducted manually. Abstracts from these interviews that support information provided in Table 1 are presented in the form of a short film to illustrate major concerns.

Literature Review. The majority of the research on motivation of recycling behaviour deals with existing recycling societies. As for pre-recycling research, there are few studies conducted in such countries. There is a pre-recycling case study in Belarus conducted in 2010 explored the motivation of recycling behaviour in the country, where there is no fully functioning recycling system. The research was done through a survey in Minsk, which concluded that a large number of people did not know much about sorting waste. After conducting comparative literature research of Swedish recycling society and Belarus it was revealed that sociodemographic characteristics are similar, however, “the lack of recycling behaviour” cannot be indicative of the future behavioural patterns when the recycling system is in place.

Even though there are a lot of articles about environmental problems in Kazakhstan, there is a lack of research on recycling and generally environmental protection or works that will systematically discuss work with the population on the increase of awareness. There is a study conducted by Abidinov R.S. (2014) on energy re-cultivation of the solid waste landfill, but it concentrates mostly on the engineering of the landfill and renewable energy, without taking into consideration waste sorting and recycling.

Pro-environmental Behaviour

Pro-environmental behaviour is a behaviour that is beneficial and sustainable for our planet. Examples of such behaviour are taking the metro to work, shutting down water when brushing one’s teeth. What is pro-environmental for residents of one country cannot be considered as pro-environmental behaviour for other countries. For instance, for Amsterdam taking a bike to work is a norm, and using a car, even the most efficient would not be considered as pro-environmental. In Kazakhstan, where people are using either old cars and where big SUV is a symbol of success, using hybrid cars can be considered as pro-environmental behaviour.

The most popular research on pro-environmental behaviour deals with taking a questionnaire from the population sample and analyzing it against one of the models mentioned below to determine the level of environmental consciousness that drives pro-environmental behaviour. Such behaviour can have different meanings. Recycling, taking metro or bike to work, car sharing, conserving water, reusing and reducing waste, choosing sustainable options at the supermarkets are all parts of pro-environmental behaviour, that have different levels of motivation behind them, depending on person’s environmental awareness, personal beliefs, values and attitudes that constitute environmental consciousness. Some people truly love nature and do everything possible to save the environment in their everyday life. Such people enter environmental conservation groups. Some people vote for certain political figures that have a program in place that will bring positive change to environmental problems. Some people like to help others and feel good when they behave green, some people recycle because their kids nag them, and some people do not recycle at all, because it is inconvenient for them, or because they are not aware of the impact they are creating by using diapers or single-use coffee cups and throw them into the trash cans. Some people don’t bother to find a trash can. These are all different levels of environmental consciousness. In a study conducted by Nolan (2013), she explores different theories on pro-social behaviour and what types of behaviour and internal or external motivation these theories support. She establishes a connection between prosocial and pro-environmental behaviour. When people are asked why they recycle, they say that it is to help the environment. Prosocial behaviour implies helping someone. According to Nolan, there are two ways to help the environment: indirect and direct. To help indirectly is to be a politically active advocate for an economic and social infrastructure that would lead to pro-environmental behaviour. The direct impact is engaging in pro-environmental behaviour, such as eating less meat, taking showers instead of baths, carpooling, etc. What important is not the behavior itself but intentions behind it (Kaiser and Wilson, 2004) There are three types of intentions, for some it is concern for themselves

(egoistic), social responsibility and concern for future generations (social-altruistic) for others, and the third group shows concern for nature (biospheric motives). People who are concerned about nature for the love of nature are more likely to be involved in pro-environmental behaviour and be members of environmental groups. However, a person can be also involved in pro-environmental behaviour without being concerned, but for instance, because it is important for their significant other. Or a person might think that they are helping a cause while being misinformed. So environmental awareness is also important to create desirable outcomes. Intentions to behave pro-environmentally depend on previous knowledge, personal experiences, environmental consciousness.

Environmental Consciousness

Environmental consciousness is a complex system of values, beliefs and attitudes. As an element of individual belief system, environmental consciousness consists of cognitive, attitudinal and behavioral components (Sharma et al., 2013). The cognitive component is the knowledge that a person possesses that forms their values, norms and attitudes, and behavioural component is responsible for actions that are driven by environmental consciousness. Personal beliefs also form one's attitudes. Feldman (2007) explored how belief for equal opportunity, economic individualism, and the free enterprise systems structures political beliefs and evaluations and concluded that attitudes towards environmentalism depended on one's personal beliefs. In his further research on motivating environmental action, Feldman (2012) explored behavioural repercussions of several instruments that are used widely in recycling regulation" such as control measures, criminal sanctions (fines) and economic measures (taxes, deposits) by distributing the questionnaire among 1800 participants among the Israeli population. His study confirmed that personal environmental attitudes were strongly related to self-reported pro-environmental behaviour and that environmental attitudes had a negative relation to sensitivity to distance from the recycling bin, the more people valued the environment, the less sensitive they were to the inconvenience of extra distance to the recycling bin. Daniel Krause (1993) conducted research by distributing the questionnaire among 300 respondents from the USA in 1990-1991 to measure the level of environmental consciousness which in the USA is often attributed to the work of Rachel Carson "Silent Spring" written in 1962. Carson opened eyes of Americans on the pesticide industry and its impact on people and birds such as the bald eagle. It had such a great influence that instigated ban of the use of DDTs in the agricultural industry on a legislative level. The level of consciousness in the research was determined by the willingness of respondent to pay higher taxes, attitude on the level of government spending, and by the level of concern from 0 to 5 to different environmental problems, willingness to accept lifestyle changes. The results showed a high level of environmental consciousness among the US population. However high level of environmental consciousness alone cannot predict the behavioural outcomes and one theory or model cannot predict what will motivate a person to express pro-environmental behaviour and how to increase environmental consciousness. There are several theories provided below that can predict what will trigger behaviour change in population and increase sorting activity.

Theory of planned behaviour

Theory of planned behaviour proposed by Icek Ajzen (1985) focuses more on individual rather than on society and links one's beliefs and behaviour. It suggests that even though a person might have an intention to participate in environmental behaviour, the action itself might not take place because of personal belief that this behaviour will be pointless, because of lack of confidence, etc. For instance, the person might want to participate in recycling because she believes that this is a positive behaviour, but as there is no available infrastructure, her pro-environmental behaviour will be hindered, as she believes that behavioural control is low and the constraints are high (Stern, 2005)

This theory has been successfully used in studies to explain the attitude part of environmental behaviour, however, it does not incorporate moral factor and does not take into account social norms. Schwartz Theory of Norm Activation incorporates the influence of society into its model.

Schwartz Theory of Norm Activation.

Norm activation model suggested by Schwartz in 1977 is another explanation for motives behind pro-environmental actions. Norms dictate what we believe in and how we will behave. There are three types of norms: individual - personal norms, social- norms of the society and subjective - norms of those close to you. And which norms will prevail depends on one's self-esteem. According to this model pro-environmental behaviour is likely to occur when three variables are present: the awareness of consequences, the ascription of responsibility, and moral norms. "Helping behaviour is more likely to occur when a person is aware of a harmful consequence to a valued other, and when the individual ascribes responsibility to himself or herself for reducing this harm." (Nolan, 2013). The more serious the needs of others are perceived by a person, the more likely they are to act altruistically.

Value-Belief-Norm Model

Beliefs, values and attitudes are an essential part of pro-environmental behaviour. However, there is also a moral obligation that comes from personal beliefs and dictates presence or lack of pro-environmental behaviour. The connection between values, moral norms and behaviour is established through Value-Belief-Norm model by Stern (2000). According to this model personal norms - an internal sense of obligation drives people to act in a certain way, for instance, pro-environmentally. Personal norms in return are activated when a person believes that her actions will harm the things she values. The VBN model holds that there are three sets of values: biospheric, altruistic and egoistic. Each of the value orientations can predict pro-environmental behaviour, but the link is mediated through a causal chain of AC (Adverse consequences for valued objects, how serious are the consequences), AR- ascription of responsibility (perceived ability to reduce threat - a person analyses the consequences of his actions or non-actions, if I do not help, no one else will, or on the contrary, there are many other people who can help, and PN(personal norms- sense of obligation to take pro-environmental actions.). Each element of the norm is applicable to each value. (Bronfman et al. 2015)

This model was used in a survey study conducted in Chile by Bronfman et al. in 2015, with a research sample of 1537 people to determine the scores for pro-environmental behaviour among various types of population. They measured power and water conservation, environmentally-aware consumer behaviour, biodiversity protection, rational automobile use and ecological waste management. The results showed that people in the lowest socioeconomic groups showed a tendency for less favourable environmental behaviours. A study conducted in China using the New Environmental Paradigm (NEP) also confirmed that not only attitude but sociodemographic factors play a vital role in predicting pro-environmental behaviour. According to the results of the survey using the NEP scale "being female, younger, highly educated and having environmentally oriented attitudes increased the odds of participating in pro-environmental behaviour. (Xiaodong Chen, 2011)

New Environmental Paradigm

Dunlop proposed the New Environmental Paradigm (NEP) in 1978 which accounted for a shift in people's mindset and dictates values that people possess. If beforehand people believed in progress and prosperity and that all available natural resources were there to serve humanity, in the second part of the XX century people started to pay attention to the impact that they are making on the environment and to develop environmental consciousness. NEP scale is often used by various researchers and "is a measure of endorsement of a "pro-ecological" world view". (Anderson, 2012). There are 15 statements to which the respondents express their agreement or disagreement. The scale is then produced using individual's responses to these statements.

The Empathy-Altruism Hypothesis

Another stream of research deals with motives behind people's behaviour that are either of altruistic nature or of self-interest. It has been argued for generations what motivates people more, their genuine concern for others that comes from the feeling of empathy (Batson et al., 1991), or their selfish reasons. (Cialdini 1990)

Empathy-Altruism hypothesis states that people are motivated to help others because of the feeling of empathy and taking the perspective of others. (Batson et al., 1991). In a study by Schultz (2001) environmental attitudes were researched through value orientations established by Stern and Dietz 1994 as egoistic, social altruistic and biospheric. Egotistic values can be described by such keywords as social power, wealth, authority, influential,

ambitious. Altruistic values orientation is characterized by equality, a world at peace, social justice, helpful. Biospheric values are a healthy environment, respecting the Earth, unity with nature, protecting the environment. (de Groot and Steg 2007). The results showed that there is a positive correlation between one's level of empathy and concern for the environment. The study also "suggested that the type of concerns an individual develops is based on the degree to which they perceive an interconnection between themselves and other people (altruistic), or between themselves and nature (biospheric)." (Schultz, 2001). There are three components that describe personal connectedness to nature using the Inclusion Model: the cognitive component-how connected one feels with nature, how much a person believes he is connected to nature, the effective component is an individual sense of care for nature and behavioural component is individual's commitment to protect the natural environment. Nature connectedness changes depending on how much one is involved with nature. The inclusion model (Figure 3) suggests that for individuals with high connectedness, pro-environmental behavior has a biospheric motivational basis; for individuals with low connectedness, pro-environmental actions are motivated by egoistic concerns (Schultz, 2002).

Exposure to Nature, such as spending time in parks, or hiking, does not only improve person's mood, cognition and health (Capaldi et. al 2014) but helps to increase connectedness to Nature. Another way to connect to Nature is to take perspective. "For example, the Hamill Family Play Zoo at the Brookfield Zoo in Chicago was developed to encourage children to "become" the animals through costumes and structured play activities" (Nolan, Schultz, 2013)- as an example of taking perspective.

Egoistic Hypothesis

Egoism is a motivational state in which the ultimate state is increasing one's own welfare. (Maibom, 2014). Research conducted by Cialdini focused on the fact that norms do work, however, they work only when personal norms are activated and convenient for people. We all know that littering is bad, but we still do that. Research conducted on parking lots shows that people only litter when they think they are not being watched, or when there is litter around them. When the parking lot was clean, people would not throw trash, when someone was picking up a paper with the look of disapproval, they also did not litter. When people saw a pile of garbage in the parking lot, they would bring their trash to that pile of garbage.

Negative State Relief Model

There is also a theory by Baumann, Cialdini, & Kenrick, 1981 according to which people have innate wish to feel better about themselves when they feel sad.

Model categories: Person observes emergency (for instance, accident) → Negative effect induced (for example, sadness) → Elicit helping behaviours or other mood → elevating behaviours to reduce own negative effect and make helper feel better.

Evidence from previous research suggests that there is validity to this model. This model is rather simple and is based on innate human qualities that transcend through cultures and can be used in Kazakhstan, even though there is no previous experience of the recycling system in the country. A lot of research has been dedicated to the connection between guilt and pro-environmental behaviour. As people feel guilty - that is a negative emotion about their actions or feel bad about the environment, they are more likely to engage in pro-environmental behaviour out of an egotistic wish to feel better. Research suggests that inducing green guilt in people leads to more actions towards protecting the environment. The majority of research on green guilt has been correlational showing a moderate relationship between guilt and pro-environmental behaviour. People who feel more guilty are more likely to engage in such behaviour. Anticipatory guilt can also be used in the advertisement of pro-environmental behaviour.

Outline of Social Theory of Practice

The other factor that influences people's behaviour is the social environment. According to Pierre Bourdieu (1977) in his outline of the social theory of practice the way people behave, choices that people make, their preferences are dependant on the environment that they grew up in, lived in, worked in, etc. Pierre Bourdieu outlines three major terms in his theory of practice: habitus, field and capital. «Habitus, systems of durable

transposable dispositions, structured structures predisposed to function as structuring structures, that is, as principles of the generations and structuring of practices and representations which can be objectively “regulated” and “regular” without in any way being the product of obedience to rules, objectively adapted to their goals without presupposing a conscious aiming at ends or an express mastery of the operations necessary to attain them and, being all this, collectively orchestrated without being the product of the orchestration action of a conductor.” (page 72)

In other words, habitus is person’s personality structure, his or her dispositions, values, beliefs, tastes, habits that are formed in a social group of this person through everyday life activities and experiences that are similar to this person’s social groups. The habitus is socialized in the field and person’s social relationships inside the field. The examples of fields are family, school, work, methods of relaxations and entertainment religious experiences. There are certain sets of rules – doxa in each field. And these rules structure human behaviour. Capital influences a person’s interactions in the field. There are different types of capital: social, economic, cultural, symbolic. Economic capital is one’s financial ability, cultural capital is a person’s knowledge, experiences, skills, ethnic background. Social capital is network of family, friends and acquaintances. Symbolic capital is capital based on one’s prestige or honour.

The RANAS Approach

RANAS is The Risks, Attitudes, Norms, Abilities, and Self-regulation (RANAS) approach to systematic behaviour change developed by Contzen and Mosler (2012). This model takes into consideration all theories described above. There is a

- risk factors that answer the question of whether a person is at risk when showing pro-environmental behaviour,
- the attitude factors are beliefs about costs/benefits, advantages/disadvantages that will be associated with pro-environmental behaviour,
- norm factors that are social norms of the society, for instance, all my relatives recycle
- ability factors- whether the person knows how to act,
- self-regulation factors. For instance, I will collect trash even though there is no trash can around and will dump it later when I see a trash can.

For each factor, there is a corresponding behavioural change technique. There are also contextual factors such as social, for instance, the tradition of certain country or community, physical, such as seasons and personal - age, gender, education.

This model was successfully used as a behavioural change technique for promoting handwashing in Mali, increasing the percentage of people who started adequate handwashing from 14% to 48%. This model was also used for promotion of arsenic-safe drinking water sources in Bangladesh. The approach yielded 65% of new users of arsenic-safe wells. This behaviour changing model can be successfully used in promoting waste sorting behaviour in Kazakhstan.

According to Elizabeth DeSombre in her paper prepared for the International Studies Association International Conference, Hong Kong, June 2017 people do not act the way they do to cause environmental problems. Environmental problems are externalities of what people actually want to do. No one wants to cause climate change when they drive to work, they want to get to work and this is the fastest and the most convenient way to do so. So the key is to figure out why people do what they do and to provide them with the safer for the environment alternative, for instance, to still get to work. “Plenty of people don’t have the resources to prioritize minimizing environmental harm or can’t afford to run the risk of being the only one to take action and thereby failing to make meaningful environmental progress while bearing a personal cost. It is far more important to work to create realistic transportation alternatives (for instance) than to guilt-trip someone into taking expensive or inconvenient forms of transportation.” (DeSombre, 2017)

The literature review has identified the growth of theories on pro-environmental behaviour testing studies. The most applicable in the emerging economies that recently started investing in the environment protection at the governmental level is The Risks, Attitudes, Norms, Abilities, and Self-regulation (RANAS) approach to

systematic behavior change developed by Contzen and Mosler (2012). that provides a step by step guide to implementing systematic behaviour change. This method is used in the countries where there is no working system, be it in water, sanitation or waste fields. The approach showed a positive change in less developed countries such as Bangladesh and Mali and can be tested in Kazakhstan to develop a change in waste sorting behaviour. The evaluation of the current situation in the country or in the community takes months. However, it guarantees that the methodology will be tailored for the local needs and that mentality and behavioural patterns of a certain population will be taken into consideration.

Conclusion. This research unfolded that initiatives that have been carried out by the government and private establishments so far have not been successful for two reasons. First of all, there is no waste sorting at the source. Population usually is not ready to participate in waste sorting.

Previous attempts to implement waste sorting in Almaty and Astana – two major cities of the Republic were unsuccessful because of lack of clarity and regulation on fee formation. According to Egor Zinger cofounder of the plants says: waste collection companies pay a fee of 3,130 tenge per ton of waste from the tariff that is levied on legal entities and individuals. Of which 1700 tenge remains to the plant, and 1430 tenge the plant pays for the landfill for waste burial. Out of 1,430 tenge, 183 tenge is paid for the disposal of waste, and 1247 tenge is allocated to cover administrative expenses, including the cost of the loan for landfill construction. n.d. Retrieved from: <https://kapital.kz/business/60015/pochemu-musoropererabotka-terpit-fiasko-v-kazahstane.html>

The amount left for the plan and the fact that so much is paid for landfill that belongs to the government should be looked at to increase part of the fee received by the plant to make it economically viable. Research explored various studies conducted abroad where recycling system is already in place and running successfully; predicted which theories on pro-environmental behavior are applicable to motivate population of Kazakhstan to become a part of recycling system.

Research discovery provided suggestions for work with population to motivate recycling and further research that should be conducted to get more results in this field. In order to promote change in environmental behavior there should be used a complex method such as the RANAS approach that can be applied in Kazakhstan. It was initially developed to enforce behavioural change in hygiene and water in developing countries. This method allows to measure behavioural factors, assess their influence on behaviour, design strategies and measure their effectiveness. Behavioral change could be induced in Kazakhstan in 4 steps:

Step 1: Identifying potential behavioural factors

The qualitative interview study or RANAS approach can be used for the first step, which is to identify potential stakeholders at different levels, and target population. For example, in qualitative interviews in this study young professionals with substantial income and travelling experience were a target population. It was revealed that they all engage in some form of pro-environmental behaviour

During the qualitative interviews in this study respondents mentioned that they have to search for places to drop off paper for example, or that they would like to know more about waste cycle. It is often assumed that if there was infrastructure in place people would automatically start recycling. However as literature review shows there are different underlying reasons for expressing certain behaviour. As it was revealed through interviews all respondents talked about waste just lying on the ground. Even though there are waste bins located very close. It is another proof that just existence of waste containers does not guarantee that people will use them. In order to implement waste sorting in population it is necessary to establish target group and start by implementing behaviour change within this group.

Step 2: Measure the identified potential factors and determine those steering the behavior

As literature review revealed there are different factors that motivate personal behaviour. In this step quantitative study should be conducted to measure behavior. Changes in behavior will be tracked through

observation protocols. At this point this step can be applied to compare those who sort waste for recycling with the available means, and those who do not recycle and establish differences in psychological factors (risks, attitudes, norms, ability, self-regulation). After the factor that is to be changed is established, behavior changing techniques should be applied to it. Behavior changing technique is the element of intervention that will change behavior.

Step 3: Select corresponding behavior change techniques and develop appropriate behavior change strategies

At this step detailed script of interventions and channels of communication to target certain psychological factors is developed. For example for risk factor information behaviour change is applied. Information about effect well managed waste will have on health and environment. For attitude factor –persuasive behaviour change technique is used such as monetary rewards. For norm activation –norm behaviour change is used. Such as initiating public commitment to waste segregation, providing visibility to what others do and do not do. For ability factor – infrastructure, skills and abilities behaviour is used. For examples workshops, explaining how to separate waste to a certain group in a certain area. For self-regulation factors – planning and relapse behaviour change techniques. For instance, in questionnaires for certain group of people, for example residents of one village where waste segregation is needed, there should be questions measuring the scale of importance of certain factors, 0 – being not important, 4- very important. Examples of questions measuring behavior –To what extent do you sort waste? (0-I don't, 5 – I do not produce waste to sort), intention – How strongly do you intent to sort waste (0-Not strongly, 4-very strongly). Habit (automaticity) can be measured through such question as How much do you feel that you through waste out automatically (0-Not automatically, 4 – very automatically).

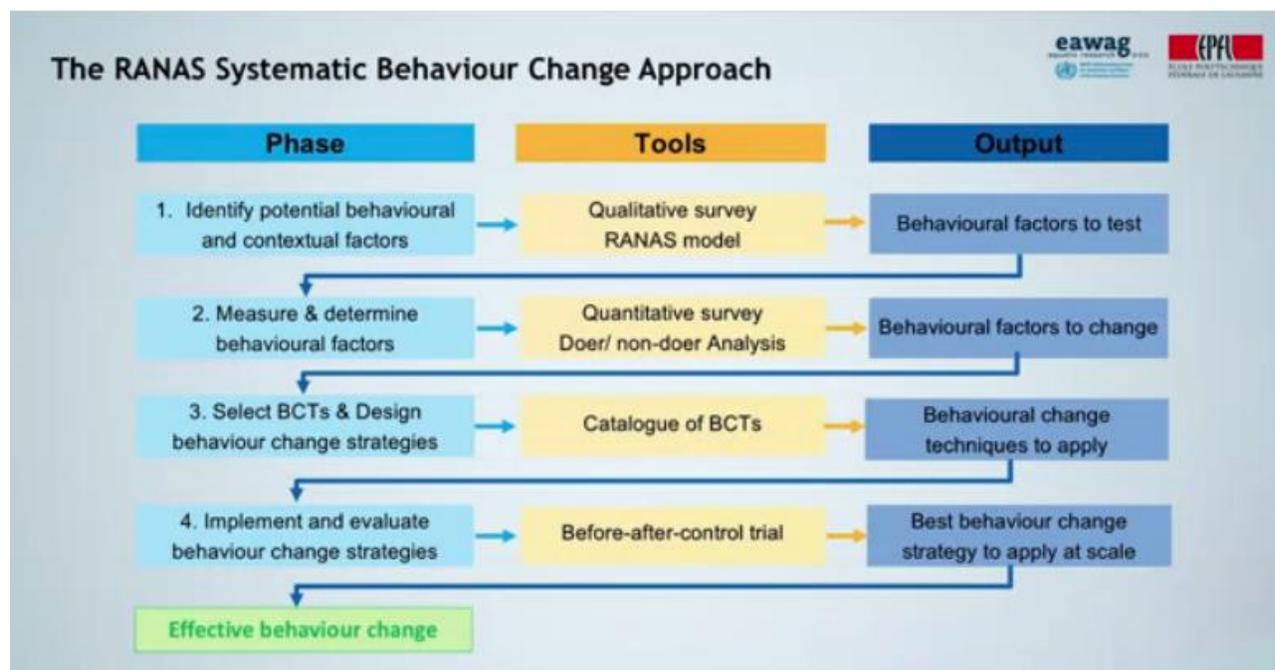


Figure 2 The RANAS Systematic Behavior Change Approach

Step 4: Implement and evaluate the behavior change strategies

After selection of appropriate strategy for behavioural change of targeted group it is important to document and observe the changes that occur. As it was mentioned before RANAS approach was instrumental in behavioural change concerning hygiene, but it can also work for promoting waste segregation in Kazakhstan. Based on the research of current situation and theories on pro-environmental behaviour the following behaviour change tactics can be implemented and tested for effectiveness. First and foremost based on literature review starting from kindergarten and primary school there should be developed a strong bond between a person and nature.

This attitude change behaviour can be developed through taking kids on trips to nature, telling them about nature and animals, doing hands-on classes, doing waste cleaning. Second of all, there should be an infrastructure that would provide people with ease of access to recycling. The third point is educating the population about what will happen to the water bottle that they would put into container for plastics. Fourth technique that can be instrumental after implementation of infrastructure is green guilt advertising. Making people feel slightly guilty for not showing certain pro-environmental behaviour. Fifth training people at work places, colleges and schools about recycling, and provide these facilities with separate waste containers. Local and national surveys as were conducted by Krause and in Belarus study should also be reproduced in Kazakhstan to measure the level of environmental consciousness among different age groups, occupations and levels of income. This will help further in targeting population groups on promoting pro-environmental behaviour.

According to Elizabeth DeSombre, the author of “Why Good People Do Bad Environmental Things” “infrastructure is a key part of what can cause and can prevent environmental problems.” She mentions that people have legitimate reasons for behaving the way they do and that their goal is not to harm the environment. So the only way to get to population is to get to the incentives of their behaviour and provide them with the structure that will still guarantee them the end results but reduce the consequences to the environment. For instance, creating a structure where it would be easier without any extra effort to sort waste than to search for a trash can. Another example is the use of disposable plastic bags. From the economical point of view, making 5 cent discount if a person brings their own reusable shopping bag is the same as charging a person 5 cents for using a plastic bag, but from the behavioural point of view, if people actually have to pay 5 cents they are more likely to bring their reusable bag. The difference is in a social message being sent.

As this research was started the main purpose of it was to reveal what needs to be done to establish effective recycling system in the Republic of Kazakhstan, to explore the level of environmental consciousness and to study what motivates different types of people to recycle. As the research progressed, it became clear that even though recycling is an essential part of a developed, environmentally conscious society, it is also important to see that recycling is not the answer to all the problems, and what is even more important, is establishing and in case of Kazakhstan keeping values in the society to reduce consumption and to reuse. Kazakhstani population, especially in rural areas reuses a lot of its plastics and glass, there is no food wasted as it is fed to animals, it is considered a sin to throw away bread. But as consumption-oriented society starts to grow, and values change, so does the amount of waste. So while western society came full circle to realize that in order for the Earth not to drown in plastic people need to reduce its consumption and not only to recycle, the society of Kazakhstan can skip a few steps and start valuing reduce and reuse culture that is left from our ancestors and that needs to be promoted through education and raising of awareness.

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УДК 332

“Integrated reporting”

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Abstract. Integrated reporting represent a natural evolution of the corporate reporting movement. The main goal of integrated reporting is to assess the quality of integrated reports issued and published by organizations. In accordance with a scoring model and an integrating reporting scoreboard, we have analyzed 204 integrated reports of sampled 51 companies for the period from 2015 till 2018, in order to assess the quality of integrated reporting. The main finding shows that integrated reporting quality is low.

Key words: integrated reporting, integrated reporting quality, integrated reporting scoreboard, disclosure quality.

Introduction. Integrated reporting is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to creation of value over the short, medium and long term. It provides the holistic and integrated representation of the firm's status according to the three performance perspectives, such as financial, social and environmental (Pistoni and Larrinaga, 2014). The main goal of integrated reporting is not to provide more information, but to present better information.

Integrated reporting is much more than bringing together financial and sustainability information into one report, as it provides comprehensive and comprehensible information about the firm's total performance, prospective. Integrated reporting defines a systemic representation of the firm's performance, showing, evaluating and controlling all the potential risks related to financial and non-financial aspects that could damage the firm's activities (Bebbington and Larrinaga, 2014).

Integrated reporting has been promoted primarily by the International Integrated Reporting Council (IIRC) and has received support from regulators and practitioners (Vitolla et.al., 2019; Raimo et.al, 2019; Rubino et al., 2019). Integrated reporting, according to the IIRC, must consist of a summary report describing how a firm's strategy, governance, business model, performance, and prospects lead to value creation in short, medium, and long term perspectives. To this end, integrated reporting considers six different forms of capital fundamental to the success of any firm: financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital (Vitolla et.al., 2019; Raimo et.al, 2019; Rubino et al., 2019).

According to Pistoni and Songini (2015), the integrated reporting framework is based on the following concepts of integration:

- the company performance is interpreted as the result of the combined use of different kinds of capital provided by different stakeholders including financial, human, intellectual, technical, social and environmental capital;
- the framework requires to make explicit the relation between the firm's strategy and performance;
- the integration is also pursued through organizational processes and procedures;
- the framework promotes integrated thinking and a strong collaboration among functions in order to improve the firm's value creation in the long run;
- the value created is not only a result of the firm's internal activities but also of the quality of the relationship with different stakeholders.

Integrated reporting represents a natural evolution of the corporate reporting movement, aimed a favoring implementation of a sustainable strategy by integrated thinking (Abeysekera, 2013; Haller and van Staed, 2014; Higgins et al., 2014). It should present an organization's overview, business model, and value creation process of company, highlights the use of and dependence on different types of resources/capital, enable stakeholders to evaluate more effectively firm's ability to create present and future value, and allow users of performance information to assess corporate long-term violability and more effectively allocate scarce resources (Abeysekera, 2013; Haller and van Staed, 2014; Higgins et al., 2014).

In particular, quality refers to the capacity of integrated report to present the strategic elements that describe firm performance and value creation. This dimension is linked to multiple characteristics and information areas that should be analyzed together to correctly appreciate its range (Garegnani et al., 2015, p.542).

Research problems. Even through companies announce that they issue integrated reports, companies issue it with partial information. Moreover, nobody check the quality of integrated report. So that this situation has led the interest of practitioners, managers and academics to shift from the type to quantity of information included in integrated reports towards their quality. In particular, quality refers to the capacity of integrated reports to present the strategic elements that describe firm performance and value creation. It is dimension

linked to multiple characteristics and information areas that should be analyzed together to correctly appreciate its range (Garegnani et al., 2015, p.542).

Quality reporting is not only about following a framework but also about approaching strategic reporting with the right thinking. It is about taking a longer-term, broader, more operational perspective that will challenge how companies think, operate, monitor and report performance in a connected way (PriceaterhouseCoopers, 2013).

The term integrated reporting an innovative and effective reporting model that involves combining financial and nonfinancial information into a single report (Vitolla et.al., 2019; Raimo et.al, 2019; Rubino et al., 2019). It represents the current frontier of corporate reporting as it is able to overcome the limits of traditional reporting and, therefore, allows better assessments of the future prospects of organizations.

According to IIRC (2013), the main purpose of integrated reports is to explain to providers of financial capital how an organization creates value over time. Therefore, it contains relevant information, both financial and other. An integrated report benefits all stakeholders interested in an organization's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers.

The mission of the International Integrated Reporting Council (IIRC) is to bring together social, environmental, financial and governance information in a consistent, clear and comparable way by creating a globally acceptable integrated reporting framework. The aim of the IIRC framework is to guide companies in developing an integrated report that provides more comprehensive information on the total performance of the organisation and to meet the needs of a more sustainable, emerging, global economic model (Eccles and Serafeim, 2011; International Integrated Reporting Council (IIRC), 2013b; Flower, 2014).

One of the most important aspects of integrated reporting is the improvement in internal integration and corporate governance, and as a result, modern businesses have better understanding of business value drivers, more thorough risk analysis, and improved strategic plans (Vitolla et.al., 2019; Raimo et.al, 2019; Rubino et al., 2019).

Research questions: We claim two research questions (RQ 1 and RQ2) and two hypotheses (HP 1 and HP 2):

RQ 1: What is quality of integrated reports?

HP 1: Integrated reports issued by firms show a low quality.

RQ 2: Has the quality of integrated reporting improved during (over) time?

HP 2: Over time integrated reporting quality improves but only incrementally.

Contribution to the literature. The study contributes to the literature on integrated reporting in several ways. First, this study explores the current state of integrated reporting and provides further recommendations for policy-makers, regulators, and practitioners. Second, the study contributes to the accounting research on integrated reporting by identifying new research avenues which need to be explored and studies in future. Finally, the study analyzes integrated reporting practices of the companies listed in the database of integrated reporting examples.

Data and Methodology. We have collected and downloaded data on financial and non-financial indicators from database of integrated reporting examples for the period 2015 - 2018, which are more consistent with the Integrated Report Framework. After collecting integrated reports of the sampled companies, we have analyzed those integrated reports in accordance with the integrated reporting scoreboard model which includes four main areas such as background, contents, assurance and reliability, and form. We use this model to assess the quality of integrated reports of companies.

The data were collected using visual content analysis in accordance with Weber (1990). We analyze the data of only companies operating in nonfinancial industries. As a result, we have assessed 204 integrated reports of 51 sample companies.

We have used a methodology for the analysis of integrated reports of 51 companies consisting of the following steps:

1. to study of the quality of integrated report with the reference to the four areas that we described above;
2. to make a comparison the relative total scores of each area in order to evaluate which areas were relatively overlooked by preparers of the integrated report.

Conclusion. According to prior research, integrated reporting is bringing together financial and sustainability reporting, since provides comprehensive and comprehensible information about the organization's total performance.

Although companies publish their integrated reports on their websites, the quality of reporting is not about religiously complying with a framework but about approaching strategic reporting with the right mindset (Pistoni et. al, 2017; Songini et.al, 2017, Bavagnoli et.al, 2017).

Based on prior studies, we conclude that integrated reporting provides investors and other stakeholders a broader view of organizational performance and value-creation. We contribute to the literature by studied company's integrated reporting published in integrated reporting examples database and provided recommendations related to policy-makers and others.

We report, firstly, finding referring to the overall sample of 204 reports issued by the 51 companies and, then, we examine differences between 2015-2018 of integrated reports.

Table 1 presents analysis of different countries of four areas, such as Australia, Belgium, India, Japan, Korea, United Kingdom, Mexico, Netherlands, South Africa, South Korea, Spain, Spanish, Sweden, United State. Firstly, looking at Background area scored highest percentage Australia (100 percentage), United Kingdom (100 percentage), South Africa (95.75 percentage) and lowest South Korea (71.43 percentage) and United State (71.43 percentage). Secondly, looking at content area scored highest percentage United Kingdom (61 percentage), Mexico (60.50 percentage), Netherlands (69.50 percentage) and lowest Korea (38 percentage). Thirdly, looking at assurance and reliability area scored highest Belgium (75 percentage), India (75 percentage), Korea (75 percentage) and lowest Australia (66.67 percentage), Mexico (66.67 percentage), Netherladns (66.67 percentage), South Korea (66.67 percentage), Spanish (66.67 percentage), Sweden (66.67 percentage) and United State (66.67 percentage).

Finally, looking at form area scored highest United State (73.33 percentage), Spanish (71.67 percentage), Australia (70 percentage), South Korea (70 percentage) and lowest Nethertherland (53.33 percentage).

Table 1. Analysis of different countries of four areas.

Country	Background	Content	Assurance	Form	Total IR
Australia	100.00%	43.50%	66.67%	70.00%	55.00%
Belgium	89.29%	45.00%	75.00%	60.00%	53.33%
India	85.71%	48.50%	75.00%	60.00%	55.33%
Japan	81.75%	47.17%	68.52%	64.54%	54.72%
Korea	85.71%	38.00%	75.00%	68.33%	50.00%

United Kingdom	100.00%	61.00%	66.67%	66.67%	66.00%
Mexico	82.14%	60.50%	66.67%	60.00%	62.67%
Netherlands	85.71%	69.50%	66.67%	53.33%	67.67%
South Africa	95.75%	56.00%	68.65%	61.83%	61.38%
South Korea	71.43%	42.50%	66.67%	70.00%	51.67%
Spain	85.71%	42.50%	66.67%	63.33%	51.67%
Spanish	85.71%	58.00%	66.67%	71.67%	63.67%
Sweden	85.71%	56.00%	66.67%	60.00%	60.00%
United State	71.43%	45.00%	66.67%	73.33%	54.00%
Total	88.45%	51.67%	68.63%	63.46%	58.14%

Recommendations. The government of all of different countries needs to set of rule that issue and publish of integrated report as obligatory since based on our research issue of integrated report is mandatory only in South Africa. As we mentioned before after issue this report in South Africa it improved internal integration and corporate governance, and as a result, modern businesses have better understanding of business value drivers, more thorough risk analysis, and improved strategic plans

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УДК 332

“The impact of corporate social responsibility on firm value in global financial market”

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Introduction. The concept of Corporate Social Responsibility (CSR) has existed for a significant amount of time. It is often accepted and regarded as something inevitable to the financial advancement of organizations and the overall progress of society. It also tends to help investors in making more prosperous investment decisions. Nevertheless, CSR is a topic that generates much debate. Many researches have tried to measure and understand its actual value, but there is an evident lack of coherence within the literature. In order to contribute to the existing literature, this research aims to evaluate the impact of CSR on firm value and bankruptcy risk around crisis and post-crisis periods. This research is based on a unique CSR rating, which is created for S&P 500 companies. CSR ratings will be regressed over four measures of financial performance (Tobin's Q, Return on Assets (ROA), Return on Capital (ROC), and the Altman Z Score) using linear OLS regressions. This study is conducted within the period of the most recent financial crisis.

Generally, the progress of society and improvements in quality of life were regarded to be a result of economic prosperity (Lantos, 2001), while the financial advancement of organizations was assumed to be a driver of economic prosperity. However, this theory was debated by the corporate social contract, which states that the progress of society is of the same importance to economic prosperity (Lantos, 2001). The history of CSR has begun since the Industrial Revolution (Argandoña and Von Weltzien Hoivik, 2009); however, the initial concept was seen as an entirely a supplement to a firm's financial performance. As the idea of CSR has

developed over time, nowadays, organizations are merely expected to obey their societal obligations. Nevertheless, even though CSR is often lauded openly, there is an apparent lack of consensus within the literature.

According to Carrol (1979), CSR is a concept that “*encompasses the economic, legal, ethical and discretionary expectations that society has of organizations*” (Carroll, 1979, p.500). However, CSR is a concept that is prone to distortion, and even though the framework created by Carroll (1979) is both appreciated and accepted by academics, there is still no precise definition of this phenomenon. Many previous researchers referred to subjective methodologies to measure the concept, due to the lack of consent in defining the CSR. Nonetheless, advancements and developments of data have permitted many measurement tools, including CSR ratings, which commonly combine the economic, social, and governance information of organizations. The most noted measurement strategy within the literature is Kinder, Lydenberg, and Domini’s (KLD’s) ratings, and there are very few studies using another type of rating technique. Thus, this leaves an opportunity for creating new methodologies to measure CSR.

It should be mentioned that there is much literature examining the impact of CSR on the financial performance of organizations even though there is still an apparent lack of understanding of the real value of CSR. The prior reason for this issue is that the value itself is a very subjective concept. Researchers assess the value in terms of financial measures of performance such as ROA and Return on Invested Capital (ROIC) (Ahamed et al., 2014; Oh and Park, 2015), in terms of stock returns (Arx and Ziegler, 2008), and in terms of more modern Tobin’s Q ratio (Choi et al., 2010). The value of CSR is also could be used in terms of risk management, examining the impact of CSR on risk measures such as Beta (McGuire et al., 1988) and the Altman Z Score (Erhemjamts et al., 2011). Furthermore, many academics assessed the strategic value of CSR around time of crisis, in which value is studied in terms of its 'insurance-like' protection of a firm's financial performance during crisis periods (Ducassy, 2013).

Taking into account currently available literature on CSR, this paper will make several contributions in terms of both research implications and design. First of all, it does not utilize standard KLD ratings as many other researches but instead uses Bloomberg ESG ratings to create a unique aggregate CSR rating for each sampled organization. The CSR rating is built on a firm's environmental, social, and corporate governance performance. These three domains are considered as precise measurements for CSR performance. Furthermore, Tobin's Q and the Altman Z Score have seen to be the most innovative and recent performance measures studied. However, the majority of the studies focus only on using one of these mentioned measures and thus provide a mono-dimensional views of value. To make this study more valuable, this paper examines the value of CSR utilizing a combination of Tobin's Q and the Altman Z Score. As a result, it will provide a clear differentiation of what type of value CSR provides by using Tobin's Q to measure value in terms of financial performance and what type of value CSR generates by using Altman Z Score to measure value in terms of risk management. The possible significance of CSR around times of crisis has also been mentioned in this study. Currently available literature, however, has failed to examine the "insurance-like" value of CSR around both crisis and post-crisis periods. This paper will solve this issue by exploring the value of CSR during both crisis and post-crisis periods.

The primary purpose of this paper is to answer the following research question: Do organizations with higher CSR ratings indicate higher firm value and lower bankruptcy risk around crisis and post-crisis periods? The answer to this question is expected to fill an evident gap within the literature and also expected to has useful implications for society, organizations, and investors. The reason for this is that CSR can be a universal tool for companies to benefit themselves and society in terms of product innovation, diversity in the workplace, and better corporate governance. Moreover, if CSR is confirmed to be an accurate and trusted indicator of sound financial performance and low bankruptcy risk, investors may use this information to make a more productive and profitable investment decisions.

To address the research questions of this paper, several OLS regressions will be conducted using data from S&P 500 companies within which Tobin’s Q, ROA, ROC, and the Altman Z Score are the primary dependent variables. These dependent variables will be regressed against the CSR rating of each firm and

appropriate control variables.

DATA

Sample. The sample for this study is made up of Standard & Poor's 500 firms. The starting sample consisted of 505 firms in total. However, due to missing data for dependent variables, control variables, and CSR ratings, the final sample is made up of 269 firms. The sample consists of a total of 10 different industries as segmented by Bloomberg. The S&P 500 was chosen as it is based on the market capitalizations of 500 large listed US companies (Bloomberg Business, 2015). The index is one of the most commonly followed equity indices and is often considered to be one of the best representations of the US stock market and an indicator of the performance of the US economy (Bloomberg Business, 2015). It is appropriate to use a US index such as the S&P 500 as the most recent financial crisis originated in the U.S and significantly impacted firms within the index.

Measures of CSR. Data on CSR is not sourced from any of the conventional ways in order to contribute to the existing literature. Instead, the Bloomberg ESG Data Services and ESG disclosure scores are used. Generally, companies disclose public ESG information through various instruments, including CSR or sustainability reports, annual reports, websites, and other public sources, as well as through contacting the company directly (Huber, Comstock, & Davis Polk & Wardwell LLP, 2017). Since 2009, Bloomberg analysts have continually collected ESG data on numerous organizations from published disclosures and news items and turned it into one number: a disclosure score (FrameworkESG, 2019). Bloomberg collects, verifies, and shares ESG data from more than 11,500 companies in 83 countries (Bloomberg, 2019). This data is checked and standardized. According to (Huber, Comstock, & Davis Polk & Wardwell LLP, 2017), Bloomberg ESG data covers 120 environmental, social and governance indicators including, carbon emissions, climate change effect, pollution, waste disposal, renewable energy, resource depletion, supply chain, political contributions, discrimination, diversity, community relations, human rights, cumulative voting, executive compensation, shareholders' rights, takeover defense, staggered boards, independent directors and other. Moreover, numerous indices are covered within Bloomberg's database, including the S&P 500. Considering all of the factors mentioned above, it might be proposed that this type of CSR measuring technique is best suited for this research.

Data collection. All necessary data for this study is collected through the Bloomberg Terminal and Bloomberg ESG Data Services.

METHODOLOGY

Rating for CSR. Similarly to the study of Schwartz and Carroll (2003), for purposes of this paper, a Venn diagram (Table 1) is used to visualize the CSR rating model. By calculating an average of economic, social and corporate governance disclosure scores provided by Bloomberg ESG Data Services, a total CSR rating for 269 S&P Global 500 firms is generated. The ratings range from 0-100, with 100 being the highest and indicating the best possible CSR performance. CSR ratings for crisis periods are calculated by taking the

average of annual values for the years 2007 and 2008. Post-crisis CSR ratings are calculated by taking the average of annual values for the years 2009-2016.

Table 1



Financial performance measures. Considering the best practices of the currently available and most noted literature on CSR, financial performance is measured using four variables; Tobin's *Q*, Altman Z Score, ROA, and ROC. These variables have previously shown keen associations with CSR and considered to be accurate indicators of financial performance. Therefore, it seems obvious to use them in this paper. All data on financials and market-based measures are drawn from Bloomberg Terminal. Tobin's *Q* is processed automatically through Bloomberg Terminal on an annual basis. Annual ROA, ROC, and Altman Z Score are also drawn from Bloomberg Terminal.

A higher Tobin's *Q* ratio implies that the financial performance is sound. A Tobin's *Q* value between 0 and 1 implies that a firm's stock is undervalued, as the value of its stock is less than the cost of replacing the assets of the firm. A Tobin's *Q* value of higher than 1 implies that the firm's stock is overvalued, as the value of the stock is higher than the cost of replacing its assets. A higher Altman Z Score suggests lower bankruptcy risk. An Altman Z Score of greater than 3 implies that bankruptcy is not likely, while a Z score of less than 1.81 suggests that bankruptcy is likely. A higher ROA figure indicates better financial performance and that management is more efficient in utilizing assets to generate profit. A higher ROC figure also implies more exceptional financial performance by measuring how efficiently an organization is at assigning its capital to worthy and profitable investments.

Table 2: Dependent variables description

Financial Performance Measure	Equation
Tobin's Q	$(\text{Market Capitalization} + \text{Total Liabilities} + \text{Preferred Equity} + \text{Minority Interest}) / \text{Total Assets}$
Altman's Z-Score	$\text{Altman's Z-Score} = 1.2 * (\text{Working Capital} / \text{Tangible Assets}) + 1.4 * (\text{Retained Earnings} / \text{Tangible Assets}) + 3.3 * (\text{EBIT} / \text{Tangible Assets}) + 0.6 * (\text{Market Value of Equity} / \text{Total Liabilities}) + (\text{Sales} / \text{Tangible Assets})$
Return on Assets (ROA)	$(\text{Trailing 12M Net Income} / \text{Average Total Assets}) * 100$
Return on Capital (ROC)	$((\text{T12 Net Income (Losses)} + \text{T12 Minority Interest} + \text{T12 Interest Expense} * (1 - (\text{T12 Effective Tax Rate} / 100))) / \text{Average of Total Capital}) * 100$

Time period of analysis. The analysis considers CSR around crisis and post-crisis periods. The crisis period is considered to be between 2007 and 2008. January 2007 is the period in which the market began to

realize the significant losses related to the subprime mortgage crisis (Erkens et al., 2012). Tobin's Q , Altman Z Score, ROA, ROC, CSR ratings and all control variables from the crisis period are calculated by taking the average of annual values for the years 2007 and 2008.

The post-crisis period is considered to be between 2009 and 2016. Tobin's Q , Altman Z Score, ROA, ROC, CSR ratings, and all control variables from the post-crisis period are calculated by taking the average of annual values for the years 2009-2016.

Control variables. In order to enhance the relevance and appropriateness of the research, control variables are included in this analysis. These variables were picked on the basis that they have been identified within the CSR literature as appropriate controls and include the industry type (industry score ranging from 1 to 10 for each sampled firm), natural log of total assets, leverage level (i.e. short and long term debt / shareholders' equity * 100), total intangible assets, growth in sales ((revenue from current period - revenue from same period prior year) * 100 / revenue from same period prior year), and capital expenditures.

Model. The first step of analysis involves running linear OLS regressions to examine the impact of CSR on firm value, where Tobin's Q is the dependent variable. It will start by running model (1) and (2) within which the CSR rating variable is omitted from the analysis. Following this, it will continue by running model (3) and (4), which includes the CSR ratings of each firm. The rationale for this analysis is to examine the influence of CSR on Tobin's Q by establishing how the control variables affect Tobin's Q and how this interaction changes once CSR ratings are added.

$$\text{Crisis Period Tobin's } Q = \beta_0 + \text{Controls}(2007-2008) + \varepsilon \quad (1)$$

$$\text{Post - Crisis Period Tobin's } Q = \beta_0 + \text{Controls}(2009-2016) + \varepsilon \quad (2)$$

$$\text{Crisis Period Tobin's } Q = \beta_0 + \text{CSR Rating}(2007-2008) + \text{Controls}(2007-2008) + \varepsilon \quad (3)$$

$$\text{Post - Crisis Period Tobin's } Q = \beta_0 + \text{CSR Ratings}(2009-2016) + \text{Controls}(2009-2016) + \varepsilon \quad (4)$$

The second step of analysis aims to confirm the impact that CSR has on firm value by using accounting measures of performance, ROA, and ROC, as dependent variables. Models (5), (6), (9) and (10) will be conducted initially, followed by models (7), (8), (11) and (12) in order to examine the incremental content of CSR on accounting measures of performance.

$$\text{Crisis Period ROA} = \beta_0 + \text{Controls}(2007-2008) + \varepsilon \quad (5)$$

$$\text{Post - Crisis Period ROA} = \beta_0 + \text{Controls}(2009-2016) + \varepsilon \quad (6)$$

$$\text{Crisis Period ROA} = \beta_0 + \text{CSR Rating}(2007-2008) + \text{Controls}(2007-2008) + \varepsilon \quad (7)$$

$$\text{Post - Crisis Period ROA} = \beta_0 + \text{CSR Ratings}(2009-2016) + \text{Controls}(2009-2016) + \varepsilon \quad (8)$$

$$\text{Crisis Period ROC} = \beta_0 + \text{Controls}(2007-2008) + \varepsilon \quad (9)$$

$$\text{Post - Crisis Period ROC} = \beta_0 + \text{Controls}(2009-2016) + \varepsilon \quad (10)$$

$$\text{Crisis Period ROC} = \beta_0 + \text{CSR Rating}(2007-2008) + \text{Controls}(2007-2008) + \varepsilon \quad (11)$$

$$\text{Post - Crisis Period ROC} = \beta_0 + \text{CSR Ratings}(2009-2016) + \text{Controls}(2009-2016) + \varepsilon \quad (12)$$

The final step of analysis includes linear OLS regressions to measure the impact of CSR on firm bankruptcy risk, as measured by the Altman Z Score. As previously described, regressions will initially be conducted with the CSR rating being omitted from analysis. The analysis will then be repeated, including the CSR rating for each firm to establish the incremental impact of CSR on bankruptcy risk. Models (13) to (16) depict this analysis.

$$\text{Crisis Period Altman Z Score} = \beta_0 + \text{Controls}(2007-2008) + \varepsilon \quad (13)$$

$$\text{Post - Crisis Period Altman Z Score} = \beta_0 + \text{Controls}(2009-2016) + \varepsilon \quad (14)$$

$$\text{Crisis Period Altman Z Score} = \beta_0 + \text{CSR Rating}(2007-2008) + \text{Controls}(2007-2008) + \varepsilon \quad (15)$$

$$\text{Post - Crisis Period Altman Z Score} = \beta_0 + \text{CSR Ratings}(2009-2016) + \text{Controls}(2009-2016) + \varepsilon \quad (16)$$

Expected results. Overall, it is expected that CSR will have a positive effect on Tobin's Q , ROA, ROC, and the Altman Z Score. Taking into account current available literature, the magnitude of the effect will possibly be the most significant within the ROC model, followed by ROA, the Altman Z Score, and lastly, Tobin's Q . Consequently, it will perhaps indicate that the accounting measures of performance provide the most substantial representation of CSR value similarly to the statements proposed in related literature.

Additionally, the accounting measure results also may have implications for management, as accounting measures of performance such as ROA and ROC are often used to monitor and reward managers (Murphy, 1999). It could be argued that managers who incorporate CSR activities into their strategies are rewarded with better performance and remuneration packages. Thus, in case of the proved influence of CSR on ROA and ROC, it might be concluded that companies who have better CSR performance display more profitable assets, demonstrate better efficiency in allocating capital, and possess more skilled management.

The potential positive effect of CSR on Tobin's Q ratio during the crisis and post-crisis periods will assure that CSR has a positive impact on firm value. It will indicate that companies who have shown that they invest in CSR see better financial performance during times of crisis and post-crisis periods. Therefore, there is a value in highlighting any CSR activities conducted. The potential positive impact of CSR on Altman Z Score might confirm that the companies with more exceptional CSR performance during the crisis and post-crisis periods exhibit lower bankruptcy risk measured by the Altman Z Score. Lastly, in an attempt to develop upon the work of Ducassy (2013), the positive relationship between CSR and variables mentioned above will allow analyzing the value of CSR as an 'insurance-like' product during the crisis and post-crisis periods.

Research Limitations and Recommendations. This piece of study will have three main limitations. The first limitation is that the CSR rating variable is static throughout all models. Within the crisis models, the CSR rating for each firm will be calculated as an average of an annual basis for the years 2007 and 2008. Similarly, the CSR rating for the post-crisis models will be calculated as an average of an annual basis for the years 2009-2016. This methodology does not allow for time series regressions, which would have been a more vigorous method of analysis. In terms of future research, a firm's CSR rating should be calculated on a monthly or quarterly basis, which can then be regressed against monthly or quarterly dependent variables. This method will enhance the ability to witness how an incremental increase in a firm's CSR rating will impact dependent variables.

The second limitation is presented within the CSR rating model. The model of this research aimed to build upon the Venn diagram model presented by Schwartz and Carroll (2003) by using new data sources to

create three CSR subdivisions. While this method adds value to the existing literature, it also inherits some of the issues of the original model. The most significant limitation is that the model is assumed to be all-encompassing and contains all possible CSR performance indicators. Furthermore, it is challenging to place performance indicators into purely environmental, social, and corporate governance segments, as some overhang is unavoidable. Most likely, future research will also experience such difficulties. What is essential is that a clear definition is outlined so that results can be interpreted within the appropriate context.

The third limitation is that a commonly used control variable, Research and Development (R&D) intensity, has been omitted from the analysis due to data limitations. Numerous academics examined the relationship between R&D intensity and CSR and found a positive correlation. Avoiding the R&D variable might, therefore, be doubtful. In terms of future research, it will be better to include this variable to increase overall robustness.

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УДК 336

“Motivation, Valuation, and Tax Effects of a Bank Merger in Kazakhstan: A Merger of Halyk Bank and Qazkom Bank”

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The urgency of the problem posed for the world economy as a whole, and for the Republic of Kazakhstan in particular, is associated not only with globalization and the growing role of reorganization processes that ensure the growth of banks' value on the financial market, increasing investment attractiveness, but also with the unresolved many issues of general economic plan For example, an increase in the volume of foreign borrowing by banks, an imperfect mechanism for legislative regulation of the processes of consolidation of banks, the impact of the financial crisis. The consequences of the financial crisis and, as a result, bankruptcy in many countries of large strategic banks gave an additional impetus to the restructuring and the process of mergers and acquisitions of banks.

The lack of credit resources, competition from foreign financial institutions and large domestic banks, low population density of the country, and, accordingly, low demand for financial services, especially in the regions, are the main reasons for the implementation of programs for reorganizing and consolidating banking structures in Kazakhstan. Facing competition from both large domestic banks and foreign banks, tough financial requirements and regulatory restrictions, small banks are forced to either make decisions on reorganization measures aimed at consolidating banks, or cease operations in the financial market.

Mergers and acquisitions take place within the framework of the general corporate strategy of banks and, accordingly, are one of the ways to achieve a certain strategic goal: increasing market value (capitalization), strengthening market positions, etc. Reform processes can increase the capitalization and competitiveness of banks, improve the quality of financial services provided, expand the client base, and minimize financial risks.

The processes of mergers and acquisitions are accompanied by numerous problems of organizing financial regulation, choosing the most efficient merger or acquisition facility, financing consolidation transactions, forecasting calculations and achieving operational and financial synergies. The need for a deep and comprehensive analysis of the conditions for the effectiveness of mergers and acquisitions and the solution of emerging issues determines the relevance of the topic considered in the thesis research. Also, the relevance of this work is determined by the lack of special studies of the processes of mergers and acquisitions. This thesis research fills a gap in studying the evolutionary development of consolidation processes, as one of the most effective ways to improve the banking system of the Republic of Kazakhstan.

In connection with the above, it becomes necessary to analyze the restructuring process from a financial position, since a comprehensive full financial analysis usually precedes the reorganization and ensures its success.

One of the effective measures to create conditions for the stable development of the banking sector of the Republic of Kazakhstan is to intensify the process of mergers and acquisitions of financial institutions in order to rehabilitate insolvent and strengthen existing banks. In the economic literature, these problems are not adequately covered, there is no systematic approach to the study of financial analysis and the processes of mergers and acquisitions in Kazakhstan. The role of these processes in restructuring the banking system of Kazakhstan and increasing its investment potential has been underestimated.

There are also gaps in the study of this issue by Kazakh authors, but there is quite a wide practical material, in particular in the banking sector. In the thesis work in detail studied and summarized the processes of mergers and acquisitions a Halyk Bank and Qazkom Bank. Based on the findings, a detailed analysis of the financial effectiveness of the merger and acquisition transaction was developed, starting with evaluating and selecting the object of acquisition, conducting the transaction itself, finding ways to reduce costs in the reorganization process and after, and ending with monitoring the efficiency of the combined organization from a financial point of view.

The data required for this study includes the firm fundamentals used includes projected future cash flows and firm earnings.

Further thesis discusses the operationalization of different valuation methods to determine the intrinsic value. The first part presents the research design using Market approach for target company is Qazkom Bank and calculate 6 financial ratios from the 5 peer companies: P/E, P/B, P/Sales, EV/EBITDA, EV/EBIT and EV/Sales, and get their average and median values. The second part research Income approach DCF valuation for Qazkom Bank (The research period is between 1st July 2015 and 30th June 2018), and third part research is behavior of the stock price on the market before and post merger performance for Halyk Bank.

From the end of the nineteenth century to the present on the world the financial market is activated by the trend of mergers and acquisitions. Process capital consolidation occurs in all sectors of the global economy, including including in the banking sector. Mergers and acquisitions carried out both at the micro level, and in international, global scale. Not only global financial giants are uniting, but also small regional or sectoral banks whose annual cash flows do not exceed 100 thousand US dollars.

The need for reorganization is caused by unstable financial situation of some banks, inability to provide cost-effective functioning in the current financial and economic conditions, due to large administrative costs, significant payables, threats of bankruptcy proceedings, loss of image of the bank, as well as the lack of favorable conditions for attract potential investors.

According to the definition given by the Russian authors of fundamental work on restructuring, restructuring is understood as the process of reorganization and optimization of elements or the entire system of financial economic activity in order to increase efficiency.

In the world financial literature, there are a number of theories whose purpose is to disclose the causes of bank mergers and acquisitions. The most widespread theory of increasing the added economic value of the company, or the theory of synergy (Theory of Synergy).

The theory of synergy was first formulated in the work of Bradley, Desai and E.H. Kim in 1983. The essence of the theory of synergy in relation to the banking sector is that banks A and B will merge only if Bank C, formed as a result of their merger, increases income from operations, net profit, well-being of shareholders, and its value increases stocks.

According to the theory of synergy, a bank formed as a result of a merger or acquisition can use a wide range of advantages that arise as a result of pooling the resources of merging banks, namely, economies of scale, reduced administrative, marketing and other costs due to the centralization of functions, expanding the product line, increasing market share, geographical diversification of your business, improving management efficiency and other benefits.

The applicant is a supporter of this particular theory, according to which integration processes, with an effective financial analysis of the results, positively affect the activities of both the combined bank and the economy as a whole.

Another theory put forward to explain the motivation of banks during the merger is the Hubris Theory, which was proposed in 1986 by Richard Roll.

Using the data and conclusions contained in more than forty works, Roll concluded that mergers and acquisitions do not give rise to the synergy effect, and if it is present, the effect of this effect, as a rule, is overestimated.

The assumption that there is no synergistic effect in the merger process allowed Roll to put forward the theory that the merger is the result of an individual decision by the management of the buyer bank, which believes that it is his assessment of the value of the target bank that is correct, and the market value assessment does not fully reflect its development potential. In other words, the decision to merge can be caused only on the basis of an irrational subjective assessment of the managers of the purchasing bank regarding the fact that only they can fully identify and recognize the non-existent synergy.

Analysis of the effectiveness of bank mergers, when the profitability of one of the parties to the transaction exceeds the same indicator of the other, is considered in the work of Berger, Hunter and Timme, which was published in 1993. Studying banking mergers and acquisitions that occurred in the USA during the period from 1980 to 1989, the authors came to the conclusion that there is a positive synergy effect in the mergers of banks with different levels of profitability.

On the other hand, a number of scientists studying the impact of mergers and acquisitions on bank returns have come up with different results.

So, in the early 90s, Stephen Rhodes, after conducting a number of studies on the effectiveness of bank mergers and acquisitions, came to the conclusion that the benefits and cost savings resulting from bank mergers in 1980-1993 are insignificant.

Noteworthy is the study of Jane Linder and Dwight Crane. They analyzed the profitability ratios of banks in New England (USA) that participated in 47 merger transactions from 1982 to 1987. Linder and Crane compared the ratio of operating profit to assets, where operating profit was calculated as the sum of net interest income and net interest expense, a year before and two years after merging with the same indicator banks of the same states that did not participate in the mergers. Based on received data, they concluded that mergers do not increase the profitability of banks participating in such transactions.

Evaluation of the results of empirical studies on the identification of the reasons and motives for the merger of banks leads to the conclusion that the main driving motive of most mergers and acquisitions undertaken in practice is the synergy effect, that is, an increase in the value (or income) of the bank as a result of the intensification of the operating activities of the merged bank. At the same time, it should be borne in mind that there are a sufficient number of cases of mergers and acquisitions, which ultimately do not lead to a positive result, that is, do not increase the value of the bank after the merger. This indicates the high risks associated with bank mergers and acquisitions and requires careful preliminary preparation of the planned mergers and acquisitions.

According to the applicant, the Synergy Theory seems to be the most logical and empirically substantiated.

In this research work we will consider market value based method and Income based method for target company that is Qazkom Bank.

There are several valuation methods which can be broadly categorized into three types, namely market based method, income based method, and asset based method. All three methods carry a significant degree of importance in the context of merger and acquisition.

Market approach Method

In valuation of merger and acquisition with the help of market based method, the various attributes of the target firm are compared with the similar types of attributes of other firms in the market. The peer firms typically would have market prices and can serve as benchmarks for assessing the target value. Furthermore, some other factors need to be taken into consideration before the comparison of the different attributes is done. First the analyst needs to identify the key parameters of comparison of the target firm with peers, and secondly, the list of comparable firms, peers, needs to be compiled. Public sector corporations involved in the same industry as the target firm would typically be chosen as comparable. Nevertheless, if the target firm is not registered with a stock exchange or is relatively small in its size then the public sector corporations, comparing it with the public sector corporations may not be useful.

The other features that require to be compared are net earnings, gross revenue, and book value of assets. As soon as all the information has been gathered, a broad-based comparison is performed for obtaining the value of the target firm.

The market based method can be further categorized into the following types:

- Market multiple (or price-earnings ratio) of comparable firms for that are not listed;
- Market capitalization of listed firms.

Income approach Method

The Income based Method of valuation associated with mergers and acquisitions takes into account the net present value. The net present value of earnings that is going to be received in the future is taken into consideration through the implementation of a mathematical formula.

The income based method can be further classified into the following types:

- Free cash flow/discounted cash flow method;
- Capitalized earnings technique.

Data collection used in the valuation is taken from secondary sources – quarter and annual reports of Halyk Bank and Qazkom Bank, as well as presentation for investors placed on official websites. All stock information is taken from Kazakhstan Stock Exchange, London Stock Exchange and from Thomson Reuters Eikon Data. I also used analysts' reports posted on the Internet sources, as well as press-releases of both banks, and other sources of secondary data. For conclusions and valuation I used primary source of data that is my own findings and analysis.

Information for peer valuation is taken from Thomson Reuters Eikon Data and official websites of the banks.

In this analyze we will try to find Qazkom Bank Intrinsic (fair) value. The resulting fair value is compared to the market value to determine whether the asset is over- or undervalued. For that we use the following valuation plan:

- 1) Find intrinsic (fair) value of Qazkom Bank prior consolidation using Income approach (through DCF method) valuation.

- 2) Find common banks for market approach valuation and calculate 6 financial ratios from the 5 peer companies: P/E, P/B, P/Sales, EV/EBITDA, EV/EBIT and EV/Sales, and get their average and median values.
- 3) And third part findings is behavior of the stock price on the market before and post merger performance for Halyk Bank for that we will use 6 month before merger and 6 month post merger.

There are several conditions that do have a tangible impact on the valuation and research question in general.

First, a lack of previous research papers on bank consolidation in Kazakhstan makes it difficult to evaluate overall benefits for merged banks shareholders, and making predictions of a future impact of the merger is challenging.

Second, valuing financial services firms is crucial for a number of reasons, but one of the major troubles occur from the government regulations and restrictions. Government usually plays a big role as a regulator in financial mergers and acquisitions, and sometimes can push banks to merge with each other (e.g. a case when a stronger bank has to help a problematic bank so that industry in general will not suffer). Thus, there are always politic considerations behind bank mergers, and often there are not open to the public.

And third, not all of the details of the observed deal are open to public. Halyk Group's management team reported facts in general, likewise a price per share for the target bank, but did not widely explain strategic and financial reasons behind the deal, as well as precise valuation figures.

This paper examines banks consolidation as a tool for strengthening the sector, since National Bank of Kazakhstan has been encouraging merger deals within financial services firms. Research results showed that both banks' shareholders' value has increased, and post-integration synergy led to a better financial performance.

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“FEATURES OF FINANCIAL STABILITY OF SECOND-LEVEL BANKS IN MODERN ECONOMIC CONDITIONS BASED ON CASE OF SB “SBERBANK” JSC”

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1. The problem of financial stability of commercial banks is one of the most important problems of the country's economy at the present stage of its development.

In modern conditions, the presence of various factors affecting the activities of commercial banks, the tightening of regulatory requirements of the National Bank of the Republic of Kazakhstan, competition between credit institutions and crisis phenomena in the banking sector require improved management and control processes that are not feasible without a comprehensive analysis and assessment of the activities of commercial banks. Bank analysis is a system of special knowledge related to the study of the general financial condition of the organization, the results of its activities, identifying factors, trends, justifications for the direction of development of a credit organization, as well as making management decisions. However, bankruptcies of Kazakhstani commercial banks in recent years have been relatively high. Recent studies have identified bank bankruptcy factors that seem to have common features. The main factors are problems related to the loan portfolio, management efficiency and uncontrollability of operating expenses. In addition, consider that there is an inadequate system for identifying problems with loans in the early stages and cost control.

Due to the diversification of banks before the global financial crisis, regulatory authorities in many countries relaxed supervision to increase the competitiveness of banks. From the works of Baele, De Jonghe, and Vander Vennet (2007), it can be revealed that with the advent of diversification of banks' operations, operating expenses are reduced, while the process of issuing loans and managing credit risks is being established. Kwan (1998) and Cornett, Ors and Tehranian (2002) also write in favor of diversifying commercial banks, where it is mentioned that the risk is reduced due to the low interconnection of securities income and bank subsidiaries. These arguments were identified before the global crisis in 2008, and these empirical findings were based on an analysis of the banking market in the United States and some European countries. Therefore, the question of how effectively diversification can affect the financial stability of banks of other countries before, during and after the financial crisis remained open.

In 2019, a study was conducted by Kim H., Jonathan A. Batten, Doojin Ryu (2019), which collected banking data from 34 OECD countries for the period from 2002 to 2012. This study provides evidence that the relationship between bank diversification and financial stability is U-shaped. This means that diversification of banks has a positive effect on financial stability until it reaches the optimal level. But a negative impact was also recorded, as soon as diversification exceeds the optimal level, financial stability decreases. The study revealed a significant discrepancy in the impact of banking diversification on financial stability before and during the global crisis. In a study by H. Kim et al. (2019) argue that the difference in the financial stability of banks increases during the financial crisis, although diversification reduces this difference before the financial crisis. In addition, previous studies have mentioned that diversification around the world is used as a hedge of risks. And in this work, researchers adhere to traditional functions, such as deposits and loans, which can most effectively affect the state of the bank during a crisis. In other words, researchers H. Kim et al. (2019) argue that bank diversification could exacerbate financial instability in banks or increase the risk of a financial market crash during a crisis.

Another research review was conducted by Haiyan Yin in 2019. After the global crisis of 2008, the impact of globalization of banks on the financial sector in many countries is of interest to researchers, supervisors, bank managers and others. There has been a rapid increase in investment in the banking sector and the presence of foreign banks in developing countries has increased. According to Claessens and Van Horen (2014), there has been an increase in the number of foreign banks from 29% in 1995 to 48 percent in 2013 in the economies of developing countries. The influence of foreign banks in favor of globalization tells about investments in the capital of the host country, and therefore lending opportunities are opening up and the credit

market is stabilizing. Moreover, cooperation with foreign banks provides innovative ideas, introduces new products, improves technology and management skills. As a result, competition from foreign banks is intensifying, which can significantly improve the quality and availability of financial services, develop innovative products and reduce operating costs. According to studies by Bruno and Hauswald, (2013), Jeon et al. (2011), it was argued that host country banks' performance improves as a result of foreign banks entering the market. In studies by Berger et al. (2009) it was recorded that the participation of foreign banks positively affects the efficiency of banks in China.

On the other hand, there are opponents of globalization like Cull and Peria (2007), who believe that foreign banks are inconsistent lenders especially during a crisis, which negatively affects the stability of bank credit in the host country. Moreover, foreign banks serve customers with a low risk of default, leaving more risky customers to local banks. In a recent study, Ghosh (2016) argues that with the globalization of the banking sector, profitability decreases, but economic efficiency improves with the example of 169 countries from 1998–2013.

As a result of a scientific review by Yin H. (2019), an insufficient number of studies have been identified on how the entry of foreign banks affects the financial stability of host countries. Yin H. (2019) conducted a study based on 129 countries for 1995-2013. The study found that the presence of foreign banks adversely affects the financial stability of the banks of the host country. Yin H. (2019) noted that with the presence of a foreign bank, the risk of the loan portfolio and the overall risk of bank bankruptcy in the host country increases. The effect of credit risk has a greater effect on stability in developing countries than in developed ones. Although the equity ratio in developing countries is higher, this mitigates the impact of foreign banks on credit risk, which was calculated Z-score. In a study by Yin H. (2019), data and methodology are described in detail, and empirical results are presented with a conclusion. He calculated the bank's exposure to risk using alternative variables: Z-score and impaired loans. He also checked some characteristics of the bank such as the size of the bank, capital adequacy and the share of credit, assets of foreign banks and the number of foreign banks present in the host country.

As a result of the study, evidence is provided of the relationship between bank size and risk exposure. Larger banks are at greater risk, calculated with a Z-score and provisions for loan losses. Using the Sharp coefficient, less risk was calculated in developing countries. Yin H. (2019) states: “With Sharp's risk-to-bank risk ratio, evidence suggests that a more diversified business (with a lower share of loans) can reduce banking risks in developed countries, but focusing on a traditional loan business (high share of loans) the system in developing countries is more conducive to stable banking activities.”

2. As a result of the study and analysis of the project, the research question arises about the banking sector as a whole:

1. Which category of profit drivers are key in explaining profitability of Sberbank? Are they internal factors or external (macroeconomic) factors?
2. How does the profitability of the bank under the study period?
3. Do diversification have a positive or negative effect on financial stability of PJSC Sberbank and SB Sberbank JSC?
4. How to analyze relationship between bank diversification and financial stability of PJSC Sberbank and SB Sberbank JSC?
5. Is PJSC Sberbank and SB JSC Sberbank more financially stable than non-diversified banks in pre-crisis, crisis and post-crisis periods?

3. In this scientific work, I will investigate whether PJSC Sberbank and SB Sberbank JSC are more financially stable than non-diversified banks. To test this hypothesis, I included in the regression equations the square ratio of lagging non-interest income to total operating income (*Lag SQ non-interest income / TOR*). The impact of banking diversification on financial stability will also be analyzed, considering the impact of the recent financial crisis, which previous studies have overlooked. In particular, I will evaluate equations (1) and (2):

Financial stability = $\beta_0 + \beta_1 \text{Lag non-interest income/TOR} + \beta_2 \text{Lag SQ non-interest income/TOR} + \beta_3 \text{Lag three LB share} + \beta_4 \text{Lag gross loans/ equity} + \beta_5 \text{Lag log (total assets)} + \beta_6 \text{Lag ROA} + \beta_7 \text{Log (GDP per capita)} + \beta_8 \text{Interbank lending rates} + \text{Year and country fixed effects} + \varepsilon$, (1)

Financial stability = $\beta_0 + \beta_1 \text{Lag non-interest income/TOR} + \beta_2 \text{Lag SQ non-interest income/TOR} + \beta_3 \text{Post-financial crisis} * \text{Lag non-interest income/TOR} + \beta_4 \text{Pre-financial crisis (Financial crisis or Post-financial crisis} * \text{Lag SQ non-interest income/ TOR} + \beta_5 \text{Pre-financial crisis (Financial crisis or Post-financial crisis} + \beta_6 \text{Lag three LB share} + \beta_7 \text{Lag gross loans/equity} + \beta_8 \text{Lag log (total assets)} + \beta_9 \text{Lag ROA} + \beta_{10} \text{Log (GDP per capita)} + \beta_{11} \text{Interbank lending rates} + \text{Country fixed effects} + \varepsilon$, (2)

In equation (2), due to limitations of data of SB Sberbank JSC during *Pre-financial crisis* and *Financial crisis* periods. So, I will calculate data of PJSC Sberbank of Russia during *Pre-financial crisis (2006-2007)*, *Financial crisis (2008-2009)* and *Post-financial crisis* period is indicated using a dummy variable, which takes on the value for years 2017-2018. To examine the different impacts of bank diversification on financial stability before, during and after the financial crisis period, I will include interaction terms between the financial crisis dummy variables (*Pre-financial crisis*, *Financial crisis*, or *post-financial crisis*) and diversification measures. Using these conditions of interaction, I will study the various relationships between bank diversification and financial stability during the financial and non-crisis periods.

Lag Three LB is the proportion of lagged deposits. *Lag gross loan / equity* is calculated by dividing the lagging value of the gross loans by the lagging value of equity. *Lag log (total assets)* is the lagged logarithm of total assets, and *Lag ROA* is the lagged ROA. Following research by Keim and Stambaugh (1986), Lamont, Polk, and Saa-Requejo (2001), as well as Chan, Covrig, and Ng (2005), I will control macro variables such as *log (GDP per capita)* and *interbank lending rates*.

Table 1 provides detailed explanations of the variables used in my one-dimensional and multi-dimensional analyses. The unbalanced panel data used in the study include observations of Russia and Kazakhstan from 2006 to 2018. Therefore, this sample covers a five-year period, which will allow me to analyze the impact of banking diversification on financial stability in the financial and non-crisis periods.

Table 1. Explanations and data sources of variables.

Explanations		Source
Panel A. Dependent variables		
Standard ROA (2-yr)	Standard ROA (2-yr) denotes the standard deviation of the ROA over a two-year period.	Official sites of PJSC Sberbank and SB Sberbank JSC
Distance-to-default	Distance-to-default is defined as the ratio of ROA plus the capital asset ratio which is divided by the standard ROA and we take the natural log of the ratio (Kim et al., 2016).	Official sites of PJSC Sberbank and SB Sberbank JSC
Panel B. Independent variables		
Lag non-interest income/TOR	TOR denotes a bank's total operating revenue. Lag non-interest income/TOR is a proxy for bank diversification (Baele et al., 2007).	Official sites of PJSC Sberbank and SB Sberbank JSC

Lag SQ non-interest income/TOR	Lag SQ non-interest income denotes the square of lagged non-interest income, and TOR denotes a bank's total operating revenue.	Official sites of PJSC Sberbank and SB Sberbank JSC
Post-financial crisis	Post-financial crisis is a dummy variable that takes the one for years 2014–2018.	Authors' calculations
Lag three LB share	Lag three LB share is the proportion of lagged deposits in each country and year for the three largest banks.	Official sites of PJSC Sberbank and SB Sberbank JSC
Lag gross loan/equity	Lag gross loan/equity is calculated by dividing the lagged value of gross loans by the lagged value of equity.	Official sites of PJSC Sberbank and SB Sberbank JSC
Lag log (total assets)	Lag log (total assets) denotes the lagged logarithm of total assets and is used as a proxy for bank size.	Official sites of PJSC Sberbank and SB Sberbank JSC
Lag ROA	Lag ROA denotes the lagged ROA ratio.	Official sites of PJSC Sberbank and SB Sberbank JSC
Log (GDP per capita)	Log (GDP per capita) denotes the logarithm of GDP per capita.	World Bank
Interbank lending rates	Interbank lending rates denote the interbank lending rates taken from the World Bank and Trading Economics.	World Bank and Trading Economics

4. Before the financial crisis, non-traditional activities, such as own trading and hedge funds, had relatively low insolvency rates and could be considered as not representing a significant threat. However, during the financial crisis, the level of insolvency of such investments increased, which seriously undermined the stability of banks involved in this activity. As a result, diversification can reduce stability in a crisis period, such as the 2008 financial crisis. Thus, I assume that the impact of banking diversification on financial stability varies in the periods leading up to financial and post-financial crises.

5. Most prior studies not only conduct single-country analyses, mainly based on data from the US or other individual countries, but also lack careful consideration of the possibility of a non-linear relationship between bank diversification and financial stability. Thus, this study contributes empirically to the well-documented bank diversification literature by focusing on the possibility of a non-linear relationship between bank diversification and financial stability and comparing the different effects of bank diversification on financial stability before, during, and after the 2008 financial crisis using banking data from 2 countries.

This study provides the following three implications and contributions. Whereas previous studies of bank diversification focus only on the US or certain European countries, we broaden our research scope to include Russia and Kazakhstan. Second, this framework allows for a non-linear relationship between bank diversification and financial stability, providing more flexibility than in previous studies, which assume a linear relationship. Third, the study is unique because it examines the periods before, during, and after the 2008 financial crisis, unlike the prior studies that only analyze bank diversification using non-financial crisis data.

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УДК 336

“Reflect of usage of cryptocurrency on economy of Kazakhstan.”

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Introduction

The difficult economic situation in recent years throughout the world, largely due to poor management and the chosen development model, has led to an increase in the shadow economy. The shadow economy is a phenomenon that directly has a negative impact overall on the economic development of the country and even constitutes a threat to national security.

In connection with the development of computer technology and communication networks, the world has entered the era of "electronic money". Plastic payment cards are gradually replacing coins and banknotes, and on the Internet there are many payment systems that were originally created only for electronic payments,

such as PayPal, UnionPay, Yandex.Money. Currently, electronic currencies not issued by national central banks.

However, progress does not stand still, and now we are seeing the growth of crypto currencies - a completely new means of payment of the 21st century, which has a number of significant differences from other types of electronic money. To date, many people around the world use crypto currencies. The emergence and spread of crypto currencies has become one of the main events in the financial world in recent years. The phenomenon of crypto currency is now being discussed everywhere: from representative international economic forums to meetings of elderly residents at their entrance.

The study of the "shadow" economy is of particular importance in connection with the manifestation of crisis phenomena in the economy of Kazakhstan and the counteraction of growing economic crime.

In the world practice, money obtained by criminal means aimed at putting all means into official circulation. In addition, for a long time in Kazakhstan, money has withdrawn from the legal turnover to the "shadow" one. The "shadow" economy in Kazakhstan is specific and diverse, since until recently, and even now, the necessary favorable conditions for legal business activities are lacking. Accordingly, to the deputy chairperson of the statistics committee Gulnara Kerimkhanova, the level of shadow economy in the Republic of Kazakhstan amounted to 30% of GDP. (Tukusheva A., 2019)

Kazakhstan also reached the boom demand for cryptocurrencies. As Daniyar Akishev said: "Blockchain and crypto-currencies becomes the subject of entrepreneurial activity, crypto-currency exchanges are being created in Kazakhstan, and there are machines for selling bitcoins." (Tulindinova Zh. 2017) Today, one of the most successful types of crypto currency is Bitcoin, which is not ephemeral. Each owner can exchange virtual "coins" for a real asset, and it is - dollars.

At the same time in Kazakhstan there is no officially a common opinion or document that would regulate transactions with crypto-currencies. This leads to the fact that created as an alternative to the usual global financial system; cryptocurrency becomes today the largest financial bubble, and a great way to get around "shadow" of money at the same time.

"In this connection, the use and turnover of the crypto currency is a potential danger for the growth of latent crime, that is, an undefined volume of the national currency may be involved in the shadow turnover. In addition, the emerging turnover of the crypto currency has signs of commercial activity, but due to the lack of regulation, it is not involved in the budget and tax sectors of the financial system of the country." - Senator Dulat KUSDAVLETOV (The deputies proposed to prohibit operations with crypto currency in Kazakhstan, 2018) said at the plenary session of the Parliament of the Republic of Kazakhstan to the Prime Minister and the head of the National Bank. These circumstances may have a potential threat to national security, the country's financial system, law enforcement and also cause an unpredictable reaction of social groups in the collapse or other unpredictable behavior of the crypto currency market, and the growth of fraud.

Thus on the official web site of the Parliament (Tusupbekov R., 2018) in a letter dated 02.16.2018 by the members of the Committee on Constitutional Legislation, the judiciary and law enforcement agencies said that "In 2017, the National Security Committee opened a criminal case on the facts of the network" underground Mining "using computational resources of state revenues of the Republic of Kazakhstan."

Literature review

Cryptocurrency regulation in different states

Today, terms such as blockchain and cryptocurrencies are increasingly use in public discourse. Moreover, a serious discussion is unfolding around these concepts, which concerns not only the economic aspects, but also the problems of public policy and management.

Technological advances provide new opportunities for the development of the digital economy, but also lead to the emergence of a number of problems that the state faces. One of which is the active emergence and development of the cryptocurrency market. More and more factors are being included in the development of cryptotechnologies and in the release of new financial instruments based on blockchain technology. This new

economic reality poses untraditional challenges to manageability. It should be note that the reaction of the authorities of many countries regarding cryptocurrencies shows that there are various approaches: from prohibition to active inclusion in the processes of their creation and circulation.

Some countries see it as an “interesting economic experiment” that arose in the wake of the economic crisis and, consequently, the growth of distrust of state institutions. In addition, some study the economics of cryptocurrency markets and their potential in comparison with traditional currencies and other financial instruments. There are also those who do not exclude legal problems and issues of state regulation of cryptocurrencies. In general, many researchers note that the cryptocurrency market, although it is only at the stage of its formation, is already generating many risks that can be dangerous both for the state and for the whole society.

It should be note that the lack of regulation on the part of state bodies leads to a violation of the state monopoly on the issue of funds and control of their turnover. Since cryptocurrency on the one hand, cryptocurrency is developing as an independent financial system from the state. On the other hand, the transparency of transactions, which is ensure by blockchain technology, deprives the state of the right to supervise the financial activities of economic agents. It is not secret that the state, without controlling financial instruments, continues to bear indirect responsibility for the financial risks of citizens. The new cryptocurrency market is very attractive for many people who do not have experience in managing high-risk assets, who may lose their savings. The state, in turn, cannot track or recover lost assets. Moreover, it bears the burden of social support for these citizens. Cryptocurrencies can also used by criminal structures. The anonymity of transactions that are beyond the control of any regulators creates the opportunity for the use of cryptocurrencies in illegal actions. But the main problem at the moment is the great difficulty in establishing tax payments from cryptocurrencies of both legal entities and individuals. States are just starting to develop and prescribe a tax regime, while the Kazakh government is ignoring the cryptocurrency industry.

The experience of Japan is an example of a cooperative strategy for regulating the cryptocurrency market. Japan became the first country to fully legalize cryptocurrency and make it legal tender. Japan has developed a unique cryptocurrency market player interaction system. Large market participants united in two competing groups: the Japanese blockchain association and the Japanese cryptocurrency business association.

Established in 2014, the Japan Blockchain Association has replaced the digital asset association. Thus, the Blockchain Association focuses on working with government agencies. In addition, the Japanese cryptocurrency business association created in parallel, which engaged for the most part with the same goal of interacting with the Japanese government. After hacking the largest cryptocurrency exchange Coincheck and stealing from it about \$ 530 million, the representatives of these two groups decided to create a new platform that will bring together 16 registered cryptocurrency operators to work together to restore confidence in the cryptocurrency market and work with the Japanese government. The government does not interfere with the functioning of associations; it integrates into ongoing interactions, becoming an actor in peer-to-peer relations. Such a comfortable environment, formed by the government, stimulates the self-regulation of activities by market participants with minimal government intervention.

About the Chinese market, it should be note that the Government strictly regulates the cryptocurrency market, which forces large companies to withdraw business from China. In China, the holding of ICOs, the activities of cryptocurrency exchanges, any advertising of cryptocurrency services, and mining prohibited. At the moment, the state has banned many cryptocurrency operations in the territory of its country. Potential reasons for the tight regulation of the cryptocurrency market are the development of the shadow banking sector and unregulated loans. Cryptocurrencies limit the power of the Central Bank of China, so the Central Bank uses the administrative resource to lobby its interests, limiting the opportunity for the development of the cryptocurrency market. But it cannot be said that China is on the path to a complete ban on cryptocurrencies. At the moment, the Central Bank of China is actively working on creating its own cryptocurrency, which will be completely under the control of the central authority. Also in the thirteenth five-year development plan of China from 2016 to 2020. Included research on the development of blockchain technologies and artificial intelligence. Thus, China is a vivid example of the influence of strong financial institutions on the formation of

a new sphere of the economy. The Chinese government intends to tightly regulate and take control of cryptocurrency.

In neighboring Russia, legislative regulation is in its infancy. Wide ranges of factors are involved in the creation of bills to regulate the cryptocurrency market. Bills proposed by the following organizations and associations: RAKIB, Central Bank of the Russian Federation, Ministry of Finance of the Russian Federation. The Government of the Russian Federation aggregates all proposals, bills, expert opinions and planned to issue a law on the regulation of the cryptocurrency market in the summer of 2018, this bill is in a state of refinement. An analysis of the participants shows that the Russian government actively includes cryptocurrency industry experts in the discussion. Therefore, two expert groups created to work on the cryptocurrency bill: the Expert Council on Digital Economy and Blockchain Technologies, which headed by an entrepreneur, as well as the Interdepartmental Working Group on Cryptocurrency Turnover Risk Assessments. The tasks of the Expert Council on Digital Economy and Blockchain Technologies include legal, expert and informational advice on the development of the digital economy and the implementation of blockchain technologies. An interdepartmental working group on cryptocurrency turnover risk assessments is developing a legislative framework for the regulation of cryptocurrencies and amending current legislation.

In Kazakhstan, the National Central Bank maintains a conservative position and opposes the recognition of cryptocurrency as a financial unit of account in Kazakhstan. The National Bank sees the danger in cryptocurrency due to the lack of a mechanism for protecting consumer rights, the use of cryptocurrency in illegal activities and tax evasion. All types of cryptocurrency operations, the activity of cryptocurrency exchanges and mining can be banned. It is the danger of loss of control that drives the National Bank and most state departments of Kazakhstan to apply tough measures to regulate cryptocurrencies. The concern of the National Bank and government officials is due to the fast-growing cryptocurrency market in the absence of control. In turn, representatives of the Kazakhstan financial industry see in cryptocurrencies and blockchain technology an opportunity for the development of the economy of Kazakhstan as a whole. According to representatives of the Council of the Association of Blockchain and Cryptocurrencies in Kazakhstan, a complete ban on cryptocurrencies will be a big mistake and cause the backlog of Kazakhstan's economy from leading countries. The Association sees its mission in helping the authorities in finding the best option for legislative regulation and establishing control of a new market.

In 2017, the Association of Blockchain and Cryptocurrencies appeared in Kazakhstan, it included six organizations representing the financial industry, and 15 organizations submitted applications. The purpose of the association is to interact with the regulator (National Bank) to establish rules in the cryptocurrency market. Representatives of the Association interact with representatives of the authorities, the National Bank, higher educational institutions to prevent a complete ban on cryptocurrencies and adopt laws that will establish control over the new market. On the other hand, the country is actively developing the industry of research and application of blockchain technology. The authority to introduce and study this technology has been given to the Astana International Financial Center (AIFC).

The Vice-Minister of Economic Development and Trade of the Republic of Kazakhstan Bekeshev Baurzhan (Problems of the presence of the shadow economy, 2017) answered a number of questions regarding shadow income. A common consequence was the emergence of informal employment, where labor relations not formalized by a special contract. The structure of the informal sector of the labor market today is heterogeneous. It includes private lessons, medical services, automotive repair, construction work and work that does not require qualifications e.g. small business, "shuttle" business) and today we can add freelancers engaged in Internet businesses. With regard to measures to combat the phenomenon of the "shadow economy", then there given quite thorough methods that are currently in force. "Administrative methods for distributing measures of the shadow economy are quite difficult," notes K. Bekeshev (Problems of the presence of the shadow economy, 2017).

According to the Yandex study ("Kazakhstan's interest in cryptocurrency and mining has increased tenfold over the year", 2018), the number of Kazakhstani requests for the blockchain, mining and cryptocurrency terms has significantly increased in 2018 compared to 2017. From 2016, more requests for "what is the blockchain" from Kazakhstan's servers began to appear in the search engine ("Kazakhstan's

interest in cryptocurrency and mining has increased tenfold over the year”, 2018) - therefore, not only high-tech adepts, but also ordinary users, were interested in technology. The first significant surge in requests for “what is blockchain” was recorded in September 2017 (“Kazakhstan’s interest in cryptocurrency and mining has increased tenfold over the year”, 2018), and it reached its maximum in December when the price of Bitcoin approached \$ 20,000.

Thus on the official web site of the Parliament Tusupbekov (2018) in a letter dated 02.06.2018 by the members of the Committee on Constitutional Legislation, the judiciary and law enforcement agencies said that "In 2017, the National Security Committee opened a criminal case on the facts of the network" underground Mining "using computational resources of state revenues of the Republic of Kazakhstan."

Illegal usage of cryptocurrency

The lack of legal status, and with it the regulation of crypto currency, expand the boundaries of its use in the shadow environment. Namely, there is no clear definition of the risk of using crypto currencies, while the advantages of using it have long been established (Popper N., Ruiz R. Leading Online Black Markets Are Shut down by Authorities, 2017, pp.18-20)

Sidorenko (2018) suggests understanding of the illegal use of crypto currency as a set of actions having common system characteristics committed in relation to a virtual currency or with its use. Since this phenomenon is under study, the use of this term is conditional. Three main sectors of crypto currency can be distinguish:

— laundering of criminal proceeds using the cryptocurrency;

According to Arseniy Shcheltsin, Russian expert on digital economics, cryptocurrency can be a laundering tool, like many other illegal tools. Cryptocurrency raises many concerns from regulatory authorities.

According to the All-Russian, study conducted in June 2018 by the National Agency for Financial Research (NAFI), using cryptocurrency in concealing their income, 39% of users. (National assessment of the risks of legalization (laundering) of criminal proceeds, 2018)

Referring to BBC news, in the case of the largest case of online money laundering in May 2013, the US Department of Justice charged Liberty Reserve, a money transfer provider from Costa Rica, charging them with unregistered money transfer activities and money laundering more than \$ 6 billion. The scope of Liberty Reserve's operations is impressive: more than a million customers worldwide, including more than 200,000 in the United States, and about 55 million operations, all of them were illegal. Liberty Reserve had its own virtual currency - Liberty Dollars (LR), but, ultimately, the transfers were link to either fiat currency or gold.

To use the virtual currency LR, the user had to open an account on the Liberty Reserve website. Demanding for visibility only basic identification data, Liberty Reserve did not check their authenticity. Users created accounts for fictitious names, including names that were clearly relate to the criminal environment (“Hacker account”, “Fraudster Joe”), and indicated explicitly fictitious addresses (“123 Fake Main Street”, “Pure Fiction New York City”). Liberty Reserve also required its users to deposit and withdraw money through certain exchangers, which, as a rule, were either unlicensed or located in jurisdictions with weak regulatory and control regimes in the field of combating money laundering. After creating the account, the user could make transactions with other Liberty Reserve users by transferring LR from his account to the accounts of other users, including the shell of “commercial” company, which accepted LR as payment. For an additional “payment of confidentiality” (75 US cents per transaction), users could hide their Liberty Reserve account numbers, thus making transfers completely untraceable. After inquiring that US law enforcement agencies were interested in their activities, Liberty Reserve apparently ceased operations in Costa Rica, but continued to work through a number of shell companies, transferring millions through accounts in Australia, Cyprus, China, Hong Kong, Morocco, Russia, Spain and other jurisdictions. (Liberty Reserve digital cash chief jailed for 20 years, 2016)

— theft of crypto currency and other crimes against property;

In 2018, cybercriminals stole cryptocurrency in the world for a total of \$ 1.7 billion, which is more than 400% more than a year ago. Such data at the end of January 2019 was brought by the American company CipherTrace, specializing in information security. Also, 58% of wallets were robbed in 2018 (Gertrude Chavez-Dreyfuss, 2019)

Hacking Mt. Gox became the biggest bitcoin theft in history, and, unlike other cases, it was the work of highly professional hackers using complex vulnerabilities - for several years, they practiced small thefts and fraudulent schemes. The most famous of these episodes occurred in June 2011. A hacker (or group of hackers) allegedly gained access to a computer owned by one of the auditors and used a security vulnerability to access Mt. Gox servers, after which they changed the face value of bitcoin by 1 cent per coin. Then they withdrew about 2 thousand bitcoins. Some customers, without knowing it, conducted transactions at this low price, for 650 BTC, and despite the fact that the hack hit the headlines of newspapers around the world; they failed to return a single bitcoin. (Andrew Norry, 2019)

— illegal sale of psychoactive substances (narcotic drugs, psychotropic substances, etc.), other prohibited goods, content or services. (Sidorenko E.L., 2016,)

The Seoul Central District Prosecutor's Office has announced the arrest of nine drug suspects using the DarkCoin cryptocurrency for their criminal activities. Attackers created a special site with the help of which they sold drugs. Between March and November 2018, more than 600 people registered on the site and at least 50 transactions for the sale of narcotic substances were completed. Law enforcement agencies were able to find confirmation of transactions after examining the computers and phones of the suspects. Dealers were able to gain from \$ 7,000 to \$ 9,000. They communicated using encrypted messages, and the use of cryptocurrencies allowed them to remain anonymous. (Chepkova T. 2018)

Today you can buy anything you like for cryptocurrency. In addition, virtual money uses in the field of illegal trafficking of personal data, in the sale of counterfeit documents, illegal drugs and even for the payment of salaries to employees. (Sidorenko E.L., 2016,)

The first successful experience in detecting illegal trading using crypto currency was a case called "Silk Road". Identifying this platform only temporarily suspended its activities. Since after some time its analogues 2.0 and Evolution were create, which also allowed increasing the income of such platforms by an average of 10 times (Sidorenko E.L., 2016,)

Research methodology

Brief introduction

In the writing, this research proposal applied qualitative method, by collecting data in non-numerical form. The primary sources of data obtained by conducting interviews. Secondary sources of data are obtained by an extensive literature review of articles and web resources.

Time horizon.

According to Saunders et al. (Saunders, 2012), time horizons are necessary for research design regardless of the research methodology used. He divided time horizons into two types of time horizons, namely, longitudinal and transverse. Longitudinal studies repeat over a long period. Cross-sectional studies are limited to specific periods. This study is also limited to a certain period.

Thus, the time horizon of the cross-section is use in this work.

Despite the fact that interest in crypto currency varies depending on the course, the time constraints of respondents' answers make this approach the most suitable for the time horizon.

Data collection

Interviews

Due to the nature of the subject and because of the situation with cryptocurrency in Kazakhstan, interviews are particularly well suited for receiving information. Thus, the primary data will be obtained.

Sampling

Accordingly, to Saunders et al. (Saunders, 2012) the average sample size for interviews should be 10. The sampling process began with a simple search on the Internet; identifying relevant interests. Non-probability sampling used because it does not give all respondents an equal chance of being selected. The goal is appealing to people who are involve or at least know some information (and can make analysis or decisions) regarding to cryptocurrency industry. This helped to describe and explain the key topics that arise during data collection. Respondents invited to interviews by telephone calling explaining common goal and research topics. A wide range of people will survey, from manager in education center (crypto currency related) to common user of cryptocurrency. Below is a table of our interviewees in chronological order.

#	Title	Industry/sector	Place	Length
1	Manager	Education Centre	Face to face, office of EC	40 minutes
2	Minner	Freelancer	Face to face, Sturbacks	45 minutes
3	Cryptocurrency user (teacher)	Education	Face to face, Del papa	35 minutes

Interview preparation and execution

Based on the literature search, an interview guide created with the main topics important for further research. Thus, the guide used to keep within the competence, providing an opportunity to explore and discover new topics of interest. Interviews designed for no more than 1 hour, in connection with the graph of the respondents. It desirabled to conduct a face-to-face interview. For interviews, the respondents themselves chose when and where. For everyone involving in the research, it reports that the conversations would be anonymous and uses only until the end of the project. Interviews conducted from September 21 to Novembe 5, 2019. Three interviews conducted with three perspectives: an educational center (specifically in the field of crypto currency), a miner, and a teacher (as a cryptocurrency user). All interviews conducted in Russian and translated into English. Despite the fact that the institutions in which the respondents work do not agree to public statements about crypto currency, all respondents have granted permission to use and publish the interview.

Data preparation

After collecting the data, the records reflected in the proposal. Preserving full sentences and reasoning, the opinion of each respondent will pass on unchanged.

Data analysis

Data collected through structured interviews that analyze and reflect on this part of the paper. Moreover, the interviews themselves can be found in the appendices to this paper.

At the moment of the study, only three interviews were conducted.

Based on the interviews, two semantic categories of users were identify: (1) those who use cryptocurrency for consumer purposes (consumers), and (2) those who use it as a source of income (investors and miners). Researcher H. Sidiki (2015), divided users into those who derive income from cryptocurrencies and those who save with it. Even the purchase of illegal goods can consider as saving transaction costs: it is easier to find a seller who is ready to offer goods through this system; less expense for concealing the operation itself and so on.

Firstly, consider users for whom cryptocurrency is a way to purchase any goods or transfer money to another person. In general, any person who interacts with cryptocurrency can be attribute to this group. However, the main distinguishing feature of this group is the lack of desire to make money on this technology. If investors and miners see in cryptocurrency a way to get a certain income, then for consumers this is, a new way of paying groups of goods. Based on the results obtained, consumers can be define as people who are interested in cryptocurrency as a payment method. Such people are attract by the openness of the system, as well as a significant reduction in transaction costs (low fees, transaction processing time, etc.).

Secondly, consider the most active cryptocurrency market participants who invest their funds in cryptocurrencies. Investors should be divide into conditional groups by the number of cryptocurrencies in which a person invests, that is, those who invest in a large number of cryptocurrencies, and those who invest in several cryptocurrencies.

These groups are distinguish by the approach to investing. People who invest in only a few currencies get those that are on the list of the most popular. This means that a person reduces his risks, while sacrificing a certain profit that could be obtain by investing in less well-known currencies. Moreover, people in this category do not often buy cryptocurrency; their actions look like a one-time purchase and waiting for the moment when the cryptocurrency rate is such that can be profitably sale. It can be notice that commonly they use the top 10 types of cryptocurrency, which taken from Coinmarketcap website.

Those who invest in a large number of cryptocurrencies. Such people invest often and all the time are in search of a project to which many people trust their funds. In this case, the person chooses what he should invest based on the analysis of the chart.

There are also miners who use the computing power of a computer to process transactions on the blockchain network and receive cryptocurrency as a reward. However, mining is losing its former relevance. Transaction processing now requires more technical capacity than ever before. This is due to the development of this market: large companies appear that, with the help of expensive equipment, can “mine” a huge amount of cryptocurrency, reducing the reward for others.

Miners are those who invested a certain amount of money in this activity, or those who are interested in working with cryptocurrencies, are considering the possibility of participating in the cryptocurrency market as traders or investors.

After considering all the methods of using cryptocurrency identified during the interview, it makes sense to pay attention how trust forms among people who come to this market.

Some stages of market entry are similar for different uses. Therefore, the need to open a wallet and choose the methods of depositing and withdrawing funds is common for each group of people. However, we will consider in order all the situations in which trust forms, from the beginning of interest in cryptocurrency to the withdrawal of funds in fiat money.

This could happen on their own, based on the recommendations of other people or the media, or forcedly - the desired product can only be purchase in this way. In both cases, a person weighs the risks and benefits of using this technology.

It is worth highlighting the situation where trust bases not on the system, but on the seller who chooses this method of calculation. Here we are talking about trust not in cryptocurrencies, but in a person or a store, that offers this method of payment. A person decides to make a payment in cryptocurrency, because he is sure that since this seller uses this method, he can also use it.

Findings and recommendations

In Kazakhstan, as in many other countries, it is not illegal to create, sell and use cryptocurrencies. Today, they offer services and goods for cryptocurrencies quite legally and freely. People sell and buy real estate, cars, and much more for electronic money. People who use electronic money cashed them without much difficulty bypassing fiscal services. While the state financial turnover control services state that, any income

received from trading on the virtual currency market, converted into fiat money, taxable, and tax evasion is punishable by law. In addition, from next year, Kazakhstan will monitor the circulation of money through bankcards of holders to determine the full amount of personal income. Well, for further taxation and replenishment of the state treasury. It can be clarified again only if virtual money has already been transferred to other currencies, that is, some profit has been received from such currency transactions. On its grounds it is possible, to note that the crypto-market exists due to speculation at the retail level. Since the crypto currency sector is not regulated, this creates grounds for uncertainty and fears in the relationship of trust in this type of money.

In addition, the phenomenon of cryptocurrencies today begins to give a very tangible impetus to the further development of payment systems both at the country level and in international payments.

It should be noted that the uncertainty of the cryptocurrency status makes it possible to at least drop out of the country's economy and serve as an outflow of money from the country.

In suggestion of the crypto industries in Kazakhstan, the following recommendations can be proposed:

- ✓ In addition, the technology of cryptocurrency wallets that came with the virtual money industry could provide a big impetus to the development and use of fiat money secured by state assets.
- ✓ Since miners mainly use their funds for cryptocurrency mining purposes, do not prohibit their activities. Since this activity is not criminal in nature, if they meet all the requirements of general legislation, including tax legislation. They receive tokens, and if they exchange them for paper money, this will mean an influx of currency into the country and a tax replenishment of the budget; otherwise, there will be an outflow of currency abroad.
- ✓ It is proposed to consider cryptocurrencies as property and taxation (by analogy with the USA) to increase the value of cryptocurrencies. At the same time, given the complexity of accounting for each operation with cryptocurrencies, it proposes to calculate the growth in the value of cryptocurrencies by the state of this "property" at the end of the reporting tax period. The amount of tax requires discussion.
- ✓ Income from cryptocurrency transactions received in fiat money can be taxed in the manner established by current tax legislation directly during the exchange process.
- ✓ Nevertheless, the main proposal is permission to open a regulated crypto-exchange in Kazakhstan. In general, this will contribute to the influx of currencies, the generation of additional income through the sale of electricity and the growth of tax revenues from participants in the cryptocurrency market. In addition, the main effect will be the inclusion of Kazakhstan in conducting international currency transactions and contribute to the growth of IT industry competencies in these types of activities.

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УДК 334

“Electricity market integration in Central Asian region”

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Introduction

Electricity, at this point, is the most flexible and adjustable form of energy known to the humanity. Depending on its way of usage it's totally environmentally-friendly and doesn't lead to any significant losses. Regarding to production, it can be done so by applying renewable methods, such as solar reproduction, water and wind.

Electricity itself has got no weight, offers variety of methods to transport and is efficient in terms of consuming it.

One of the most emerging trends is – electrification. It's defined as conversion from employing alternative form of energy. IEC experts believe that later on electrification is going to be one of the most significant factors in addressing the energy challenge.

On the contrary, the vast majority of research nowadays is concentrated on providing the necessary feedback on energy generation and efficient consumption of electricity:

- Renewable production, namely hydro method, is best employed in sustaining an efficient fossil-fuel-based generation and accelerated nuclear power. This method is beneficial in terms of not compromising economic growth.

- A lot of worldwide electricity-related entities are aiming to a 30% reduction in the short-term in terms of energy needed to finish any task with greater improvements in a longer term as the main aim to use energy is to do it in the most efficient and effective way possible.

The research project will provide a necessary insight in addressing the issues of Central Asia's electricity market integration coupled with literature review, methodology incurred and analyze the above in a proper manner.

1.1 Problem statement

The segment of electrical supplements is going through rough time. Challenges in relationship between supply-demand is being pressured, especially in the wintertime in Republics of Tajikistan and Kyrgyzstan. Incidents like energy overload and blackouts became something typical and usually lead to serious social and economic consequences. The main reason behind such power shortages is that the vast majority of equipment exploited is outdated and needs major improvements or renewals. In order for Central Asian countries to achieve efficient production and use of energy coupled with reductions in greenhouse gas, the concept of modernization is advised to be implemented (Fichtner, 2012).

The centralized institution, responsible for regulation of electricity trade, supply and demand is called Central Asia Regional Electricity Market (CAREM). This definitely presents a lot of technical, economic and environmental benefits to member countries. Speaking of which, the concept of centralizing the power system within Central Asian countries had occurred in the Soviet Union. Regional integration presents a very efficient way to consume energy resources – to put things simple, in the summer hydropower is suitable while in the winter thermal electricity production usually takes place. However, the Soviet Union decentralization which took place in 1991 had led to Central Asian countries declaring energy independence. The consequences of such disassemble were following: water scattering instead of its exchange, energy and water inefficiency. Now after all that, it's evident that such changes coupled with arguments in on shipment bargaining and pricing strategy had led to severe cutbacks in the functioning and supply of electricity in the Central Asian region (Fields, 2013).

1.1.1 Scope of the study

There are a lot of things which should be improved in terms of modernizing the whole Central Asian electricity infrastructure. Private and foreign direct investments usually define the supply curve direction in which the electricity market of Central Asia is formed. In order to ensure the sustainable operational efficiency, lots of FDI tools need to be implemented, mainly it's private equity, technology which are aimed to an increase in overall electricity usage efficiency (World Bank, 2014). From investor's point of view, a lots of insights are going to be provided to them in terms of getting a stronger basis for conducting more profitable investments in the area. The following study in particular is going to examine the validity of such information given the current legislation and the regulatory framework rules which are connected to investment policies of Central Asian region countries. Taking into consideration various indicators of a successful investment, such as the capital intensity, payback period coupled with possible downturns (risks), this study stands as a solid basis for this type of requirements, providing the focus on hedging the risks.

The following paper is concentrated on examining cases of such countries as Tajikistan, Kyrgyzstan, Uzbekistan and Kazakhstan. While the data on these countries can be easily obtained, Turkmenistan data is given a little attention, because Turkmenistan itself is an autonomous country in terms of centralized power system, meaning that it operates itself and thus, is exposed to less sanctions and regulations. Moreover, the following study is going to bring an intel about teaming up with Aghanistan and Pakistan in order to sustain a stable export surplus power and ultimately become big players in investment ranking of the region. As the study will reveal, exporting electricity to states nearby is one of the most important indicators of financial stability of existing plants in any place of the world. That being said, the main objective of this study is not to only to look deep inside into regional integration of Central Asian countries. Rather than that, this paper is examining the regional integration as a tool for initiating investment activity in order to modernize the production, consumption of electricity supply of the mentioned region.

Besides the modernisation of the electricity production and network infrastructure in Central Asia, the analysis includes energy end use efficiency and demand side management, with a particular focus on electric heating, and electricity supply for irrigation purposes – two main sources of electricity consumption in Central Asia characterised by high inefficiency (Laurette, 2012). Here also, as will be seen, the regional dimension plays a crucial role. Because of energy inefficient demand, in harsh winter conditions (heating) or in the summer (irrigation), states can face the necessity to exceed the agreed quotas of electricity off-take from the network. Given the interconnected nature of the Central Asia Power System, this national behaviour has consequences for security and reliability of supply in the entire system, as illustrated by the 2008 supply crisis.

Apart from modernization of the structure of producing electricity and designing the infrastructure of distribution in Central Asian region, the following thesis paper also incorporates two primary electricity consumption ways in Central Asia – heating and supply for the purposes of irrigating the agricultural demand. This, by the way is an example of inefficient usage of electricity (Nijhoff, 2014). Central Asia Power System has been exposed to the issue of outpacing the supply on predetermined quotas from the system. The electricity system itself between Central Asian countries is interdependent, thus casting doubt on accuracy of supply network in the region. Thus, in a fact is explained by regional dimension.

1.1.2 Methodology

Central Asian countries has taken advantage of cooperating with well-known organizations, such as World Bank, EBRD, ADB). Various studies have been conducted which examined the possible correlation between modifying approach of exchanging the electricity in regional cooperation method in order to achieve advantages of economic and technical scales which took place during Soviet Union times. In addition, the organizations I've mentioned above have looked deep into the issues which Tajikistan is constantly facing in winter coupled with the possible scenario of Kyrgyz Republic and Tajikistan teaming up in developing hydropower plants to deliver electricity the countries of Pakistan and Afghanistan, which is actually controversial. Moreover, international organisations had made a fundamental analysis of developing the unpolluted energy in the area. Originating from the abovementioned studies, the following paper is going to determine the obstacles in achieving the modernization of electricity market.

This analysis aims to provide added value by adopting a mainly legal and regulatory perspective to the electricity sector modernisation challenge in Central Asia. This study therefore examines the regulatory structures that the countries concerned have created – and still are developing – in order to stimulate investments in the electricity sector. The regulation of the national and regional electricity markets – and more specifically the issue of electricity and heat pricing – is key in this respect.

This paper intends to produce additional benefit, taking in general regulatory and legal aspects of the problem of modernization of the electricity industry of Central Asian region. Therefore, this paper considers regulatory frameworks that Central Asian countries had been developing for a long time. The key in this regard is the regulation of both regional and national markets of electricity, in particular, the well-known problem of increased prices for heat and consumption of electricity.

The main objective of the following study is to maintain a comparative law approach by adopting and analyzing experiences of organization of electricity market integration in Central Asian region including ways of upgrading energy systems, advancement of clean energy concept and introduction of FDI's. European Union, for example, can provide Central Asian countries with advantage of applying managerial models evolved by Russian Federation and EU countries. For example, Republic of Kazakhstan has conducted in-deep research of Dutch and German markets in order to come up with Energy Efficiency Program by the year of 2020. In addition, Republic of Kazakhstan has considered Russian and European Union's approaches of liberalization in the process of architecting their new market development model. Particularly, concentrating on capital attraction in increasing production scales is seen as very similar to the practice which was held in Russia as marketing tools of electrical assets.

I should also mention the fact that European Union countries are looking to diversify their investment portfolios by allocating considerable amounts assets in Central Asian electricity market, which is similar to the collaboration of the Commonwealth and Russian Federation.

To sum up, market practices of fellow Russian, European countries provide Central Asian region with reasonable ground to apply the similar methods of maintaining the electricity sector. In exchange for that, Russia and European countries are enthusiastic about holding the rights to energy resources in the region. The following research aims to analyze issues beyond political lobbying of European Union, Russia and China in the Central Asian region, by examining the variety of ways of hedging the investment practices in electricity. This will be done by taking into account international investment law – vital component of connecting electricity markets of Europe and Asia, based on Energy Charter Treaty (ECT). Thus, this paper evaluates the impact of investment practices held by ECT regarding the transparency and efficiency of investments in the segment. For many years countries presented in this study have been considered as risky in terms of investment grade – specifically a lot of volatility and instability have been noticed in pricing of heat and electricity. This paper sheds new light on arbitration opportunities of investing in Central Asian region countries, yet it doesn't take into account the possible setbacks the countries might face from the stated ECT investment policy.

Speaking of quantitative analysis, the following paper takes regression model analysis as a basis for calculations. The general factors (independent variables) are as following:

- 1) **Politiical**
- 2) **Economical**
- 3) **Social**
- 4) **Technological**
- 5) **Legal**
- 6) **Environmental**

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“THE EFFECT OF EARNINGS MANAGEMENT ON FIRM PERFORMANCE: EVIDENCE FROM KAZAKHSTAN”

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Introduction

The term "earnings management" embodies a range that is definitely huge of methods used by management to achieve a profits being specific target to be able to adversely affect firm overall performance. While there is surely no sole accepted definition of earnings management, accounting literary works offers various explanations of the rehearse.

“Earning management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stake holders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting number.” (Healy and Wahlen, 1999, p. 368).

Handling of income usually takes spot via two channels: accrual earnings management (AEM) and real earnings of management (REM). The expectation that the strategies for earnings administration vary in terms of their ambiguity and by looking at the overvaluation they create on firm performance of the businesses.

The accounting scandals of contemporary times, like for instance Enron and Worldcom, increased regulators' scrutiny significant by applying Sarbanes Oxley Act (SOX) in 2002. The work finished up being implemented to increase control this's absolutely inner work to improve the transparency of the claims that are economic that accounting scandals do not happen in the long run any longer. The goal of SOX was definitely efficient as it had been uncovered that carrying out a passage of SOX accrual based earnings management (AEM) declined considerably (Cohen et al., 2008). Nevertheless, the improved regulators scrutiny had effects becoming bad actually as companies carried on to manage profits via authentic manipulation jobs, like postponements and reductions of assets (Roychowdhury, 2006). This particular event is described as actual earnings management (REM).

State research questions

The research objective with this particular thesis it to deepen the existing knowledge on Earnings Management (EM) with the effect of earnings manipulation on firm performance. The companies (around 30 companies) will be taken from KASE (Kazakhstan Stock Exchange) for the period from 2010-2018, except financial institutions (banks, insurance companies, venture capitals and so on). Empirical investigation in earnings management appears being performed in excellent extend utilizing accrual that is discretionary but insignificant attention is directed to real accruals and also exactly how they could be used in detecting earnings manipulation management that could have impact on firm overall performance of the businesses itself.

Economic reporting is clearly viewed like a window and instrument for outside information users getting and a chance to access inside information. Company's very own financial statements are going to be the greatest sources for exterior user 's access which is getting the information and knowledge regarding the firms broad range and wellness. Investors and analysts are able to render their choice based on all provided information offered by financial reporting. In this particular circumstance, earnings management comes up. Nevertheless, although the events being economic with a company are shown about the financial statements, these files from statement of finance could be modified by insider controllers inside the company, which means the information is incorrect.

The following research questions will be covered in my thesis:

- Which accounting principles are accustomed to earnings management?

- How do business fight with the exploitations of profits?
- How to identify earnings manipulation?

Methodology

5.1. Data Collection

The financial data obtained from the Kazakhstan Stock Exchange database between 2010 and 2018 from 30 companies. The KASE value database is provided by the Fitch Rating Agency, which is one of the world's leading credit evaluation agency. The reason of using Kazakhstan data for the period is follows. The KASE was founded on 1993 to develop and issue the companies accounting standard on the bases of International Financial Reporting Standards.

The sample covers non-financial companies that are listed on the KASE and whose fiscal year ends in December. Company's year observations with missing values would not be taken into account. **Measures of Earnings Management**

Accrual-Based Earnings Management

The primary model is the modified cross-sectional Jones model (Jones 1991) as described in Dechow et al. (1995). The modified Jones model is estimated as follows:

$$TA_{it}/Assets_{i,t-1} = k_1 * I/Assets_{i,t-1} + k_2 * \Delta REV_{i,t} + k_3 * PPE_{i,t}/Assets_{i,t-1} + \epsilon_{i,t}$$

where, following the paper Cohen et.al.(2008) for fiscal year t and firm i ,

TA represents total accruals defined as:

$TA_{it} = EBXI_{it} - CFO_{it}$, where $EBXI$ is the earnings before extraordinary items and discontinued operations and CFO is the operating cash flows (from continuing operations) taken from the statement of cash flows;

$Assets_{i,t-1}$ = total assets;

ΔREV_{it} = change in revenues from the preceding year;

and PPE_{it} = gross value of property, plant, and equipment.

Real Earnings Management

In order to develop our real profit management proxies, we rely on previous studies. As for Roychowdhury (2006), in order to assess the level of real activity handling, I consider the abnormal cash flow from operations (CFO), discretionary expense and costs of production.

Further studies, such as Zang (2006) and Gunny (2005), show that the validity of such proxies is constructed. First I generate the normal level of CFOs, discretionary expenses and production costs based on the model developed in Roychowdhury (2006) by Dechow et. al. (1998). As a linear sales function and changes in sales, we express normal CFO. In order to estimate this particular unit, for every year and industry, I do the following cross sectional regression analysis:

$$CFO_{i,t}/Assets_{i,t} = k_{1,t} * I/Assets_{i,t} + k_2 * Sales_{i,t}/Assets_{i,t} + k_3 * \Delta Sales_{i,t}/Assets_{i,t} + \epsilon_{i,t}$$

Abnormal CFO is real CFO minus the standard amount of CFO calculated making use of the approximated coefficient.

Following Cohen et.al.(2008), I determine the production costs as the sum of COGS and change in inventory throughout the year.

$$COGS_{i,t}/Assets_{i,t} = k_{1,t} * I/Assets_{i,t} + k_2 * Sales_{i,t}/Assets_{i,t} + \epsilon_{i,t}$$

Next, I model inventory growth by the following:

$$\Delta INV_{i,t}/Assets_{i,t} = k_{1,t} * I/Assets_{i,t} + k_2 * \Delta Sales_{i,t}/Assets_{i,t} + k_3 * \Delta Sales_{i,t}/Assets_{i,t} + \epsilon_{i,t}$$

Following Cohen et.al. (2008), they recognize, however, that the three single variables have different earnings implications, which alone can dilute results by using RM_PROXY.

Measures of Firm Performance

Two ratios were selected to be used as the measure of firm performance. The ratios selected have been used as measure of performance in several previous such as study by Gong et al, (2008) which used return on asset (ROA) to measure performance of the firm and return on equity.

Empirical Model

In this research project it has been more convenient to used quantitative research method analysis. There are different types of quantitative analysis, specifically it would be linear regression analysis methodology. Linear regression is examining the linear relationship between Earnings Management and firm performance.

The regression equations were expressed as follows:

$$Y_{i,t} = \alpha + \alpha_1 EM_{i,t} + \alpha_2 \text{Firm's Size}_{i,t} + \alpha_3 MTB_{i,t} + \alpha_4 \text{Leverage}_{i,t} + \alpha_5 \text{Firm age}_{i,t} + \alpha_6 \text{Sales Growth}_{i,t} + e$$

α - constant

$Y_{i,t}$ - Firm's performance = (ROA) and ROE. ROA - Return on total assets, calculated as the earnings before interest and tax (EBIT) divided by total assets). ROE is calculated as EBIT divided by total equity.

Earnings Management (EM) - AEM and REM

Firm size – Natural logarithm of the book value of total assets.

Firm age - Natural logarithm of 1 plus the number of years since establishment of a firm

MTB – market value divided by book value

Leverage - Total debt divided by total assets

Sales growth - Change in net sales from the previous year, divided by lagged net sales.

Data analysis

Data analysis is the procedure of evaluating information using statistical and analytical tools to find out information that is useful and also support running a business decision making. Data analysis will be held using the STATA Program. Linear correlation analysis test will be done to be able to look at the association between the earnings management values on the on the firm performance among thirty companies in Kazakhstan. The general objective was to establish the relationship between earnings management and firm performance. The following variables will be represented in this thesis:

TA – Total Assets derived from the balance sheet;

TL – Total Liabilities;

TE – Total Equity;

REV – Revenue and so on

Findings that are expected

This particular part will present the outcomes obtained from the information analyzed as well as the findings assumed out of the effects. It will initially provide the descriptive data of the information applied to the evaluation after which presents the results obtained for every one of the particular study objective. Together with the results, it will provide the interpretation of the end result and offer the reasoned findings. I will expect the following results from the analysis and hypothesis development.

H1: There is a negative relationship between earnings management and financial performance.

6. Recommendations for further research on this topic

The recommendations for further research on this topic will be:

- The registered firms on KASE must provide their statement appealing to allow investors making proper decisions. Earning management practices distorts the fair and true view of the statement thus leading to decision that is incorrect when consumers depend on the financial statement for decision making;
- The relationship between earnings management and performance exists, but this relation is dependent on the selected performance measures. Some measures will show a statistically important relationship, while others have insignificant relations;
- To increase the number of observable companies in Kazakhstan included in the research project;
- For the firm performance to increase the number of variables such as Tobin Q as a proxy for firm performance of the company. Tobin's Q is calculated as the book value of total assets plus the market value of equity minus the book value of equity, divided by the book value of total assets.

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“КОМПЕТЕНЦИИ МЕНЕДЖМЕНТА ДЛЯ КОМПАНИЙ НЕФТЕГАЗОВОГО СЕКТОРА”

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Целью настоящей работы является определение (выявление) менеджерских компетенций, применимых для топ-менеджеров компаний нефтегазового сектора Казахстана. Исследование состоит из двух этапов: сбора и анализа первичных данных на основе глубинного интервью менеджеров высшего и среднего звена нефтяных компаний Казахстана, а также специалистов нефтегазовой отрасли и вторичных данных, а именно биографий топ-менеджеров девяти известных нефтегазовых компаний, собранных из открытых источников. Исследование показало, что у менеджеров, которые имеют опыт работы в международных компаниях есть четкое видение своей роли и задач, умение формулировать и выполнять их в соответствии с нормами, принятыми в компании, понимание своего места в команде, благодаря чему и менеджер и компания в целом достигают своих целей.

Ключевые слова: *менеджмент, компетенции, нефтегазовый сектор/ отрасль, недра, недропользование.*

ВВЕДЕНИЕ.

Нефтегазовая отрасль является системообразующей отраслью республики, многое в Казахстане зависит от того, как работает нефтегазовый сектор: от ВВП страны до социального развития целых регионов. Особенность отрасли заключается в том, что жизненный цикл нефтяного месторождения исчисляется десятилетиями, вроде бы имеет четко очерченные периоды, как разработка месторождения, выход на максимальный уровень добычи, снижение/ падение добычи, поздняя разработка. Однако, каждый из названных периодов сам состоит из этапов, и каждый этап жизни месторождения является очень живым, порой не предсказуемым. С другой стороны, так как недра принадлежат государству и нефтегазовые компании обязаны работать в строгом соответствии с множеством ограничений в рамках законодательства (Кодекс о недропользовании, Экологический кодекс, Налоговый и Трудовой кодекс и другие законы), а также соблюдать огромное количество норм и правил для осуществления своей деятельности. Соответственно, возникает вопрос, кто и какие те люди, которые обеспечивают жизнедеятельность нефтегазовых компаний, что ими движет и как они развиваются, и есть ли что-то, что их отличает от других? И наша работа, в которой мы исследуем эти вопросы, посвящена менеджерам и их компетенциям в нефтегазовом секторе, которые мы хотим выявить и раскрыть.

МЕТОДОЛОГИЯ

Особое влияние на наше исследование оказала книга Лайл М. и Сайн М. Спенсеров «COMPETENCE AT WORK. Models for Superior Performance/ Компетенции. Модели максимальной эффективности работы», 2005 г., из которой была выделена нами глубина компетенций, как непростого и сугубо личностного и психологического понятия, основанного на базовых качествах людей, коими являются **мотивы, психофизические свойства, Я-концепция, знания и навыки.**

И поэтому для нас десять ролей менеджеров Минцберга, которые он классифицировал в **Межличностные** роли (Лицо организации, Лидер, Связующее звено), **Информационные** роли (Аналитик, Информатор, Выразитель мнения) и Роли, связанные с **принятием решений** (Предприниматель, Стабилизатор, Распределитель, Переговорщик), и **базовые качества** Спенсеров стали для нашей работы отправной точкой. В своей работе мы хотим найти общность суждений и выводов о ролях и компетенциях менеджеров, которые были нами изучены.

Для этого мы проводим анализ первичных данных и данных вторичных. Методом сбора и анализа первичных данных мы выбрали глубинные интервью, которые являются качественными методами исследования и в отличие от количественных методов могут способствовать более глубокому раскрытию нашей темы, так как вследствие недостатка исследований и аналитических материалов по данной теме, то есть компетенции менеджеров в нефтегазовом секторе, необходимо проводить глубинные интервью для ознакомления со спецификой данной тематики. Кроме того, наша тема не предполагает использование количественных показателей в оценке, кроме как показателей продолжительности работы, в нашем случае стажа работы в годах и возраста респондентов.

Для проведения интервью разработаны вопросники:

- для топ-менеджеров, который позволит получить информацию из первых уст, и
- для менеджеров, который позволит проанализировать топ-менеджеров с точки зрения их подчиненных.

Для сбора и анализа вторичных данных мы решили воспользоваться открытыми источниками информации, доступными на официальных сайтах нефтегазовых компаний, которые работают в этой отрасли давно и находятся у всех на слуху. Основными разделами на сайтах компании для нас были страницы о руководстве компаний, где есть биографии топ-менеджеров, ссылки на интервью или видеоролики с ними, их выступлениями и высказываниями по поводу компании, стратегии и персонале.

Для анализа мы выбирали пять первых топ-менеджеров в составе руководства компании по порядку. Данные по каждому заносили в таблицу: имя, позиция в настоящее время и позиция, с которой начинал свою карьеру в компании или в отрасли, возраст, образование, стаж работы в компании, стаж работы в отрасли и наличие дополнительной нагрузки и дополнительного образования. На основании изученной информации нами составлен анализ вторичных данных. Более подробно об этом далее в Анализе вторичных данных.

РЕЗУЛЬТАТЫ ИССЛЕДОВАНИЙ

Исследования показали, что тема менеджерских компетенций начала свое развитие с середины прошлого столетия и имели более полное изучение в США. Многие авторы рассматривали вопросы компетенций, существуют различные классификации и образное представление компетенций, как например, *NaуGroup* предлагает рассмотреть менеджерские компетенции в виде айсберга (*Iceberg Model*), у которой есть надводная и подводная части. Естественно, что видимая часть айсберга – это такие компетенции, как навыки и знания (*skills, knowledge*), которые можно приобрести, оценить и проверить в процессе работы или коммуникации, и, конечно, компетенции, находящиеся в невидимой части айсберга, они уникальны для каждого и требуют времени на их изучение и понимание: социальная роль, самооценка, черты характера и мотив (*social role, self-image, trait, motive*). «Подводные» компетенции говорят о ценностях, самоопределении, особенностях и внутреннем побудителе/ движущей силе человека. Эти компетенции требуют усилий и желания понять внутренний мир и потребности человека.

Лайл М. Спенсер, Сайн М. Спенсер в своей книге «Компетенции на работе. Модели максимальной эффективности работы», *НПРО*, 2005 представили Словарь компетенций «для 21 наиболее часто применявшейся компетенции, с целью различения превосходного исполнения и среднего в 286 исследованиях должностей высшего и среднего уровней», модели компетенций для прогнозирования успеха на различных рабочих позициях, в том числе на менеджерских.

На основе изучения работ различных авторов мы выделили определенные компетенции, которые находят применение в нефтегазовом секторе, а также выявленные компетенции раскрыты с точки зрения специфики самой отрасли, и это было сделано на основе того видения, опыта и мировоззрения, которыми поделились с нами участники интервью.

ВЫВОДЫ И РЕКОМЕНДАЦИИ

Изучение компетенций менеджеров в рамках одной отрасли имеет ценность и имеет право на то, чтобы изучаться отдельно от общих менеджерских компетенций. Такое исследование и изучение темы может иметь свое приложение как в процессе развития персонала в компаниях нефтегазовой отрасли, так и в процессе подготовки сегодняшних студентов, давая им понимание и осознанный подход к менеджменту как к системе, которая имеет практическое применение.

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Appendix 1

Questions for introduction

Purpose: to obtain general information about the interviewee and his role in the company.

Questions

1. What does your company do in financial industry?
2. What is your role in the company?
3. How is your work related to cryptocurrency

Questions regarding cryptocurrency and cryptocurrency usage in Kazakhstan.

Purpose: to get an overview of how the interviewee and the company are understand, as well as their views and opinions on cryptocurrency

Interview of manager in Education center

RQ1: What does your company do in financial industry?

Answer: Our company specializes on teaching financial literacy in the field of cryptocurrency investment. This knowledge can be apply in the field of crypto and it is the basic knowledge in investments.

RQ2: What is your role in the company?

Answer: I give classes that means I am a training manager.

RQ3: How your work relates to cryptocurrency?

Answer: Our educational center focuses on cryptocurrency. We are always up to date with all the trends in this area.

RQ4: Questions: What is your attitude to crypto currency - Can you tell anything about crypto currency for today?

Answer: Crypto currency is a digital asset that does not have a single emission center. Still, we still cannot say that this is money in the full sense. Most often, the so-called tokens are considered cryptocurrency. Tokens, in turn, can have different purposes, acting as a means of payment, and as a means of accumulation. The second concept of a token is to use it as an alternative to securities. Let us remember the last major project that Telegram did. Last year, the company announced ICO, and this caused great interest among investors. The number of requests for the purchase of these tokens was several times higher than the offer. If you look further, it has known that Telegram has already carried out the procedure for issuing Gram tokens, which will be further used as a means of payment among the participants of the messenger.

RQ5: What is the demand for cryptocurrency today and what is it associated with?

Answer: I think that the initiative of Facebook related to the release of its own crypto currency – Libra is one of the reasons for today. Understanding that Facebook is a global, global company, we can say that the introduction of this currency can completely replace many banking services. By the way, after the announcement of the release of crypto currency, the head of Facebook called for a hearing in the US Congress. This indicates a serious fear of the authorities before the fact that the widespread adoption of Libra can pose a serious threat to the banking system.

RQ6: Do you invest in any kind of cryptocurrency and is it profitable for you?

Answer: Now there are a dozen companies on the market, the so-called unicorns, whose market value estimates at over one billion dollars. Their tokens freely trade on world markets. This is primarily Litecoin, EOS, NEO, TRON, Ripple, IOTA. Well, and, of course, do not forget about the most interesting investment tool to date - Bitcoin. I also can name a few crypto currencies today, the value of which has tripled in recent months. That is, each dollar of investment brought three. For example, Bitcoin and Litecoin. Of course, this is interesting in terms of investment.

RQ7: What opportunities today exist in Kazakhstan for settlements in cryptocurrencies?

Answer: There are private exchangers for implementation in fiat money. You can buy any kind of equipment in official stores and much more. Also, Kaspi Gold supports ADVcash website. You can easily transfer money to the Kaspi card from the ADVcash website and that is it.

RQ8: How do you usually cash out cryptocurrency?

Answer: Usually sell for cash in chats on different instant messengers. You write in a chat that you are selling a number of cryptocurrencies and at the time, the desired ones write to you at the rate. Then you meet with the buyer in the city and carry out the sale. Buyer gives you cash while you transfer the required number of cryptocurrencies to his wallet. Usually, people change other types of cryptocurrency to Bitcoin in advance and the sale takes in Bitcoins.

RQ9: How do you feel about the dangers of using crypto currency for the financial system?

Answer: Yes, the previous leadership of the National Bank indeed repeatedly expressed its negative attitude to crypto currencies. However, I believe that this issue is ambiguous and, like any other, requires a deeper and more detailed study. In any case, this market already exists de facto, a lot of money invested in it, and I think we should try to get the best experience and the best technologies from it.

Appendix 2

Interview of miner (Freelancer)

RQ1: What does your company do in financial industry?

Answer: I am freelancer. My main income from cryptocurrency mining. I have several farms not only in Kazakhstan. In addition, I collect money from people and work on interest. That is, I am engaged in trading and receive interest.

RQ2: What is your role in the company?

Answer: If earlier I used to sit and really mine a crypt, then today I have it more automated.

RQ3: How your work relates to cryptocurrency?

Answer: I am directly involved in cryptocurrency. This is mining and trading.

RQ4: Questions: What is your attitude to crypto currency - Can you tell anything about crypto currency for today?

Answer: Filter out unnecessary users, as always. The price can only rise due to the influx of new people, like a pyramid. People come like hamsters, buy, invest real money, and it grows. Nevertheless, none can grow continuously. He grew up for a while, but he cannot immediately take and grow up to one hundred thousand. In addition, at a certain moment, a correction occurs. It is like the weather. It rains for a month, then it stops, then it rains again. However, it cannot rain all year.

If there is money that is not a pity, then you should do it. Nevertheless, the credit is not worth it. Last year, I advised buying with any money, when the airtime was still much cheaper. Now it is risky. Nowadays it is just that investment funds and banks are beginning to enter the crypto, perhaps the Central Banks will come soon, different news is coming. In general, in the world of cryptocurrencies there is a lot of misinformation. Recently there was news that hackers broke into the Central Bank of China's mail, and fake news sent from this mail to threaten the market that China is banning something. It is hard to say where the truth and where is the lie.

Chinese developers, meanwhile, are moving to Canada, because there the legislation is better, the economic system is more stable, no one will touch them there. In China, now 75% of the population's wealth is real estate, so it is not very good with the economy. They are simply afraid that the crypt will start to bring down the economy. It is just that everyone is afraid.

RQ5: What is the demand for cryptocurrency today and what is it associated with?

Answer: Many participants in this market foresee for themselves the potential of the asset and begin to accumulate. This year, bitcoin was volatile in the upward direction, its price rose by more than 200% against the dollar.

RQ6: Do you invest in any kind of cryptocurrency and is it profitable for you?

Answer: On mining, it is mostly ethereum. In addition, there are a lot of them for trading, it depends on trends, I need to look at the graphs. Every day this list changes.

RQ7: What opportunities today exist in Kazakhstan for settlements in cryptocurrencies?

Answer: Capabilities in Kazakhstan are limited. However, cryptocurrency gives world opportunities. You can buy everything you want for cryptocurrency via Telegram, right up to the payment for the delivery of your purchases and other types of services. In extreme cases, you can cash a crypt in Almaty through exchangers.

RQ8: How do you usually cash out cryptocurrency?

Answer: withdraw through exchangers. You go to the site, leave a request, and transfer cryptocurrency to your wallet. Then, in a chat, the curator reports the order number and asks for the phone number to which the courier then calls. You tell him your application number, he says where to come, to the office or somewhere to meet near the metro ... Everything is fair. For people it is a business, they have their own reputation. It's easier for them to earn their interest from 1,000 people than to throw one in a couple of

million, they have more turns. Everyone is happy with everything. If the state still does not intervene, then in general everything will be wonderful.

RQ9: How do you feel about the dangers of using crypto currency for the financial system?

Answer: Do not keep everything in one basket, that is, on the same exchange and in the same currency. That's all. Cryptocurrency is a risk. All new causes suspicion and concern. However, it's much more important not to miss the right moment.

Appendix 3

Interview of cryptocurrency user (teacher)

RQ1: What does your company do in financial industry?

Answer: I officially have no relation to the financial environment. I am an ordinary teacher who uses cryptocurrency.

RQ2: What is your role in the company?

Answer: I teach students, I am a lecturer.

RQ3: How your work relates to cryptocurrency?

Answer: Our educational center focuses on cryptocurrency. We are always up to date with all the trends in this area.

RQ4: Questions: What is your attitude to crypto currency - Can you tell anything about crypto currency for today?

Answer: I consider it as an additional way of earning. Few can afford to live on a salary. As an alternative, I decided it was worth buying a few coins.

RQ5: What is the demand for cryptocurrency today and what is it associated with?

Answer: If we talk about my interest in cryptocurrency. That it is due to the fact that I can buy vouchers online to hotels, plane tickets, there is the opportunity to buy a car (of certain brands) with delivery on certain sites. Moreover, I take this opportunity. Up to utilities, I pay for cryptocurrency. Such facts attract me it works and suits me.

RQ6: Do you invest in any kind of cryptocurrency and is it profitable for you?

Answer: I am a passive investor. Ideally, I try to buy on a downtrend during a reversal and after a while sell at a peak. However, there are tokens that I buy to pay for tickets, tickets and everything else. It is also an investment since they have the nature of the accumulation of interest, and the price is growing.

RQ7: What opportunities today exist in Kazakhstan for settlements in cryptocurrencies?

Answer: Binance exchange listed Kazakhstan tenge. So, it means great prospects in the future, now you can directly transfer from in tenge from the exchange to ADVcash and further to the Kaspi card. This is very convenient, because now all payments are switching to online mode. I do not see any restrictions at the moment.

RQ8: How do you usually cash out cryptocurrency?

Answer: Most often through exchangers in chats and buy cue ball too as well. In certain chats, they send an advertisement for the sale of bitcoins and so find buyers, and then according to the script. Meeting in the city, transferring money and sending the cue ball to the buyer's wallet.

RQ9: How do you feel about the dangers of using crypto currency for the financial system?

Answer: I try to cash out through trusted people, I also install two-factor authentication on wallets.

**“Анализ методов совершенствования учетной политики
на примере ТОО «Астык – СТЕМ»”**

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Абстракт. В данной статье исследованы методы совершенствования учетной политики в сфере ведения учета и стратегического анализа на предприятиях сельскохозяйственного сектора.

Учетная политика на сельскохозяйственном предприятии, как и в других отраслях деятельности, является инструментом для контроля и управления хозяйственной деятельностью. Бухгалтерский учет в сельскохозяйственном предприятии имеет свои особенности. Согласно специфике деятельности, в учетной политике прописываются методы и процессы ведения бухгалтерского учета.

Ключевые слова: *Учетная политика, финансовый анализ, стратегический финансовый анализ, анализ рентабельности и эффективности*

Введение. Учетная политика в сельскохозяйственном предприятии, как и в других отраслях деятельности, является инструментом для контроля и управления хозяйственной деятельностью. Бухгалтерский учет в сельскохозяйственном предприятии имеет свои особенности. Согласно специфике деятельности, в учетной политике прописываются методы и процессы ведения бухгалтерского учета.

Проблема повышения эффективности дальнейшего ускорения развития сельского хозяйства в современных условиях является повышение эффективности отрасли, в которой отражаются действия экономических законов и проявляется важнейшая сторона деятельности предприятия – его результативность.

Сельское хозяйство является одной из самых важных отраслей народного хозяйства Республики Казахстан, так как является основным, незаменимым источником продуктов питания для общества. От развития сельского хозяйства во многом зависит жизненный уровень и благосостояние населения: размер и структура питания, среднедушевой доход, потребление товаров и услуг, социальные условия жизни.

Определено, что в условиях Республики Казахстан статусу, форме и разработке содержания учетной и налоговой политики до сих пор не уделяется достаточного внимания. В работе представлены структурные элементы и содержание учетной и налоговой политики, как руководства ведения всех видов бухгалтерского учета, с учетом специфических особенностей ведения бизнеса в Республике Казахстан.

Методы теоретического анализа: специальные методы исследования: анализ, синтез и обобщение учебной экономической литературы, нормативно-законодательная база, как методическая основа формирования учетной политики.

Степени научной разработанности темы исследования уделяли внимание многие исследователи: Скала Н., Ришар Ж., Тория Р.А., Штурмина О. С. и другие авторы.

Для реализации поставленной цели ставятся и решаются следующие **задачи:**

выявить особенности понятия учетной политики, основные требования к формированию; ожидаемые результаты исследования;

на основании анализа финансово-экономической деятельности сельскохозяйственного предприятия ТОО «Астык - СТЕМ» определить проблемы формирования учетной политики; выявить основные преимущества и недостатки формирования учетной политики сельскохозяйственного предприятия; предложить пути решения проблемы.

Методология.

1. метод теоретического анализа: диалектический общенаучный метод, специальные методы исследования: анализ, синтез и обобщение учебной экономической литературы, анализ законодательных и нормативно-правовых актов регламентирующих составление и формирование учетной политики в сельскохозяйственном предприятии РК;
2. метод анализа специальной литературы;
3. частные научные методы: метод системного анализа;
4. проведение интервью с экспертами из индустрии.

Теоретическая значимость данной темы определяется тем, что результаты исследования могут быть направлены на преобразование законодательной базы в сфере регулирования бухгалтерского и налогового учета сельскохозяйственном предприятии РК.

Цель исследования. Объект исследования: сельскохозяйственное предприятие ТОО «Астык - СТЕМ» **Предмет исследования:** формирования учетной политики сельскохозяйственном предприятии: понятие, сущность и принципы. **Цель исследования:** провести анализ учетной политики в сельскохозяйственном предприятии ТОО «Астык - СТЕМ».

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Заключение: Нами было проведено исследование экономического анализа учетной политики на сельскохозяйственном предприятии в Республике Казахстан.

При написании исследовательской работы, можно отметить, что действующие субъекты малого, среднего и крупного бизнеса на территории Республики Казахстан, в обязательном порядке должны вести бухгалтерские учет и предоставлять финансовую отчетность в соответствующие органы. Такие же требования распространены на индивидуальных предпринимателей.

Изучив первую главу, мы определили сложнейшую экономическую структуру, наше заключение определяется наибольшим количеством элементов образующих содержание глубокое, конкретное, наиболее полное чем, законодательное, каковые требуют разработки.

В настоящей диссертации определено само понятие учетной политики, рассмотрены основные требования, а также возможные особенности формирования. Проведя исследования экономической литературы, частью системы относительно особенностей основания является практика применения нормативных актов РК.

Мы пришли к выводу, что в РК установлены определенные стандарты ведения бухгалтерского учета, а также методические рекомендации с основополагающими правилами и принципами, выработаны общественно признаваемые приемы и способы финансового и управленческого учета, конкретизирующие на каждом отдельном предприятии.

Разработка УП проводится главным бухгалтером, на которого возложено ведение бухгалтерского учета предприятия в соответствии с законодательством РК, утверждение руководителем.

Степени научной разработанности темы исследования уделяли внимание многие исследователи: Скала Н., Ришар Ж., Тория Р.А., Штурмина О. С. и другие авторы. а так же на их мнениях и высказываниях, мы определили свою точку зрения.

Делая вывод по второй главе, мы сконцентрировались на экономической характеристике финансовом анализе предприятия. Таким образом нами выявлено, что структура аппарата предприятия ТОО «Астык - СТЕМ» имеет линейно-функциональную организационную схему. При данной структуре управления всю полноту власти берет на себя линейный руководитель – генеральный директор.

Для общей оценки динамики финансового состояния организации мы провели сравнение актива и пассива аналитического баланса товарищества ТОО «Астык - СТЕМ».

Для характеристики финансовой ситуации на предприятии мы определили тип финансовой устойчивости, и ликвидности баланса за анализируемый период, как степень покрытия обязательств организации ее активами, срок превращения которых в денежную форму соответствует сроку погашения обязательств.

При анализе динамики показателей прибыли в первую очередь оценили рост показателей за анализируемый период, а затем отметили положительные и негативные изменения в динамике финансовых результатов товарищества ТОО «Астык - СТЕМ».

По результату анализа экономической характеристики выявлены положительные и отрицательные показатели деятельности организации.

Общая оценка финансового положения предприятия ТОО «Астык - СТЕМ» показала, что структура совокупных активов предприятия характеризуются значительным превышением в их составе доли долгосрочных активов, которые составили на начало анализируемого периода 67,51% , на конец – 74,93%. Доля краткосрочных активов в имуществе предприятия составляет на конец периода 25,07% , уменьшилась на 7,42%. Как положительную динамику следует отметить увеличения стоимости основных средств, за счет приобретения нового оборудования на 33813 тыс. тенге или на 7%.

Таким образом, в основном приток новых средств осуществлялся в анализируемом периоде за счет увеличения долгосрочных активов. Также значительно увеличилась нераспределенная прибыль на 12,67%. Новые средства в основном были вложены в увеличения оборудования. Динамика снижения краткосрочных пассивов за счет снижения доли кредиторской задолженности на 39,66%, динамика снижения долгосрочных активов за счет снижения доли кредиторской задолженности на 92,51%.

Общая величина источников увеличилась на 2,97%.

Прибыль до налогообложения в 2018 году составила 52934 тыс. тенге по отношению к предшествующему периоду 2017 г увеличилась на 13,37%. Итоговая прибыль после уплаты налогов в 2017 г увеличилась на 6056 тыс. тенге или на 13,37%.

Следует отметить, что по отношению к аналитическому периоду прошлого года выручка от продаж продукции увеличилась на 29,13%, себестоимость возросла на 39,99%. Данные показатели привели к увеличению прибыли.

Как ранее говорилось, основная доля товарооборота приходится на пшеницу, которая составляет в 2018 году 33,33%, сумма выручки по данной продукции увеличилась на 141,57% по сравнению с 2018 годом, не смотря на снижение в 2017 году на 45,35% по сравнению с 2016 годом и на рапс, доля которого составляет в 2018 году 32,85%, сумма выручки по данной продукции увеличилась на 114,16% по сравнению с 2018 годом, не смотря на снижение в 2017 году на 96,49% по сравнению с 2016 годом.

Самая низкая доля товарооборота приходится на кукурузу - 0,01% в 2018 году, на том же уровне, что и предыдущие периоды, сено - 0,08%, соломы - 0,04%, овес - 0,56%, подсолнечника - 0,09%, свеклы - 0,03%.

К сожалению выручка от продажи картофеля снизилась в 2017 году на 10090 тыс. тенге (71,08%), по сравнению с 2016 годом, а в 2018 году осталась на том же уровне.

По данным анализа можно сделать вывод о том, что в динамике объем полученной продукции за 2018 год в сравнении с планом вырос на 2572 т.114,78%, это произошло за счет увеличения произведенной пшеницы на 500 т.107,96%, ячменя на 329 т.160,47%, картофеля на 400 т.112,19%, кукурузы на 40 т.136,36%, соломы на 99 т.108,13%, рапса на 585 т.119,5%, льна на 52 т.118,57%, овса на 30 т.115,95%, моркови на 500 т.136,92%, подсолнечника на 24 т.121,81%, свеклы на 12 т.121,81%, а общая себестоимость 1 т. продукции растениеводства снизилась. Таким образом, себестоимость 1 т. пшеницы увеличилась на 1,02% по сравнению с планом, себестоимость 1 т. соломы увеличилась на 0.17% по сравнению с планом, себестоимость остальных видов продукции снизилась по сравнению с планом. Общая себестоимость увеличилась на 10.9% по отношению к предшествующему периоду по сравнению с планом.

Можно сделать вывод, что затраты на производство продукции увеличились в 2018 году по сравнению с планом. Общее увеличение затрат за счет увеличения расходов на семена и посадочный материал, налогов, запасных частей, минеральных удобрений, расходов на ГСМ, прочих затрат.

Делая вывод по третьей главе хотелось бы отметить, что в третьей главе рассмотрены преимущества и недостатки учетной политике предприятия ТОО «Астык - СТЕМ». В результате исследования нами предложены мероприятия по совершенствованию учетной политики сельскохозяйственного предприятия.

К основным мероприятиям мы отнесли следующие:

1. Сближение учетной политики рассматриваемой компании со стандартами МСФО и отражение в учетной политике.
2. Реализация в учетной политике регламентов по отражению биологических активов компании.
3. Совершенствование учета расходов и формирование себестоимости сельскохозяйственной продукции.

Данные направления позволят компании оптимизировать учетную работу, что в конечном результате станет условием стабильного финансового развития компании.

УДК 334

“The recruitment system for sales personnel at X Company”

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Abstract. The more harmoniously the team functions, the more efficient and competitive the company operates. In this regard, recruitment has always been carried out as thoroughly as possible, but in the past, HR specialists concentrated on assessing the qualities of applicants who applied on their own initiative at work. At the present time, there has been a transition to active methods of attracting candidates, which is aimed at increasing the number of applicants for the vacant position in order to select the most suitable and satisfying all requirements.

Key Words: validity, reliability, gender, education

Introduction. In connection with the observed personnel deficit in most areas of activity, the selection of a person becomes the leading function of the personnel management system, providing the organization with a competitive advantage. Due to this situation, high demands were made on the professional, social and psychological characteristics of candidates, which are the main criteria for selecting and hiring new specialists. It is necessary to select not just a highly competent specialist, but also an ideally suitable person who is able to join the team and share the company's strategic goals.

Today, the urgency of the problem of recruitment lies in the fact that if the initial choice fell on an insufficiently qualified applicant, then in the future, it threatens the company with significant time and financial losses, which in turn directly affects the competitiveness of the company. In this regard, organizations are faced with the need for the most effective processes of search, selection and recruitment.

The aims of this study are to explore the process of recruiting the sales personnel based on the case study of the company "X" operating in Kazakhstan, to analyze the advantages or disadvantages of the current recruitment system of the company "X", and to develop recommendations to improve on the effectiveness and efficiency of the recruitment system, in order to ensure competitive advantage of the firm in a long run.

The objectives of this study include following:

- to consider theoretical and practical aspects of the recruitment process;
- to explore the recruitment process and its fundamental principles;
- to characterize the sources and methods of attracting candidates for the vacant position;
- to reveal the essence of the methods of selection of candidates;
- to analyze the existing system of personnel selection in the organization of Company «X»;
- to develop proposals for improving the system of personnel selection in the organization;
- to assess the effectiveness of the recruitment system and develop recommendations for improving the recruitment system at the Company «X».

Methodology. The methodological basis of the work is the scientific achievements of domestic and foreign scientists studying the recruitment process. In the analysis, print publications and Internet resources and materials of Company «X» were used.

The scientific novelty of the master's thesis lies in the formulation, theoretical substantiation and solution of a number of issues to improve the personnel selection system.

Purpose of the Research. The aims of this study are to explore the process of recruiting the sales personnel based on the case study of the company "X" operating in Kazakhstan, to analyze the advantages or disadvantages of the current recruitment system of the company "X", and to develop recommendations to improve on the effectiveness and efficiency of the recruitment system, in order to ensure competitive advantage of the firm in a long run.

Literature Review. Recruitment and the selection of personnel has been studied by many scientists, because this is the initial stage of any personnel management system. In this regard, the definition of the meaning of the term recruitment and selection of personnel can be found in various authors, then consider some of them.

In the scientific works of Doctor of Economics Spivak V.A. (2014) one can find the following definition: ["Recruitment involves the development and implementation of programs for attracting, selecting personnel, testing (acceptance and during the probation period) based on scientifically developed workplace requirements for a person as a professional and personality."]¹

Egorshin A.P., rector of the Nizhny Novgorod Institute of Management and Business, wrote: ["The recruitment process is the process of selecting suitable candidates for vacant workplaces based on the existing reserve of personnel at the labor exchange and at the enterprise. Personnel selection includes the following elements: calculation of the need for personnel of workers and employees; models of workplaces; professional selection of personnel; formation of a reserve of personnel"]²

In the textbook prepared by the scientists of the Department of Personnel Management of the State University of Management under the editorship of A.Ya. Kibanova, it is said that: ["Under the selection and placement of staff means the rational distribution of employees of the organization by structural units, sites, workplaces in accordance with the system of division and cooperation of labor adopted in the organization, on the one hand, and the abilities, psychophysiological and business qualities of workers, meeting the requirements of the content of the work performed, on the other "]³

All of the above concepts have a common core, but having examined the scientific literature on this topic, I would like to give a more concise definition of this concept. Personnel selection is a process in which the organization is engaged in the search, recruitment and selection of employees for vacant positions.

The main principle of selection and placement of personnel is considered to be: "The right person, at the right time, at the right place." To select high-quality personnel that meet the requirements of the company, an integrated approach is required. To effectively include the system of recruitment in the management of the organization, you must fulfill a number of conditions:

- It is necessary to plan the personnel policy of the company, first of all, corresponding to the strategic goals. This will allow to systematically carry out activities to improve the staffing of the organization.
- Alternative, attracting for each vacancy the greatest number of applicants.
- It is important to consider not only the professional qualifications of the candidate, but also his ability to integrate into the cultural and social life of the organization. A company may lose more than it has acquired if it employs a technically qualified candidate who is unable to establish good relations with colleagues, clients and suppliers, and possibly undermines the established norms and order in the organization.
- It is necessary to consider all requirements of labor legislation and ensure a fair approach to each candidate and applicant for an open position.
- When selecting, you need to focus on the strong, not the weak points of a person. In nature, there are no ideal candidates, you need to find the most suitable for this vacancy. If several candidates in a row do not meet the requirements, the selection is terminated, as, most likely, these requirements are overstated, and they need to be reviewed.
- Refuse to accept new employees if they do not have a need, regardless of their qualifications and personal qualities.
- Organize a search for a candidate who meets certain requirements for the content of the work (education, experience, experience, competence, health status, etc.).
- Focus on the most qualified personnel, but not more than the skills required by the workplace.

Next, we will focus on the selection criteria. The definition of the criteria on which the assessment and recruitment of candidates is based is of primary importance for successful selection. It is necessary to formulate clearly on the basis of what criteria will be used to evaluate the candidates. For example: what kind of person does a company need - a good leader or a highly qualified specialist? Is it possible that both together? Or should this be just a conscientious executive person, without very high requirements for his professional qualifications?

There are a number of requirements that must be met when forming selection criteria:

- validity - (from lat. Validus - strong) the degree of the indicator's correspondence to the concept that it is meant to reflect;
- reliability;
- completeness;
- necessity and sufficiency.

Validity of the selection criteria implies that the criteria for evaluating candidates must correspond to the content of the work and the requirements for the position to be selected. The low validity of the criteria may lead to incorrect choice.

Completeness of criteria. The requirement of completeness of the criteria used in selection means that they must consider all the key characteristics that are important for successful work in this position. Incompleteness of the selection criteria may lead to the selection of candidates who do not meet the organization for some important performance indicators.

Reliability of criteria. Selection based on established criteria should ensure the accuracy and sustainability of the results. The results obtained during the evaluation should not be accidental.

Necessity and sufficiency of criteria. Do not unreasonably increase the number of selection criteria, thus overloading the search process for candidates, as this will result in an unnecessary reduction in the number of possible candidates.

The following criteria are applied to candidates on the part of the organization:

- gender and age. For example: for the post of the head, they most often want to see a man between the ages of 27 and 45, and in the office of the administrator a woman aged 19-28;
- education;
- special skills (knowledge of certain computer programs, foreign language, etc.);
- experience (work experience in a certain professional sphere, in a certain position);
- other demographic characteristics (place of residence, marital status, presence of underage children, etc.);
- business and moral qualities (responsibility, initiative, honesty, perseverance, etc.);
- medical contraindications (general health, chronic diseases, absence of deviations in the psyche, etc.);
- psychological characteristics (conflict, intelligence, leadership qualities and much more).

The following basic ways of determining the selection criteria are formulated:

1. The allocation of a group of successful employees and groups of unsuccessful employees among the employees of the organization working in a certain position. For example, a group that fulfills the established rate of production and a group that does not cope with it. A detailed survey allows you to establish indicators for which there are significant differences between the compared groups. These indicators and may subsequently act as selection criteria.

2. The most important indicators necessary for successful work in this position are highlighted on the basis of an analysis of job descriptions and job requirements.

3. Expert evaluation, when criteria are offered based on the experience or intuition of a specialist (a group of specialists), who are familiar with both the selection methods and the requirements for the position, for work. This method is used today most often. At the same time, the selection criteria are established by the head (top management) himself.

In order to obtain the desired effect from the implementation of the recruitment program, it is necessary to follow the sequence in carrying out the check, both the candidate's business qualities and personal qualities. It is worth noting that each criterion peculiar to the selection of personnel has requirements that somehow complement each other and are based on various information sources. There are several ways to determine the necessary criteria for selecting candidates, each organization chooses the most suitable for itself. The most important thing that you need to remember about for qualitative selection is that you must adhere to the principles, the criteria should be reliable.

Conclusion. The system of staff recruitment in Company «X» is quite developed and has a sufficient number of stages. With all this, questions arise: Why does this company have such a high turnover rate? And how can this be fixed?

In our opinion, there is no need to drastically change this selection system, but it is only necessary to correct it, optimize time costs, increase the validity of the selection methods and consider the adaptation process during the trial period.

According to the results of the analysis of personnel in the network company Company «X», the following conclusions could be made:

1. The team in the company is very young and mostly female. 47% are people under 30 years old, 26% of people under 40 years of age and only 27% of people over 40 years old.

2. The Company has a very high turnover rate, the reasons for which are management policies based on the recruitment of young people, most often with no work experience and there is no system for adaptation and primary education.

3. The system of personnel selection in the Company is given much attention, there is a large personnel department, as well as an examination department. Recruitment has many stages and takes into account the opinion of many employees when making decisions about hiring a candidate.

We will offer new tools for some stages of selection:

First, search for candidates.

To reduce the time spent on the description of ads, you need to register the portraits of employees for key vacancies in electronic form, i.e. with the search for which one comes across most often. These portraits are also called profiles or competency models.

In order to determine the key vacancies, it is necessary to refer to the analysis of staff turnover for each position. Based on table 6, in which it calculated the turnover for each department, one can say that the number of key vacancies is almost equal to the number of departments with high turnover. Heads of departments change very rarely, mostly linear employees leave. Therefore, at least four portraits of employees will need to be prescribed, namely: a construction engineer (construction department), a project manager (project management department), an employee of the tender department (tender department) and an analyst manager (construction and investment department).

These profiles need to describe:

- Socio-demographic characteristics, such as: gender, age, education, work experience, social status, etc.

- Professional competence - what a candidate for this position should be able to do;

- Motives and personality traits.

The easiest way to collect information for writing profiles will be a survey of managers of potential employees. They, like nobody else, will be able to answer the question, what competencies and qualities their employees must possess. Also, you can consider examples of real successful employees working in this position. This will help to understand exactly which competencies for this position are key, which are minor, and which character traits of the candidates should be avoided.

Secondly, the preliminary screening conversation.

This stage is important, and it is impossible to abandon it, but thanks to modern IT-technologies, you can reduce the time spent on this process. There is no need for each candidate to come to the office in order to fill out a small questionnaire and verbally speak with the manager for twenty minutes. The questionnaire can be sent to the post office immediately after the candidate's vacancy response, and you can conduct the initial conversation by phone or via Skype. This will allow in the shortest possible time to process the data of a large number of applicants for the position.

Third, the selection methods of candidates.

The selection methods used by the Company are very interesting and vital, since some of the problems are based on real situations. The only strange thing is that the same tasks are used for the selection of almost all vacancies, although some of them do not at all suit the specifics of the position for which the candidate claims.

For example, one of the main tasks is the huge task of calculating percentages and ratios. Home is because it comes first in the exam department. On it, 60% of candidates are eliminated on average. For a company in which there is a shortage of personnel, this is a very big problem. After analyzing this task, we can say the following: firstly, not every person has the ability to do so many complex mathematical calculations, and secondly, someone could just skip maths lessons at school when they passed interest, but this does not detract from his other abilities. The company positions its personnel search as a search for interesting, versatile, creative personalities, and sets a selection framework - a mathematical task.

To optimize the selection, it is necessary to develop an additional number of situational cases, each of which would be suitable for testing a certain key competence, which must necessarily be present to the applicant for a certain position.

Fourth, adaptation and training during the trial period term.

Approximately 40-50% of candidates for the position do not pass probation. After a detailed consideration of the possible causes of this situation, we can draw the following conclusions:

1) Applicants are often left to their own devices. The heads of their department do not have enough time to explain in detail their work tasks and ways to search for information to solve these tasks. Colleagues would often be happy to help, but they have a large number of their own tasks and certain grandfathers.

2) There are no qualified training applicants. Since the company relies on hiring young professionals with no work experience, these individuals must be trained, because everything is new to them. In many departments, there are guidelines for work, but on paper most often everything looks a little different than in life. In addition, many teaching aids are already outdated.

3) The psychological climate in the team. There is no competition among the employees in the Company, they are all engaged in one business and there is nothing to compete for, but there is another internal problem. Due to the high staff turnover, especially in some departments, there is a constant change of employees. At first, many old employees do not take the new employees seriously, refuse to answer their questions until they show themselves and prove their professional competence. And when work is based on interaction with all departments, it is psychologically difficult to fight day after day to defend one's own voice. Many applicants because of this simply break down, they cannot go through this stage, which always ends, employees working for a certain time say.

What needs to be done to get the candidate as fast as possible and admit him to the team:

First, the mentoring process needs to be organized.

According to the economics and finance dictionary, mentoring can be defined as: "Individual or collective patronage of experienced workers over individual novice workers, or their groups, or a form of education (patronage), training and adaptation of young employees in an organization, involving the transfer of mentor experience and instilling culture labor and corporate values to the student." Every new candidate who has gone out on probation has to have a mentor. A person who will explain to him all the nuances of the

organizational structure, his immediate duties, will teach to use internal workflow programs and, if necessary, will talk with an employee who is trying to ignore a beginner.

Secondly, it is necessary to revise all the existing guidelines for the work of the departments; moreover, it is necessary to keep up with the rule as a rule to update these manuals at least once every six months. In fact, if these documents are well developed and correspond as closely as possible to reality, they can greatly facilitate the process of adapting candidates and reduce the work of a mentor.

Also, the presence of a wide range of close contacts among the leading higher educational institutions of Russia and their employment assistance services ensures that the best of the most suitable graduates and students are attracted to the company.

The selection of employees of Company «X» should pursue the goal of identifying and recruiting people with the knowledge, skills and abilities that enable them to successfully complete work. In the final selection of employees, preference should be given to those that are more compatible with the corporate culture and value system identical to the corporate one. It is possible to achieve such personnel selection results with the use of preliminary. For Company «X», the application of the method of preliminarying is possible, using the recruitment of personnel from employees at the enterprise, since such employees will no longer need to be trained, which significantly reduces the cost of training and adapting new employees. It is proposed to carry out the application of preliminary zing in LLP "«X»" as follows:

1. On the instructions of the head and on the basis of the staffing task, conducting a presentation of Company «X», familiarizing students and graduates with it. Preparation of documents on the conclusion of contracts for internships and internships.

2. Attracting young graduate specialists to work at Company «X». In order to increase the efficiency of personnel selection in Company «X», the implementation of the following procedure is recommended. Students doing internship at Company «X» fill out a questionnaire, provide a resume to the personnel department and are tested. According to the submitted documents (at the end of the practice), the employee is placed in the personnel reserve of Company «X» and, on the basis of the need that has arisen for this employee, is invited to work. This should take into account the department and place of practice, his achievements in the work and the ability to learn. When there is a need for personnel, reservists of the preliminary examination are invited to work and undergo an additional interview in order to determine its qualities at the end of the practice.

On the basis of these data, the decision on employment. The main criteria are experience, business skills, professionalism, physical characteristics, personality type of the candidate, his potential. Qualities that applicants must have are defined in the profессиogram or competency map.

Any recruitment system has its own minor flaws, this may be due to the constant change in market conditions, requirements for employees, the strategic goals of the company or the possibility of paying certain wages. Changes do not always carry a negative, the main thing is to understand in time that they have occurred and it is necessary to adjust to them. The flexibility of any system helps it to stay afloat for the maximum time, this is market law.

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УДК 336

“Effect of Income Smoothing Practices on Accounting Conservatism of Large Kazakhstani Companies”

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Abstract. This research paper aims to explore the impact of income smoothing practices on accounting conservatism in the context of large Kazakhstani companies. This subject was studied in number of articles, including the researches in different geographical areas. The study examined 30 large Kazakhstani companies for 8 years (2010-2018) with the use of classical models to calculate the income smoothing and unconditional accounting conservatism. It evidences that the income smoothing practices has no relationship with unconditional accounting conservatism. I

believe that this paper provides implications to interested parties and accounting authorities. This study will contribute to a broader understanding of the issue of conditional conservatism and income smoothing in the Kazakhstani context on overall.

Key Words: income smoothing, accounting conservatism, Kazakhstan

Introduction. It is believed that investors are more likely to invest in companies which has stable earnings over time. It is the reason why managers of companies, especially publicly listed one, tries to smooth their income. Income smoothing is an accounting technique used by managers when they shift expenses and revenue among different periods. Smoothing moderates year to year fluctuations in income by shifting earnings from peak years to less successful periods, this will lower the peaks and support the troughs, making earnings fluctuation less volatile (Copeland, 1968). Managers of a companies have a strong preference for smoothing of earnings because they believe that it is perceived less risky by investors, it improves the predictability of future earnings and reassure suppliers and customers that the business is stable (Graham et al., 2005).

Attracting of investors not the only reason why companies do smooth their income. Alternative reason is reducing of tax burden. In many countries tax system is so, more profit you make, higher taxes you pay. In this case managers may decide to incur more expenses, by hiring more workers or increase employee bonuses, and vice versa if this year is going to be less profitable, managers can decide to cut its administrative expenses like charity and sponsorship, or again shorten number of employees and etc.

Another dimension of accounting practice which I want to research in this paper is an accounting conservatism principle. Conservatism influences accounting practice for centuries. Historical records show that accounting in medieval Europe was already conservative (Basu, 1997). The conservatism principle says if there an uncertainty, between two alternatives, you should pick one that reports less profit and less asset amount and more liability amount. These both properties of accounting information: income smoothing, and conditional conservatism are directly influence the quality of accounting information which is disclosed to the public.

The reason why I decided to investigate accounting conservatism is that conservatism plays a big role on the quality of financial statements. According to research made by Kordlouie et al. (2013) there is a significantly positive relationship between accounting conservatism and the quality of financial statements. And the quality of financial statement is a major factor and primary source of information for stakeholders in making their decisions. Shareholders, investors, banks and all interested parties who provide capital to companies very interested in knowing the real situation in the company and its performance.

Research Question: The objective of this research is to understand if there is a connection between these two variables, income smoothing practices and the degree of accounting conservatism present in large Kazakhstani companies. The main question of this research is as follows:

- 1) What is a potential effect of income smoothing practices on accounting conservatism of large Kazakhstani companies?

I decided to choose this topic since there is a very few prior researches on this topic, and this research was never done on Kazakhstani market.

Literature Review. Graham et al. (2005) conduct a survey and interviewed more than 400 executives and found out that overwhelming majority of CFOs prefer smooth earnings. Holding cash flows constant, volatile earnings are thought to be riskier than smooth earnings (Graham et al., 2005).

Koch (1981) defines income smoothing as a means used by management to diminish the variability of a stream of reported income numbers relative to some perceived target stream by the manipulation of artificial (accounting) or real (transactional) variables. Acharya and Lambrecht (2015) defines it as pressure on managers to meet market expectations for profit. Income smoothing can be considered as part of earnings

management through accounting manipulations and can have a significant impact on the quality of financial reporting (Mohammadi and Dashtbayaz, 2016).

According to Eckel (1981) there are two types of income smoothing: natural smoothing and intentional smoothing. A naturally smoothing income is that the income generating process inherently produces a smooth income stream. Intentional smoothing represents management actions undertaken to smoothing. Intentional smoothing may be artificial or real. The difference between them is that real smoothing represents actual transactions undertaken and affects cash flow of the company, artificial smoothing represents accounting manipulations which shifts costs and revenues from one period to another and do not affect cash flows (Eckel, 1981).

Eckel's (1981) model for measuring income smoothing suggests that revenues and costs increase or decrease at the same rate and are linear over time. If the linear relationship is not observed, it would appear that the firm is artificially smoothing. He uses coefficients of the percentage variations of revenue and profit. If the coefficient of the profit is less than coefficient of revenue it means that company influencing profit through artificial smoothing.

Second model for measuring income smoothing is Tucker and Zarowin model (2006). In their research they provide evidence that income smoothing improves the informativeness of past and current earning about future earnings and cash flow, by investigating the association between current year stock returns and future earnings for companies with different level of smoothing. The model suggests measuring income smoothing by the negative correlation between the change in discretionary accruals proxy (ΔDAP) and the change in pre-discretionary income (ΔPDI). By calculation of correlation between these two variables: change in discretionary accruals proxy and the change in pre-discretionary income, they came up to the conclusion that more negative the correlation, the higher income smoothing ranking.

In 2003 Leuz et al. did research by examining systematic differences in earnings management among 31 countries. They provided four different measures of earnings management. One of them is measure earnings management by capturing the degree to which managers "smooth" earnings, by altering the accounting components of earnings, or accruals (Leuz et al., 2003). Suggested measure of income smoothing is as follows: firm-level of standard deviation of operating earnings divided by the firm-level standard deviation of cash flow from operations. Low value of this measure indicates that managers exercise smoothing.

There are several reasons why management of companies engages income smoothing:

Investors' attraction. Economic unity is achieved through a stable income, stable profit distribution policy and maintaining the stability of earnings per share. This will in turn lead to stability in the market value of the economic unit. This can generate high interest from the investors by maximizing their wealth and their confidence in economic unit consequently enhanced (Steven & Yoonseok, 2009).

Reduction of tax burden. Income of the firm directly related to taxes to be paid (Bushra et al. 2017). Management of the firms tend to manipulate its income in order to fix future tax payments.

Management reward. In a lot of cases management bonuses depends on Income KPI's. For instance, if management bonus is calculated on year end results management of the company may reduce income of current period and shift it to year end period in order to show the greater income in particular period. Management bonuses is the most important reason that drives managers to engage in smoothing of income (Jorrisen and Otley, 2010).

Relationship with workers. Increase in income may result to demand of higher wages of workers. Managers can smooth income in order to avoid the demand of trade unions to raise wages in economic unit (Michael et al. 2015).

Basu (1997) defines conservatism as capturing accountants' tendency to require a higher degree of verification for recognizing good news than bad news in financial statements. Under Basu's (1997) interpretation of conservatism, earnings reflect bad news more quickly than good news. For instance,

unrealized losses are typically recognized earlier than unrealized gains. This asymmetry in recognition leads to systematic differences between bad news and good news periods in the timeliness and persistence of earnings.

Ahmed and Duelman (2013) investigate the effect of management overconfidence on accounting conservatism. They have suggested four measures of conservatism. First two of them are measures of conditional accounting conservatism based on Basu's (1997) asymmetric timeliness measure, which is the difference between the change in the share price and the profit signal in periods of bad news and good news, and Khan and Watts (2009) firm specific estimation of the timeliness of good news (G-score) and bad news (C-score).

The other two measures proposed are measures of unconditional conservatism, followed by Givoly and Hayn (2000). According to that models unconditional accounting conservatism equals to:

- 1) Unconditional conservatism (Con_ACC) = Income before extraordinary items – cash flows from operations + depreciation expense deflated by average total assets, and averaged over the previous three years, multiplied by -1. Larger values indicate greater unconditional conservatism (Ahmed and Duelman, 2013).
- 2) Unconditional conservatism (Skewness) = Difference between cash flow skewness and earnings skewness. The skewness of earnings (cash flows) is equal to $(x-\mu)^3/\sigma^3$ where μ and σ are the mean and standard deviation of the earnings (cash flow) over the last five years. All variables are deflated by total assets. Larger values of Skewness indicate greater unconditional conservatism.

Nowadays, there are several researches conducted on selected topic. Almeida et al. (2012) investigates the relationship between two variables on Brazilian market: earning management using income smoothing technique and conservatism measured by the conditional conservatism metric, they concluded that income smoothing has a direct influence on conditional conservatism. The models which they exploit confirmed hypothesis that firms which avoid using income smoothing techniques have a greater ability to recognize future economic losses.

According to Fadhil et al. (2017), who did research on selected topic among listed companies of Iraqi Stock Exchange, there is a very strong relationship between two variables: income smoothing and accounting conservatism. They have identified negative relationship between practices of accounting income smoothing and accounting conservatism.

Another research conducted by Sinueia and Jianling (2017) among Mozambique companies also agrees with prior researches that non-smoothing companies has greater degree of accounting conservatism.

From above mentioned researches we can see that income smoothing has negative relationship with accounting conservatism. But one more research which I found, conducted on Iran market, concluded that smoothing firms in comparison to non-smoothing firms have incentive to smooth earnings downwards, towards conservatism which in fact shows positive relationship (Valipour et al. 2011).

Following from the prior researches it is not possible to predict the direction of the relationship between income smoothing and accounting conservatism, impact could be positive, negative or neutral, from which I suggest the following neutral hypothesis:

H1: There is no relationship between the level of Income Smoothing and Accounting Conservatism.

Methodology. This research will examine the effect of income smoothing on accounting conservatism of Kazakhstani public companies. I will be using a sample consisting of 30 large non-financial firms in Kazakhstan with selected period from 2010 to 2018. Eight years is considered to eliminate the changes related to structural changes in economy. The sample will cover companies belonging to different sectors, excluding financial and insurance companies. The financial data is available at the depositarium of the financial statements (www.dfo.kz).

In line with the previous studies described in literature review I decided to use income smoothing measure suggested by Leuz et al. (2003). The equation is following:

$$SMTH = \sigma \left(\frac{NI}{TA} \right) - \sigma \left(\frac{CFO}{TA} \right)$$

SMTH should be calculated using minimum of three and maximum of five years data. SMTH is multiplied by negative one so that values closer to zero represent smoother earnings (Lang et al., 2011).

I will use two measures of unconditional conservatism suggested by Ahmed and Duellman (2013) followed by Givoly and Hayn (2000). First measure of conservatism (Con_ACC) defined as follows:

$$\frac{NI - CFO + Depr}{Average\ total\ assets}$$

and averaged over the previous three years, multiplied by negative one. Larger values indicate greater unconditional conservatism.

Second unconditional conservatism measure, Skewness, is the difference between cash flow skewness and earnings skewness. The skewness of earnings (cash flows) is equal to:

$$(x - \mu)^3 / \sigma^3$$

where μ and σ are the mean and standard deviation of the earnings (cash flows) over the last five years. All variables are deflated by total assets. Larger values of Skewness indicate greater unconditional conservatism.

I will use the firm-specific measures of conservatism in the following regression:

$$Con_{i,t} = \beta_0 + \beta_1 SMTH_{i,t} + \beta_2 \ln(Size) + \beta_3 Leverage_{i,t} + \beta_4 Big4_{i,t} + \beta_5 Loss_{i,t} + \beta_6 CFO_{i,t} + \beta_7 Sales\ Growth_{i,t} + \epsilon$$

- Con is one of two measures of accounting conservatism discussed above: that is Con_ACC and Skewness;
- SMTH is degree of income smoothing defined above in accordance to Leuz et al. (2003). IncomeSm3 is using 3 years data;
- Firm Size is the natural log of total assets at the end of the fiscal year;
- Leverage is total liabilities divided by total assets at the end of the fiscal year;
- Big4 is a dummy variable, equals 1 if a company is audited by Big4 audit firms and 0 otherwise;
- Loss is a dummy variable, equals 1 if a company reported a loss and 0 otherwise;
- CFO is cash flows from operations deflated by average total assets;
- Sales Growth is the percentage of annual growth in total sales;
- ϵ is an error term.

I decided to add control variables such as Firm Size, Leverage, Big4, Loss, CFO and Sales Growth. I control for Firm Size since larger firms have lower asymmetric timeliness of earnings (Givoly and Hayn, 2007). Next, I control for Leverage since firms with greater bondholder-shareholder conflicts have higher level of conservatism (Ahmed et al., 2002). Third, I control Big4 as Alhadab and Clacher (2018) noted that the presence of a Big 4 auditor firm from would be expected to decrease managerial manipulation, as a Big 4 auditor will have the technology/experience to detect income smoothing. Dummy variable for companies that reported a loss is also included since Roychowdhury (2006) provides evidence that companies are involved in higher earnings management with the attempts to avoid reporting losses. I control CFO as Ahmed and Duellman (2012) noted that it is positively related to Skewness. Finally, I control for Sales Growth as it may affect measures of unconditional conservatism due to the increase in accruals in accounts such as inventory and accounts receivable (Ahmed and Duellman, 2007).

Results: Table 1 shows descriptive statistics for variables used in my analysis. The mean (median) values of dependent variables *Con_ACC* and *Skewness* are 0.899 (0.054) and 0.365 (0.082),

respectively. The mean (median) value of independent variables *IncomeSm3* and *IncomeSm5* are -1.728 (-0.989) and -1.375 (-1.039), respectively. The mean (median) values of control variables such as *Size*, *Leverage*, *Big4*, *Loss*, *CFO* and *Sales Growth* are 4.154 (3.861), 0.260 (0.164), 0.638 (1.000), 0.145 (0.000), 30.357 (3.000) and 0.196 (0.105), respectively.

Table 1. Descriptive statistics of selected variables

	n	Mean	Std.Dev.	25 th Percentile	Median	75 th Percentile
Dependent variables						
<i>Con_ACC</i>	270	0.899	0.186	0.000	0.054	0.160
<i>Skewness</i>	217	0.365	2.165	-0.385	0.082	1.041
Variable of Interest						
<i>IncomeSm3</i>	164	-1.728	2.464	-1.988	-0.989	-0.472
Control Variables						
<i>Size</i>	260	4.154	1.541	2.890	3.861	5.244
<i>Leverage</i>	232	0.260	0.318	0.000	0.164	0.373
<i>Big4</i>	235	0.638	0.482	0.000	1.000	1.000
<i>Loss</i>	235	0.145	0.353	0.000	0.000	0.000
<i>CFO</i>	266	30.357	60.625	1.000	3.000	29.000
<i>Sales Growth</i>	232	0.196	1.123	-0.093	0.105	0.323

Table 2 presents Pearson correlation coefficients among selected variables. The first measure of accounting conservatism (*Con_ACC*) is positively correlated with *Leverage* (0.29) and *Loss* (0.20) and significant at the 1% level. As well, *Con_ACC* is negatively correlated with *Firm Size* (-0.23) and significant at the level of the 1%. If we consider correlation of *Con_ACC* with proposed independent variable: *IncomeSm3*, correlation is negative but insignificant, -0.13 and which is consistent with my proposed hypothesis that there is no relationship between these variables. The second measure of unconditional conservatism (*Skewness*) has only significantly positive correlation with *Loss* (0.35) at significance level of 1%. There is no significant correlation with proposed independent variable: *IncomeSm3* (0.004), which is also consistent with my hypothesis that there is no relationship between these variables.

Table 2. Pearson correlation coefficients

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) <i>Con_ACC</i>	1								
(2) <i>Skewness</i>	0.16	1							
(3) <i>IncomeSm3</i>	-0.13	0.004	1						
(4) <i>Size</i>	-0.23*	-0.01	0.01	1					
(5) <i>Leverage</i>	0.29*	0.17	-0.22*	0.12	1				

(6) <i>Big4</i>	-0.14	-0.13	-0.01	0.52*	0.17*	1			
(7) <i>Loss</i>	0.20*	0.35*	-0.08	0.01	0.32*	-0.14	1		
(8) <i>CFO</i>	-0.13	0.09	0.09	0.65*	0.01	0.36*	-0.14	1	
(9) <i>Sales Growth</i>	-0.05	-0.13	0.01	0.00	-0.08	0.05	-0.26*	0.01	1

*. Correlation is significant at the 0.01 level (2-tailed)

Size is the natural log of total assets at the end of the fiscal year; *Leverage* is total liabilities divided by total assets at the end of the fiscal year; *Big4* is a dummy variable, equals 1 if a company is audited by Big4 audit firms and 0 otherwise; *Loss* is a dummy variable, equals 1 if a company reported a loss and 0 otherwise; *CFO* is cash flows from operations deflated by average total assets; *Sales Growth* is the percentage of annual growth in total sales.

Table 3 shows the result of regressions with the proportion of unconditional accounting conservatism (*Con_ACC*) as a dependent variable. Column (1) shows that the coefficient on *IncomeSm3* is negative but insignificant. The coefficient on *Firm Size* is negative and significant which is consistent with Ahmed and Duelman (2013) that larger firms having less conservative accounting. The coefficient on *Leverage* is positive and significant which is consistent with Ahmed et al. (2002) that firms which has stockholder-bondholder conflicts demanding greater accounting conservatism. Next, the coefficient on *Big4* is negative but insignificant. The coefficients on *Loss*, *CFO* and *Sales Growth* are positive but insignificant. In column (2), where I include year fixed effect, we may observe that coefficient on *Loss* still positive, but become significant at 10% level. In columns (3) and (4), where I use robust standard errors clustered at the firm level, the coefficient on *Size* is still negative but become insignificant in comparison with previous columns. In all four columns I find no relation between *Con_ACC* and *IncomeSm3* which is consistent with my proposed hypothesis.

Table 3. Dependent Variable: *Con_ACC*

Independent Variables	(1)	(2)	(3)	(4)
Intercept	0.267*** (4.52)	0.243*** (4.14)	0.267* (2.01)	0.243* (2.04)
<i>IncomeSm3</i>	-0.005 (-0.96)	-0.006 (-1.09)	-0.005 (-0.86)	-0.006 (-0.96)
<i>Size</i>	-0.052*** (-3.32)	-0.053*** (-3.22)	-0.052 (-1.63)	-0.053 (-1.55)
<i>Leverage</i>	0.192*** (3.39)	0.185*** (3.16)	0.193* (1.85)	0.186* (1.71)
<i>Big4</i>	-0.004 (-0.09)	-0.000 (-0.01)	-0.004 (-0.05)	-0.000 (-0.00)
<i>Loss</i>	0.066 (1.58)	0.072* (1.66)	0.066 (1.13)	0.172 (1.25)
<i>CFO</i>	0.000	0.000	0.000	0.000

	(0.91)	(0.98)	(0.58)	(0.62)
<i>Sales Growth</i>	0.012	0.010	0.012	0.010
	(0.92)	(0.72)	(0.72)	(0.55)
Year fixed effects	No	Yes	No	Yes
Adjusted R ²	0.174	0.219	0.174	0.156
Number of observations	162	162	162	162

*This table shows the result of regressions with the proportion of accounting conservatism (Con_ACC) as a dependent variable. In columns (1) and (2) I use White's robust standard errors (White, 1980). In columns (3) and (4) I use robust standard errors clustered at the firm level (Petersen, 2009). I include year fixed effects to control for time-invariant unobserved variables in the columns (2) and (4). The t-statistics are in parentheses. ***, **, * denote significance at the 1%, 5% and 10% levels, respectively (two-tailed test). All variables are defined in Appendix A.*

Table 4 shows the result of regressions with the proportion of unconditional accounting conservatism (Skewness) as a dependent variable. Column (1) shows that the coefficient on IncomeSm3 is positive but insignificant. The coefficient on Firm Size is negative and significant at 10% level, which is consistent with Ahmed and Duelman (2013) that larger firms having less conservative accounting. The coefficient on Leverage is positive but insignificant which is inconsistent with results of previous table. Next, the coefficient on Big4 is negative but insignificant. The coefficients on Loss, CFO are positive and significant which is consistent with Ahmed and Duelman (2012) noted that it is positively related to Skewness. Coefficient on Sales Growth is negative but insignificant. In column (2), where I include year fixed effect, we may observe that coefficient on Size still negative, but become insignificant. In columns (3) and (4), where I use robust standard errors clustered at the firm level, coefficients on Loss, CFO are positive and significant as in previous columns which is consistent with Ahmed and Duelman (2012) noted that it is positively related to Skewness. In all four columns I find no relation between Skewness and IncomeSm3 which is consistent with my proposed hypothesis.

Table 4. Dependent variable: Skewness

Independent Variables	(1)	(2)	(3)	(4)
Intercept	1.130*	1.074*	1.130*	1.074*
	(1.83)	(1.73)	(1.82)	(1.74)
IncomeSm3	0.032	0.015	0.032	0.015
	(0.40)	(0.20)	(0.40)	(0.21)
<i>Size</i>	-0.291*	-0.263	-0.291	-0.263
	(-1.76)	(-1.52)	(-1.51)	(-1.26)
<i>Leverage</i>	0.919	0.834	0.919*	0.834
	(1.45)	(1.25)	(1.80)	(1.67)
<i>Big4</i>	-0.553	-0.655	-0.553	-0.655
	(-1.06)	(-1.22)	(-0.82)	(-0.95)

<i>Loss</i>	2.274*** (3.66)	2.343*** (3.76)	2.274*** (4.33)	2.343*** (4.32)
<i>CFO</i>	0.011*** (3.90)	0.012*** (3.97)	0.011*** (3.56)	0.012*** (3.40)
<i>Sales Growth</i>	-0.091 (-0.62)	-0.112 (-0.70)	-0.091 (-0.87)	-0.112 (-0.88)
Year fixed effects	No	Yes	No	Yes
Adjusted R ²	0.164	0.165	0.164	0.165
Number of observations	162	162	162	162

*This table shows the result of regressions with the proportion of accounting conservatism (Skewness) as a dependent variable. In columns (1) and (2) I use White's robust standard errors (White, 1980). In columns (3) and (4) I use robust standard errors clustered at the firm level (Petersen, 2009). I include year fixed effects to control for time-invariant unobserved variables in the columns (2) and (4). The t-statistics are in parentheses. ***, **, * denote significance at the 1%, 5% and 10% levels, respectively (two-tailed test). All variables are defined in Appendix A.*

Conclusion. As discussed throughout the paper, the results of the analysis showed that there is no relationship between income smoothing and accounting conservatism in the context of large Kazakhstani companies. I find insignificant negative and insignificant positive coefficients of income smoothing on accounting conservatism under proposed empirical model. As to theoretical implications, the results of this study contribute to existing literature by extending of the understanding of the relationship of the income smoothing on the accounting conservatism in the context of large Kazakhstani companies. As to practical implications, this study also helps various stakeholders, which are using the financial statements to understand whether the financial statements could include any of the misleading results due to income smoothing practices and to understand which level of accounting conservatism present in selected company. This study has several limitations discussed below:

Firstly, this work covers only companies in Kazakhstan, these results cannot be generalized. Secondly, the research covered only large companies of Kazakhstan that have their financial statements available publicly. However, inclusion of other large private companies would enhance the overall analysis. Also, during the period of the research, significant devaluations of tenge occurred during 2015-2016: average USD rate per tenge: 2014:179.19; 2015: 221.73; 342.16. This could influence the earnings management of observed companies, with the intentions to cover the negative consequences of devaluations. The study did not account for the possible impact on this effect by introducing the control variables due to lack of the time.

The further research project is to cover larger sample (i.e. increase of sample size) of companies in Kazakhstan. Also, the effect of severe devaluations of tenge discussed within limitations is to be further studied. In my further study for a robustness check I will repeat my empirical analysis by using Basu (1997) and Khan and Watts (2009) models for estimation of conditional accounting conservatism.

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Appendix A Variable definitions

Variable	Definition
<i>Con_ACC</i>	Income before extraordinary items – cash flows from operations + depreciation expense deflated by average total assets, and averaged over the previous three years, multiplied by -1. Larger values indicate greater unconditional conservatism.
<i>Skewness</i>	Difference between cash flow skewness and earnings skewness. The skewness of earnings (cash flows) is equal to $(x-\mu)^3/\sigma^3$ where μ and σ are the mean and standard deviation of the earnings (cash flow) over the last five years. All variables are deflated by total assets. Larger values of <i>Skewness</i> indicate greater unconditional conservatism.
<i>IncomeSm3</i>	Firm-level of standard deviation of operating earnings divided by the firm-level standard deviation of cash flow from operations. Calculated using of three years data. Then multiplied by negative one so that values closer to zero represent smoother earnings.
<i>IncomeSm5</i>	Firm-level of standard deviation of operating earnings divided by the firm-level standard deviation of cash flow from operations. Calculated using of five years data. Then multiplied by negative one so that values closer to zero represent smoother earnings.
<i>Firm Size</i>	Natural log of total assets at the end of the fiscal year.
<i>Lev</i>	Total liabilities divided by total assets at the end of the fiscal year.
<i>Big4</i>	Dummy variable, equals 1 if a company is audited by Big4 audit firms and 0 otherwise.
<i>Loss</i>	Dummy variable, equals 1 if a company reported a loss and 0 otherwise.
<i>CFO</i>	Cash flows from operations deflated by average total assets
<i>Sales Growth</i>	The percentage of annual growth in total sales.

“The Impact of Working Capital Management on Profitability: The Case of Export Companies in Russia”.

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Abstract: Working capital is an important component of a company's financial strategy. The company could achieve optimal management of working capital through a compromise between profitability and liquidity. The present research seeks to provide empirical evidence on the impact of working capital management on the profitability of 30 Russian export companies listed in the Moscow Exchange (MOEX) observed from 2014 to 2018.

The results of the ordinary least square regression analysis show a negative relationship between corporate profitability and the various components of working capital. This suggests that Russian export companies must shorten their cash conversion cycle by reducing the number of days of receivables and inventories to increase their profitability.

Keywords: Working capital management, Corporate profitability, Russian export companies, the regression analysis, Moscow Exchange, Financial strategy

1. Introduction

Any organization requires a correct and proper planning of the whole range of its activities if it is to be effective. This means excessive and efficient planning strategies in such spheres as financial management, marketing, human resource management and production. Today, regulation of current liquidity, cash conversion cycle, and corporate profitability form a considerable part of the financial management.

Therefore, the optimal level of working capital management could be achieved by accomplishing a balance of liquidity and corporate profitability. When a firm implements a working capital management policy together with a good level of short-term assets, the liquidity risk can be decreased. On the other hand, the company incurs costs of funds that can be invested in long-term assets.

1.1 Research objectives

The key motivation for the paper is the value of research in the scope of managing working capital, cash conversion cycles and current ratios in Russian companies, and defining their influence on financial results is very limited and underestimated (Volkov & Nikulin, 2012). Historically, due to high inflation and country risk, the financing lending rates in Russia are quite high in comparison to rates in the USA and Europe (refer to Table I).

Country	Average lending rate, %
USA	3.48
Europe	4.91
Russia	11.84

Table I. Average lending rates 2014-2018. Retrieved from <https://data.worldbank.org/> on April 2, 2019

Consequently, the majority of Russian export companies have less alternatives of external funding available to them. This makes them more reliant on short-term finance, specifically on accounts payable. Thus, accurate and efficient management of cash conversion cycles and current ratios should be of strategic importance for Russian export companies.

Therefore, the determination of a financial management policy implies a solution to the following major tasks: what level of working capital should a company possess to ensure efficiency, on the one side, and sustain

its solvency, on the other? Therefore, the practical need for appropriate management of a company's current operations makes it vital to research the peculiarities of managing the current ratio, cash conversion cycle, and corporate profitability within the declared objectives of an export company.

As a result, the aim of this research is to determine the influence of the main working capital components and cash conversion cycle on the corporate profitability of the Russian export companies.

2. Understanding the working capital management and critical revision of previous related studies

The working capital management is crucial to the nature of corporate finance as it straight marks the liquidity and profitability of any business (Deloof, 2003; Raheman and Nasr, 2007). For instance, the short-term assets of a classic manufacturing firm or a commercial firm account for more than half of the company's total assets. Deloof (2003) seized a similar suggestion that the accounts receivables and inventories contain a considerable percentage of the total assets of a company. In fact, the excessive levels of current assets can easily be an outcome of a business that was realizing a return on investment. On the other hand, companies with very few short-term assets can suffer from shortages and difficulties while maintaining the profitable operations (Harris, 2005).

According to Vishnani (2007), the profitability is the rate of return on a company's investment. An unnecessary high investment in short-term assets would diminish this rate of return. The persistence of working capital management is to manage the company's short-term assets and liabilities in order to reach a preferred balance between effectiveness and risk (Harris, 2005). According to Shin and Soenen (1998), well-organized working capital management is a fundamental element of the whole corporate strategy on the way to generating the shareholder value. Some of the working capital management components are described as follows:

The Average Collection Period (ACP) is the time interval used to gather cash from clients. The ACP could be used as a proxy for the collection policy as an independent variable. This kind of proxy was used in previous researches (Deloof, 2003; Lazaridis and Tryfonidis, 2006; Raheman and Nasr, 2007).

The Inventory Conversion Period (ICP) denotes the time span taken to convert inventory held into sales. Consistent with previous studies such as Deloof, (2003), Lazaridis and Tryfonidis (2006) and Raheman and Nasr (2007), the paper used the inventory conversion period as a proxy for the Inventory policy.

The Average Payment Period (APP) is the time period during which the companies pay their suppliers. According to such researchers as Deloof (2003), Lazaridis and Tryfonidis (2006), and Raheman and Nasr (2007), the APP was used as a proxy variable for the firm's payment policy.

The well-organized working capital management encompasses planning and controlling the short-term assets and short-term liabilities in a way that abolishes the risk of incapability of a business to meet due current obligations and to evade the disproportionate investment these assets alternatively (Eljelly, 2004). Moreover, the managers usually spend significant time on routine issues that comprise working capital decisions (Raheman and Nasr, 2007). The main reason for this is that short-term assets are the short-term investments that are constantly being transformed into various supplementary asset types. Relating to short-term liabilities, the company itself is responsible for fulfilling these obligations on a timely basis. Thus, such decisions on the level of diverse working capital components become frequent, repetitive and time-consuming (Harris, 2005).

Furthermore, working capital management is a very complex and comprehensive area of financial management. It implicates the judgment on the amount and structure of the short-term assets and the funding of these assets. The current assets include assets that could be easily converted to cash within a short period in the normal course of business. This is generally within a year and such temporary short-term investment can be transformed into cash upon the need (Raheman and Nasr, 2007). Also, Raheman and Nasr (2007) perceived

that working capital management is the vital term because of its effects on the companies' success and risk and, therefore, its corporate value.

Accordingly, the approach in which working capital is managed has a noteworthy impact on both the liquidity and profitability of the company (Deloof, 2003). For instance, the judgments that are likely to exploit corporate profitability tend to diminish the chances of suitable liquidity. On the other hand, while concentrating almost utterly on the liquidity will incline the reduction of the probable profitability of the company. Thus, a firm can possess larger positive transactions with a substantial credit policy, which, in turn, extends the cash cycle. Furthermore, the longer cash conversion cycle could increase corporate profitability. Nevertheless, the traditional vision of the relationship between the cash conversion cycle and corporate profitability is identified as a longer cash conversion cycle decreases the profitability of a business (Deloof, 2003).

Nobanee (2011) used 2,123 Japanese non-financial firms listed in the Tokyo Stock Exchange for the period covering 1990 — 2004 to examine the effects of working capital management including the cash conversion cycle on company profitability. The research used robust regression analysis. It concluded that there is a statistically significant relationship between the cash conversion cycle and return on investment. These suggest that the shortening of the cash conversion cycle enhances the profitability of Japanese firms.

Thuvarakan (2013) used sixty UK manufacturing firms, twenty construction firms, and seventeen telecommunication firms that were listed in the London Stock Exchange for the period covering 2006-2011 to investigate if there is any relationship between the working capital management, debt and size of the company and profitability. He used receivable days, payable days, inventory days, debt, and size of the company as independent variables, as a dependent variable used gross operating income.

In a related study, Ching (2011) and Alam (2011) investigated the relationship between the company's debt and profitability. The research concluded that there is a negative relationship between the company's debt and profitability. Moreover, it also identified a positive relationship between the company's size, logarithm of sale and profitability. The paper emphasized the impact of different variables of working capital management such as ACP, inventory turnover in days, APP, CCC, and current ratio on the profitability of Pakistani companies. For this research 94 Pakistani companies listed on Karachi Stock Exchange covering a period of 1999-2004 were selected. It was found a significant negative relationship between variables of working capital management and profitability of the companies. Also, it concluded that as the value of the cash conversion cycle goes up, it leads to reducing the profitability of the company. This means managers can create a positive value for the shareholders by decreasing the value of the cash conversion cycle to an effective minimum level.

In turn, this research intends to examine the impact of the well-organized working capital management and its components on the profitability on Russian export listed firms.

To conclude the literature review section of the research, let us summarize the following.

Deloof (2003) and Nasr and Raheman (2007) investigated that there is a negative relationship between days sales in inventory and profitability for companies in their respective jurisdictions and there is a highly significant positive relationship between the time it takes the company to pay its creditors and profitability, implying that the longer a company takes to pay its creditors, the more profitable it is. Thuvarakan (2012) found that there is no significant relationship between the independent variable and gross operating income in the construction industry. He reject that there is a negative relationship between the receivable days and profitability. In the same way he reject there is a negative relationship between the inventory days and profitability. There is a negative relationship between the payable days and profitability, there is a negative relationship between the cash conversion cycle and profitability, and there is a positive relationship between the sales and profitability of the firm, indicating that there is no significant relationship between the working capital components and profitability.

However, there is a negative relationship between the gearing and profitability in the telecommunication firms, but for construction firms and manufacturing firms, there is no significant relationship (Thuvarakan, 2012). After studying the above articles, it is evident that the results of all researchers are the same on working capital management and profitability regardless of different companies, environments and situations.

2.1 Hypotheses development

The hypotheses for the research have been determined based on the analysis of the theoretical literature and previous empirical studies performed in the various countries on the related issues. According to Thuvarakan (2012), the null hypothesis (H0) specifies that there are no relationships between the stated variables (refer to section 3.3). However, the alternative hypotheses (H1) indicate that there are relationships (positive or negative) between the variables. As a result, the following hypotheses were formulated for this study.

H1: There is a negative relationship between the profitability and the level of inventory of the Russian export companies.

H2: There is a negative relationship between the account payable days and the corporate profitability of the Russian export companies.

H3: There is a negative relationship between the profitability of the Russian export companies and the time spent in receiving payment from their customers.

H4: There is a negative relationship between the amount of liquidity generated by Russian export companies and their profitability.

H5: There is a negative relationship between the intensity of export sales and the amount of foreign markets operations and gross operating profitability of the Russian export companies.

H6: There is positive relationship between the debt ratio and gross operating profitability of the Russian export companies.

H7: There is a positive relationship between the size of the Russian export companies and their profitability.

3. Methodology and Data Collection

The design of the research for this paper is defined as descriptive and explanatory. This was established by Harwell (2010), who introduced and explained this topic as the research, which required suggestions and the research questions for the issue that is to be interpreted into further recommendations. There were quantitative methods used in this study as it could depict theory and hypotheses testing by gathering a significant and reliable number of observations.

3.1 Research design and data collection

Data Collection Methods: In the present study, the secondary data collection is used for all the numerical variables, which were able to be obtained from the annual reports. Nevertheless, as this kind of data for the research was derived from the published annual financial statements of the firms included in the sample, it became the single and unique source required for this study. For the study observations, the data was extracted from the published annual financial statements of the selected companies which were accessibly available for downloads from the official websites.

Population and Sample Size: Research had been done on Moscow Exchange (MOEX) and is based on the financial statements of export companies in Russia. The research used the annual data of goods cost of sales, receivables, payables, inventories, and operating income, which were extracted from the financial statements and have been processed using the data analysis methods to get the results. The distribution of the population by sector of activities was replicated in a way that will be described below.

The total population for this study is all the export companies, which were publicly listed by MOEX. Hence, the sample size chosen for this study is 30 export companies, which will be studied within the period of 2014-2018. All the companies will randomly selected from the list of MOEX registered companies.

As shown in Table 1, the sample is mainly presented by the joint-stock companies (63%). The public limited companies represent the other 37% of the sample. Likewise, 27% of observed companies exported over 50% of their products in the four foreign markets (the United States, Asia, Europe, Arab/Africa). Noticeably, that 53% of companies in the sample operate in all four foreign markets. The majority of the selected companies employ around 10,000-50,000 of workers. This means they are considered as large companies.

Let us refer to Table 2 that shows the distribution of selected Russian export companies by industry. Currently, the Russian export market comprises the following competitive industries: oil and gas, mining, processing precious stones and metals, aerospace production and aircraft building, weapons and military machinery manufacture, pulp-and-paper production, electric engineering, automotive industry, transport, road and agriculture machinery production, light and foodstuffs sectors. For the research purposes, the selected sample of the companies represented all the industries that the total population is operating in.

Data Analysis Methods: All the necessary data, equipment, and the statistics results were used to interpret the data for this particular research paper. There are three methods of data analysis involved in this research: regression analysis, correlation and descriptive statistics. Econometric Views (E-views) software was used in this study to analyze the data collected. E-views is a statistical analysis software package, which is usually used for analysis of time series econometrics, forecasting models, and test the correlation between variables.

In this paragraph, the difficulties met during the data collection are presented. Firstly, all the data were collected manually from the financial statements obtained from the official web sites of the MOEX listed companies. For the reported reliability and sample homogeneity with the total population, the companies were evenly selected from the major Russian industries. Such a way of data collecting took a long time.

3.1.1 Dependent variable

In order to identify the influence of working capital management on profitability of Russian export companies, the following measure of the dependent variable is used:

GOP_{it}: Gross operating income is a measure of the profitability of the companies. The reason for using the gross income in this particular research as a dependent variable is that it is needed to measure the operating success or failure of the company before any financial activity has an impact on the profitability.

3.1.2 Independent variables

For research purposes in the measurement the working capital management efficiency, the following independent variables were included in the study: account receivable days, inventory days, account payable days, debt, cash conversion cycle, the size, etc. of each selected sample item.

DSO_{it}: The collection policy is reflected in the days of unpaid sales and measured by $[\text{accounts receivable} \times 365] / \text{sales}$. Here, a low DSO indicates that a company collects its receivables within a few days, and a high DSO means that the company sells its product to customers on credit (Petersen and Rajan, 1997).

DIO_{it}: Inventory days are used as a proxy for the inventory policy. It depicts the average number of day's stock held by companies. It is estimated as $[\text{inventory} \times 365] / \text{cost of sales}$. A higher level of inventory days could indicate that there are poor sales that can increase the storage cost and obsolescence stock.

DPO_{it}: Account payable days are used as a proxy for the payment policy. This variable depicts the average number of a company takes to make payment to its suppliers. It is calculated as $[\text{accounts payable} \times 365] / \text{purchases}$. As the purchases do not disclosed separately in the financial statement, for the analysis purposes, the purchases will be calculated by adding the cost of goods sold with next year inventory deducting current year inventory. The higher the value of account payable days the longer companies take to pay its bills.

CCC_{it}: The Cash Conversion Cycle is used as a broad extent for working capital management and a dynamic form of liquidity. It could be described as the time span between the cost of purchasing of raw materials and collecting the payments for finished product sales. A positive CCC indicates the number of days the company is awaiting payment from its customers. However, a negative CCC indicates the number of days the company can postpone the payment to its suppliers (Hutchison, 2007). Thus, for identification of efficient cash flow management the company should possess a shorter CCC.

EXPR_{it}: The experience is measured by the number of years that a company has in export business. In fact, the older the company the more effectively it could compete in the international markets due to its maturity and experience.

MARKT_{it}: The number of foreign markets the firm is operating in is an ordinal variable. It gets the value 1 if the firm exports in only one foreign market, and so further, 2 - if it exports in two markets, 3 - if it exports in three markets, 4 if it exports in four foreign markets. Please refer to Table 1 above for the exhibition of the percentage and number of companies dealing with 1 to 4 foreign markets. The sample companies could export to either or all of the following markets: USA, Asia, Europe, Arab/Africa worlds. Hence, when Russian companies could enter more markets, it may experience a significant share of export sales, thus, enhancing the profitability.

INTSTY_{it}: Export intensity is defined as the ratio of export sales by total turnover. Two measures of export-level firm performance were used in previous studies: export propensity and export intensity. Export propensity is defined as whether or not the company is an exporter. Russian export companies will be more profitable if they have a high level of export intensity.

The other dependent variables related to the characteristics of Russian export companies are:

CR_{it}: The current ratio is calculated as dividing the current assets by current liabilities.

SIZE_{it}: Here, the size of the firm is measured by the sales record in millions of Russian rubles (RUB) (1USD = 64.42 RUB).

DR_{it}: Debt is the duty owed by one company to another company. Gearing is used as a proxy for the financing policy. It depicts the level of the companies' debt compared to its total assets. Usually, it is expressed as a percentage.

4. Analysis and Findings

4.1 Correlation analysis

The Pearson correlation coefficient analysis of all variables is presented in Table 3 (Appendix 1). The underlying correlation analysis was calculated based on the data of 30 Russian export companies during the period from 2014 to 2018. The results of the Pearson coefficient analysis shows that there is a negative relation between companies' gross operating income with receivable days, respectively, with the coefficient of -0.280 with a p-value of 0.054, which is higher than the determined p-value of 0.05. This means that there is no significant correlation between these measures.

Table 3 (Appendix 1) reports the negative relationship between the GOP and CCC (-0.1353). This is consistent with the idea that insufficient liquidity makes the export company unable to cover various expenses. In this regard, any liquidity lack in the external market will affect the company's exporting ability to face competition. Thus, reducing the time period between the purchase cost and the accounts receivable collection increases the profitability of the company.

Pearson's correlation result indicates that cash flows blocked in the inventory may have a slightly positive impact on profitability (0.1202). Considering this conclusion, it appears that Russian export companies can increase their profitability by significantly shortening the period of inventory sales. Moreover, export companies experience additional expenses due to shipping costs, foreign law and regulations or product advertisement. Thus, these costs are one of the reasons for maintaining an adequate inventory to cover possible demand.

According to Bougheas (2009), the profitability of business may increase if the benefits of maintaining low inventory levels increase more rapidly than the related costs. Furthermore, this result is consistent with the positive relationship between the outstanding inventory days and the cash conversion cycle (0.5895). Hence, the export companies that could turn slowly the input into the sales have a longer inventory cycle. This means that they have to cover this cycle by the additional expenses or funds, which explains the decrease in their profitability.

Furthermore, the Pearson correlation represents a positive relationship between the days of outstanding receivables and the cash conversion cycle (0.3127). This means that Russian export companies allow more time for their customers to assess the quality of their products due to competition with other foreign businesses. Thus, the time of working capital will increase as the companies will raise the credit days for their customers.

The debt ratio is positively correlated to the gross operating profit, which suggests that externally funded companies are more efficient. This means that in order to get access to external finance companies have to attain a healthy financial situation. Moreover, the monitoring put by stakeholders can improve business productivity and efficiency through their ability to gather information and minimize different moral hazard problems (Bellouma and Omri, 2008).

Increasing the size of the company improves its profitability. Thus, the larger the exporter's business the more profitable this business is. Because such companies can stabilize cash flow difficulties and grow competitively in the external market. This could be observed from Table 3 (Appendix 1) as well that depicts the coefficient between the GOP and the size of the company to be positive (0.6523).

In terms of the export extent, the intensity of a company's export is positively correlated with its export experience (0.0122). Certainly, the wide export experience in the foreign countries boosts the firm's reputation and leads to a growth in the export sales share.

The correlation result between the gross operating profit and payable days is 0.1944 with a p-value of 0.0471. It reaches a significant level at $\alpha=5\%$. Thus, this indicates that there is a significant relationship between the payable days and profitability, consequently, if a company increases or decreases its payable days, the profitability of the company increases or decreases, respectively. In other words, the long credit period is preferable for companies, because it is seen as internal financing that helps a company to save expensive costs occurred by reaching external financing such as bank loan. In addition, the payables days are significantly correlated with receivable days and debt ratio. This is because the coefficient correlations of those relationships are 0.2783 and 0.3311 and the p-value of these variables is less than a determined p-value of 1%. This means that the faster a company collects receivables from its customers, the sooner the cash is available to pay payables.

It is worth to note that almost all components of the working capital are adversely related to export intensity. This adverse correlation shows that converting stocks into cash flows usually requires many steps associated with the type of industry (e.g., storage, production and distribution). These steps lead to a long cash conversion cycle and can impede the company's operations and its level of sales.

4.2 Regression Analysis

So far, the report established a framework of literature and data analysis to be able to consider the influence of working capital management on GOP. In order to shed more light on the relationship between working capital management on firms' profitability, we use regression analysis.

For the identification of the impact of working capital management on the profitability of the Russian export companies, a regression analysis on the dataset was used.

In this section, the results of the Multiple Regression analysis used to evaluate the effect of working capital components on corporate profitability will be presented.

The regression models for each research sector is stated as:

$$GOP_{it} = \alpha_i + \epsilon_i WC_{it} + \delta_i^j CC_{it}^j + \rho_i^f ED_{it}^f + \epsilon_{it} \quad (1)$$

Where: GOP_{it} : Gross Operating Profitability of a company i at a time t ;

α_i : The intercept of the equation;

WC_{it} : The Working Capital Management variable of a company i at a time t . We also introduce the four variables (DPO, DSO, DIO, and CCC) one by one in order to identify their effects on corporate profitability.

ϵ_i : Coefficient of the Working Capital Management variable;

CC_{it}^j : The variables related to the company's characteristics (e.g. j : size, dr, etc.);

δ_i^j : Coefficient of the company's characteristics variables;

ED_{it}^f : The variables related to the export dimensions (e.g. f : MARKET, INTSTY, etc.);

ρ_i^f : Coefficient of the export dimensions variables;

$i = 1, 2, \dots, 386$

t: Time = 2014...2018

ε : The error term = $u_i + w_t + w_{it}$ (u_i : is the individual effect, w_t : is the temporal effect and w_{it} : is a composed effect);

Next, equation (1) is transformed into a form:

$$\text{GOP}_{it} = \alpha_i + \beta'_i X_{it} + \varepsilon_{it} \quad (2)$$

Where $\beta'_i = (\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8, \beta_9, \beta_{10})$ and $X_{it} = (\text{WC}_{it}, \text{CC}_{it}, \text{ED}_{it})$

Table 4 (Appendix 1) shows the regression model summary. This is one of the important because it presents the measures of how the overall model fits and how the predictors (DPO, DSO, DIO, CCC, DR, CR, SIZE, EXPR, INTRSTY) can impact the Gross Operating Profit of the Russian export companies. This table provides the following measures: R-value (coefficient of correlation), R-squared (coefficient of determination), Adjusted R-squared and Durbin-Watson statistic.

According to Volkov and Nikulin (2012), the coefficient of correlation from the sample data measures the strength direction of a linear relationship between two variables. The range of the correlation coefficient is from -1 to +1. If there is a strong positive relationship between the variables, the value of R will be close to +1. If there is a strong negative relationship between variables, the value of R will be close to -1. When there is no relationship between variables or only weak relationship, the value of R will be close to 0. From the Table 4 (Appendix 1), the value of R is 0.778; consequently there is a strong correlation between the dependent variable and predictors (independent variables).

The value of the R-square is 0.693, which indicates that 69% of the variance within the dependent variable (GOP) can be explained by the independent variables.

Furthermore, the Durbin-Watson statistics is used to test for the presence of autocorrelation among residuals. Generally, the statistic should ranges from 0 to 4 with zero - indicating the positive autocorrelation and four - indicating the negative correlation among the variables. Moreover, a value of 2 indicates no autocorrelation in the sample. From the table above, the Durbin-Watson is 1.353, which is less than two critical values of $1.5 < d < 2.5$. Thus, we can conclude that there is a positive autocorrelation in our multiple linear regression data.

As indicated in Table 5 (Appendix 1), there is a negative relationship between the payable days (DPO) and gross operating profit (GOP). The t-value is -0.54. Hence, it can be concluded longer days of outstanding debt negatively affect the profitability of export businesses, which is consistent with the second hypothesis. Moreover, the relationship between the days of payables outstanding and the Russian export companies' gross operating profit is statistically significant (significance at the level of 5%). The negative relationship between these variables can be explained that large export companies that operate in the major foreign markets choose to decrease the number of days for accounts payable. Because usually, the suppliers offer cash discounts for early repayment. Thus, Hypothesis #2 is accepted here.

Next, as shown in Table 5 (Appendix 1) with regressions, the number of days of sales outstanding in circulation is negatively related to the export companies' gross profitability. This was underlined by the Hypothesis #3. This means that the companies' profitability could be increased by reducing the credit period provided to their customers. Moreover, when large Russian export companies transform their sales into cash in a short period, they can increase their profitability. Likewise, effective accounts receivables policy increases the corporate value. Thus, Russian export businesses should firstly perform the analysis and research of the external target markets by collecting sufficient information about customer behavior. Indeed, there is a

difference between the domestic and export sales, as later deal with foreign agents, transportation costs, insurance costs, etc. Here, the third Hypothesis is accepted.

Furthermore, from the above table, it could be noted that the days of outstanding inventory are negatively correlated to corporate gross operating profitability (t-value of -5.01 and at the 1% significance level). This supports the idea that more profitable export companies maintain a low level of inventory. This is derived from the fact that more efficient businesses strive to effectively employ the Economic order quantity model. In inventory management, the economic order quantity (EOQ) is “a model that is used to calculate the optimal quantity that can be purchased or produced to minimize the cost of both the carrying inventory and the processing of purchase orders or production set-ups” (Becker, 2018). Also, the regression results depict that regardless of the specific nature of each sector, stocks must be minimized to effectively and efficiently managed in favor of the working capital management and GOP. Thus, this conclusion is consistent with the first Hypothesis.

The above discussion applies to the three components of working capital (DPO, DSO, DIO) one by one. However, to have a more accurate view of the working capital management within the Russian export companies and its impact on profitability, the study will continue with the consideration of them together. Thus, there is a cash conversion cycle included as an independent variable to measure the company's liquidity level. Table 5 (Appendix 1) underlines that the CCC is negatively related to the profitability of export companies with a level of significance of 1%. This could be explained by more details as to when the cash conversion cycle goes down; the gross operating profit goes up. This clearly implies that in order to increase the operating profit, a company has to efficiently reduce the receivable days, account payable days and inventory days.

Thus, a short cycle of cash conversion can increase profitability, since it implies a higher level of liquidity. The result is unjustified with the fourth hypothesis. What's more, effective working capital management depends on speeding up the collection of liquidity and maintaining a shortlist. Hence, Hypothesis #4 is rejected.

Concerning the other variables included in the research, the DR is shown to be positively related to the GOP of export companies in Russia. The level of significance is 10%. This shows that there is a positive relationship between gearing and profitability. Thus, the level of corporate leverage can be used as an important tool to anticipate the financial condition of a company and its ability to be compressed by loans. Here, Hypothesis #6 is accepted.

Next, the study will refer to the size of the company. The regression table shows that large companies have an important gross margin with a very high level of significance (1%). In addition, normally, a large-sized company has the ability to implement an appropriate export strategy with the requirements of international markets by reducing costs due to the advantages of economies of scale, wide experience and positive reputation. Thus, Hypothesis #7 is accepted.

Furthermore, the export dimension variables' regression analysis will be assessed in this paragraph. Table 5 (Appendix 1) states that both the intensity of export sales and the number of foreign markets appear to have a positive effect on the corporate profitability of the Russian export companies. Here, the coefficients possess a very high level of significance of 1%. Likewise, the exporter is usually targeted as the best suitable overseas market and focus on the specific opportunities in line with the corporate objectives and strategy. However, this is performed after evaluating the important regulatory issues, standards, cultural characteristics as well as assessing the possible distribution channels, pricing strategies, competitors, transportation, insurance, and other costs.

In particular, if the positive effect of export intensity is related to the receivables policy, then the aptitude of the Russian export companies in limiting the credit period for its customers increases the share of

exports and increases profitability. Moreover, the positive relationship between the foreign export performance (measured by the intensity of export and a number of foreign markets) and profitability suggests that companies should aim to sell more goods abroad and comply with international standards in order to improve strategies for better performance. Thus, Hypothesis #5 is rejected.

5. Conclusion

The research investigated the impact of working capital management on the profitability of the Russian export companies during the period 2014-2018. The nature of the relationship has been examined using the Pearson correlation and OLS regression analyses. To summarize, the results obtained consolidates that efficient working capital management enhances the value of the firm and international competitiveness.

The study identified a statistically significant inverse relationship between the gross operating profitability of export companies and the days of sales outstanding, the days of inventory outstanding the days of payables outstanding and the cash conversion cycle. These outcomes confirm that managers can increase profitability of the firm by increasing inventories to a reasonable level as well as minimize effectively the period for credit payments and purchases. In addition, a longer cash conversion cycle will negatively influence the profitability since a low liquidity level affects the firm's risk. The analysis shows the positive relationship between the debt ratio and profitability.

Besides, the study identified the significance of the role played by the export measures in the definition of the Russian export business profitability. Furthermore, the intensity of the export and the number of foreign markets in which the firm operates, positively influence the corporate profitability.

More specifically, the regression analysis suggests that there is a negative relation between the profitability and the export firm's size, the number of foreign markets in the portfolio of operation, and the intensity of export.

Consequently, there is a summary table 6 (Appendix 1), which consolidates the status of each hypothesis.

6. Further research and recommendations

Finally, despite the analysis emphasis that determines the consequences of the effective working capital management on the corporate profitability of Russian export companies, the study was constrained by the retained variables. Therefore, further research should take into consideration more detailed variables, which could capture the nature and the role of the supplier-buyer communication. Also, other studies may include various cultural characteristics in order to explore export transactions and working capital management.

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8. Appendix

Table 1. Sample description

Characteristics	n	Percentage of total
Number of employees		
less than 1000	3	10%
1000-10,000	8	27%
10,000-50,000	15	50%
more than 50,000	4	13%
Company age, years		
0-5	2	7%
5-10	4	13%
10-30	21	70%
30 and more	3	10%
Export sales ratio		
less than 10%	4	13%
10-25%	7	23%
25-50%	11	37%
Over 50%	8	27%
Type of the company		
Joint Stock Company	19	63%
Public Stock Company	11	37%
Number of foreign markets		
1	3	10%
2	4	13%
3	7	23%
4	16	53%

n=30

Table 2. Distribution of selected export companies by sector of activity

Activity sector	n	Percentage of total
Agricultural Complex	5	17%
Construction, Machinery construction	6	20%
Metallurgical complex	6	20%
Chemical and Petrochemical industry	7	23%
Fuel and Energy	6	20%

n=30

Table 3. Pearson's Correlation Coefficients

		GOP	DPO	DSO	DIO	CCC	DR	SIZE	CR	EXPR	INTSTY
GOP	Pearson										
	C Sig.	1									
DPO	Pearson	0.1944*									
	C Sig.	0.0471	1								
DSO	Pearson	-0.1543	0.2783**								
	C Sig.	0.0981	0.0001	1							
DIO	Pearson	0.1202*	0.4135**	0.0861**							
	C Sig.	0.0314	0.0000	0.0001	1						
CCC	Pearson	-0.1353*	0.3791**	0.3127**	0.5895**						
	C Sig.	0.0233	0.0000	0.0000	0.0000	1					
DR	Pearson	0.1616	0.3311**	0.3706**	-0.0215	-0.204					
	C Sig.	0.0550	0.0000	0.0000	0.0656	0.0590	1				
SIZE	Pearson	0.6523**	0.4312**	0.2110*	0.3545	0.0652**	0.0873				
	C Sig.	0.0000	0.0003	0.0318	0.0665	0.0078	0.2301	1			
CR	Pearson	0.2314	-0.2478	0.0333	-0.017	0.1559	0.0276	0.1547			
	C Sig.	0.6753	0.3751	0.7622	0.3412	0.3473	0.2456	0.3651	1		
EXPR	Pearson	0.0140	0.0681	0.0397	0.0762*	0.0234	0.0543	0.0111	0.0274		
	C Sig.	0.5332	0.2432	0.5431	0.0443	0.3546	0.2398	0.6576	0.5643	1	
INTSTY	Pearson	0.2433**	0.1322**	0.4232**	0.3543**	0.1269**	0.0142	0.2539	0.4391	0.0122	
	C Sig.	0.0000	0.0000	0.0000	0.0010	0.0498	0.0631	0.3567	0.8723	0.6131	1

* - Correlation is significant at the 0.05 level ($\alpha=5\%$). ** - Correlation is significant at the 0.01 level ($\alpha=1\%$).

Table 4. Determinants of profitability – Model summary

Model	R	R-squared	Adj. R-squared	Durbin-Watson Statistic
GOP	0.778	0.693	0.594	1.353

Table 5. OLS Regression Analysis

This table presents the ordinary least squares regressions of the Working Capital Management variables on the independent variables. Detailed definitions of dependent variables and independent variables are presented in Section 3.2. St. errors are shown in parentheses.

Variables types	(1) GOP	(2) GOP	(3) GOP	(4) GOP
<i>Working Capital Management Variables</i>				
DPO	-0.0112 (0.54)**	-	-	-
DSO	-	-0.0253 (4.75)***	-	-
DIO	-	-	-0.0289 (5.01)***	-
CCC	-	-	-	-0.0187 (4.66)***
<i>Companies' Characteristics Variables</i>				
DR	0.4680 (2.14)*	0.3813 (1.93)	0.3865 (1.96)*	0.3372 (1.87)*
SIZE	2.163 (5.54)***	1.9571 (5.12)***	1.6469 (4.35)***	2.0563 (4.91)***
CR	2.4327 (0.34)	2.276 (0.33)	1.8605 (0.41)	1.934 (0.27)
<i>Export Dimensions Variables</i>				
EXPR	0.0201 (1.78)	0.0147 (2.45)	0.0213 (2.11)	0.0218 (1.89)
INTSTY	1.2651 (7.67)***	1.2878 (8.12)***	1.349 (8.35)***	1.1037 (7.84)***
MARKT	0.2319 (4.12)***	0.2631 (4.67)***	0.1739 (3.89)***	0.1448 (4.33)***
CONSTANT	23.837 (3.12)***	19.812 (5.46)***	21.622 (8.33)***	16.543 (5.29)***
<i>N</i>	150	150	150	150
<i>F-test</i>	16.32***	15.73***	14.59***	17.14***

Notes: GOP – Gross Operating Profit; DPO – Days of Payables Outstanding; DSO – Days of Sales Outstanding; DIO– Days of Inventory Outstanding; CCC – Cash Conversion Cycle; DR– Debt ratio; SIZE – the size of the company; CR – Current ratio; EXPR – the company’s experience; INTSTY – the Intensity of the export; MARKT – Q of foreign markets. t-statistics are shown in parentheses. * $p < 0.05$. ** $p < 0.01$. *** $p < 0.001$

Table 6. Summary of Hypotheses

Hypothesis	Result
H1: More profitable Russian export companies maintain a low level of inventory.	<i>Accepted</i>
H2: There is a negative relationship between the account payable days and the corporate profitability of the Russian export companies.	<i>Accepted</i>
H3: More profitable Russian export companies spend less time in receiving payment from customers.	<i>Accepted</i>
H4: The amount of liquidity generated by Russian export companies negatively influences their profitability.	<i>Rejected</i>
H5: There is a negative relationship between the intensity of export sales and the amount of foreign markets operations and gross operating profitability of the Russian export companies.	<i>Rejected</i>
H6: There is a positive relationship between the debt ratio and gross operating profitability of the Russian export companies.	<i>Accepted</i>
H7: Larger-sized Russian export companies are more profitable.	<i>Accepted</i>

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“The impact of economy on Tajik emigration”

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Abstract. The process of population emigration becomes the main topic for the socio-economic discussion throughout the modern political and economic platforms. Central Asian countries after the collapse of Soviet period have been taken active part in the labour immigration process due to the internal and regional motives. This paper tries to figure out the interrelation of economics motives for the migration within Tajikistan which basically presents similar case with Kyrgyzstan and Uzbekistan. The paper examines the importance of economy and its influence on the flow of Tajik emigration outside the country. The paper uses a review of relevant literature and responses from the questionnaire survey of responded immigrants. Using both economic and social theories, the paper observes that the Tajik emigration has made significant contribution to Tajikistani socio-economic status but has its long run negatives consequences for the internal economic disability. The modern Tajikistani emigration case is compared with the similar historical studies of Turkish emigration in early 20th century for a deeper understanding of the Tajikistan’s case since both cases represent labour emigration caused by economic circumstances.

Key Words: migration studies, economic development, Tajikistan

Introduction. Tajikistan an independent state in Central Asia with overall calculated population of 8.5 million people is facing dramatic increasing scale of migration by the citizens abroad. Since its independence the state is considered to be new emerging country with basic critics on its political and economic principle and development. The country is a landlocked state and 92% of the country territory is covered by high rocks and mountains. The geographical location of Tajikistan plays a huge role in its economic situation due to limited access to mineral resources and deficit of proper land for the agriculture developments. If such massive labor industries fail to operate and provide more job places then the states is going to face major problems with deficit of workplace. If the citizens are not satisfied with their life condition in their existing environment in most cases they will seek for new better environment to migrate.

Tajikistan citizen’s migration abroad initially was interconnected to the collapse of USSR and the official sovereign status in 1991 which lead to harsh economic period during the Civil War lasting until 1997. Almost 20 % (1.2 million) of the existed population during the Civil War was displaced. (Hays, 2008). The state went with the task of rehabilitating its economic, political and social status. The migration process during the Civil War period generally was based on social and security motivation, but after the 2000s the reasons for the migration switched to economic motives. The fundamental reasons in describing the migration in economic perspective are the unemployment motives. Millions of people left the country choosing different destinations due to core reason of finding job places. By 2014 over 1.3 million of Tajik citizens (habitually labor force) were found in Russia, representing 10 % of the foreign people residing in Russia. (FIDH and ADC Memorial, 2014). Still the citizens migrate abroad even if they find the conditions abroad harsh and difficult to survive in foreign country. If the constant high flow of migration abroad countries, Tajikistan will face the basic demographic lost crisis soon. For that reason the research will include some examples of the labour migration from Turkish history and compare the scheme with the recent Tajik labour migration case. It will be rational to talk about the benefits of the Tajik labour migration especially after they are back to their homeland with

their experiences, and willing to share those experiences for the future development of the state. Accordance to major economic analysis Tajikistan economic income is highly reliance on the remittances, and makes positive contributions to the. For some specific detailing through my thesis process I will go into conducting interviews and other personal basic surveys to clear up some issues which will be not enough covered by the primary sources and secondary sources. It is important to figure out what are the basic satisfactions and reasons for Tajik migrants abroad that they decided to leave their own country. The reasons for the migration are divided into such categories: political, economic, social, educational, personal. The core question of the research will be trying to define the reasons for migration on finding out which of these motives forced them to migrate basically focusing on the economic perspectives such us unemployment, poverty, low wages. For the research purpose some interviews will be conducted to define how far they are satisfied with the foreign countries, are they happy abroad, and are they enough satisfied with their living conditions and their possibilities of coming back. Basic question will be covered in order to figure out the motives and reasons focusing generally on the economic perspectives.

Research Questions: As far my theme is focusing on economic affection and reasons of emigration, the research questions are:

1. How important is the role of economy in the issue of Tajik labour emigration since its appearance?
2. What sort of outcomes and changes in the state economy can be expected by decreasing or increasing the Tajik labour emigrants abroad?
3. How does the state government put its effort to create a proper condition for trying to regulate emigration flow abroad? Their level of success/or failure?
4. What can be our expectations on the future scale of Tajik emigration?

These are the initial and major questions that are aimed to be covered throughout the research process. I am sure that this specific concentrated question are still has not been covered in deep by previous papers and publications.

Methodology. The paper focus on deep review of relevant secondary literature as well as primary sources through responses questionnaires survey questionc. Moreover internal documents and articles used from the National Tajikistan Department for immigration will be used for providing supportive evidences for my theory discussion. In addition to the secondary sources, the questionnaires survey will be used as the explanation of the importance of remittances on the national economy and its significance for the family expenses. The survey will allow comparing the macro and micro effect of the remittances for the wellbeing of Tajikistan. The survey is conducted between October and December 2019.

Purpose of the Study. Migration itself is a temporary or permanent move of individuals from one geographical location to another for seeking better condition. Usually people migrate for political, ethnical or social persecution, environmental issues, employment possibilities or other social and personal reasons. The historical studies on this theme has come up with the theory that people always migrate for better condition within certain period of time or within the rest of their life. There are various reasons for migration depending on the migration actor's drivers and origins. The state is original through its division of territory, boundaries, population and other national identity. It is impossible to imagine a state with no original traditional population calling it a group of people who shares the same territory and boundaries within the state. The state government is the primary responsible actor on taking care of its own citizens. This study tries to figure out the major economic reason for Tajik migration and the efforts that the government tries to put on the economic development parallels influencing the case of emigration which in fact is based and motivated by unemployment and other economic gaps factors. Here when we talk about the economy, we straightly focus on

issues of high unemployment and weak economic performance which is unable to develop the system of involving majority of the citizens into any kind of economic activities. The huge flow of Tajik emigrants abroad in the near future might cause the deficit of the population in the state demographic. It is clearly obvious picture that those Tajik emigrants abroad are facing certain difficulties by becoming sociocultural reintegrated to absolute different culture and environment. But still there will be mentioned a positive side discussion on the Tajik emigration concerning the importance of remittance and the turn-back emigrants' skills by developing the new ideas and activities within their own homeland. Still since the independence years of Tajikistan 1992, the issue of emigration lays down in the center of local and regional discussion. Due to this paper will focus on other major questions which were not touched deep in previous similar researches.

Regarding my topic from the literature review and researching process it is true to summarize the theory that the migration in Tajikistan initially based on persecution reasons during Civil War from 1992 to 1997 and in the secondary stage based on economic push factors precisely concerning the unemployment problems within the country. The research tries to figure out both push and pull factors of the Tajik citizens migration factors abroad as they are detected. The motivation that drives the Tajik citizens to emigrate tends to have two sides. The emigrants abroad can be defined as temporary and permanent. It is quite important to define what cause them to choose one of these options are they going to be as permanent migrant or temporary. Practically there are reasons for being a permanent and temporary migrant. The theory of choice is human behavior can be linked to my topic of discussion. People choose to leave abroad for a better life conditions, avoidance of persecution or economic attraction. These motives are practically self-evident self-motivated choice made by individuals. It all depends on the circumstances of the individuals how he or she finds suitable and satisfied how or her life abroad. The topic includes other some reasons and causes which require a quite depend and long run research process. As far Tajik migrants see the solution for their unemployment position abroad this can state that they can find their needs and wants there as well. As the person finds a satisfactory zone for his or her life the possibilities of choosing certain environment for living their life is quite high. The Tajik state government tries to control tier migration flow outside, because if the flow would last for other few years the state would fall into demographics crisis. Many intelligent Tajik citizens study and work abroad, because the state fails to provide them with satisfied knowledge ground and qualified job places. It would be normal to hypothesize the following way: Tajik temporary and permanent migrants abroad are more satisfied with the life conditions abroad and the chance for returning back decrease by their period of life there. The hypothesis would lead us to the basic pull factors, where those who find a comfort life abroad tend to bring out of the state their close family ties in order to deliver them the best life that they are not aware of. Through the researching process the major reasons for Tajik labour force in Russia is straightly connected with the pull factors. Many Tajik labour force people in Russia pulled out from Tajikistan their close relatives and friends to join them abroad or simply motivated them to seek better place out of their home territory.

Literature Review. Major of the migrant leave the country for earning money, and majority of them are allocated in Russian Federation territory. The gender equation in the number of Tajik migrants abroad is equal to 94.3 % of male and 5.7 % women. (Crestani and Bardak, 2010). This data shows which gender takes active part in the migration process and there are basic reasons for that. The primary reason is correlated with the low standard workplace (construction projects) and other harsh tuff conditions abroad that physically the female cannot survive. Women are used to carry the function of caregivers and housekeeper in a traditional family structure and in other more conservative societies and region in Tajikistan they are simply not allowed to work and earn money. The men are the main source of income and foundation feeding source and are responsible for feeding their children and keeping their household needs and wants covered through their earnings and wages. The reason for migration is only earning money and workplace and for that issue men feels responsible and they are traditionally obliged to leave the country and fulfill their original family responsibilities. Dominant age of the labour migration is 15-29 years which covers almost 53% of the Tajik labour migrants abroad. In series the next dominant age is 30-49 covering 44.4% of the labour migration. Despite the age and gender the education and professional training of the migrants also plays important role to

deepen the motivation picture. “According to the LFS 2004, approximately every third labour migrant (31.5%) has some professional training” (Crestani and Bardak, 2010). More than 57 % of the labour migrants in Russian are specialized with secondary education and absent with the professional training experiences of their working field.

TABLE 1.1 DISTRIBUTION OF LABOUR MIGRANTS FROM CIS COUNTRIES

Country	Total number of labour migrants		Distribution by country of departure (%)			
	Thousands	% of population	Russia	Ukraine	Other CIS countries	Other countries of the world
Azerbaijan	1,365	15.9	70.6	8.8	12.6	7.9
Armenia	813	27.1	67.9	8.5	5.0	18.6
Georgia	1,025	23.3	70.0	9.2	5.8	15.0
Kazakhstan	3,710	24.0	78.4	8.8	6.6	6.3
Kyrgyzstan	615	11.7	84.1	6.3	2.5	7.1
Tajikistan	797	11.8	84.4	5.4	5.4	4.8
Turkmenistan	260	5.2	76.0	12.7	0.8	10.5
Uzbekistan	2,186	8.1	50.5	14.7	26.1	8.7
Total	10,771	14.3	70.9	9.7	10.7	8.8

Source: Russia and the Countries of the Commonwealth of Independent States, Moscow, 2008, p. 30

Table 1.1 shows the flow of labour migrants and their central destinations. The Tajik labour force in Russia remains at the very top percentage comparing to other CIS countries. Still Tajik migrants are choosing their destination to other countries in the world but it covers only 15.6 % of the whole Tajik migrants abroad. Many Tajik migrants also moved to the United States using the Green Card Lottery. According to the official statistic website of the green card lottery about 1171 Tajik citizens won the green card along its operating period. These green card lottery winners usually immigrate to US for better life conditions. Usually very few portions of the population know about this kind of opportunity of legal migration to US. Fundamentally, only enough educated people can use such chances because the process of applying and selection to the lottery program requires the Basic English language knowledge. The green card winners are usually satisfied with the life condition In US as far they have all the rights and permission for working and other things.

Labour emigrants are motivated to live and work abroad because of unemployment status in their homeland. The government tries to decrease the unemployment rate and other factors that motivate Tajik citizens to leave their homeland. But at the same time the government can figure out the potential negative consequences out of minimizing the level of emigration abroad. “In 2017, the country’s budget received almost \$ 2.5 billion remittances from migrants abroad and all this money is about 30% of the gross national product of the republic”(Vadim, 2018) . “According to a report by the International Monetary Fund (IMF), depending on assumptions, remittances to Tajikistan now stand between U.S \$400 million and U.S \$1 billion annually, or between 20 to 50 percent of Tajikistan’s total GDP; most all of this money is remitted from Russia” (Erlich, 2006).

This shows that basically the state budget is highly dependable on the foreign remittance earned by the Tajik labour force abroad. The government and major organizations see the importance of solving the issue of dependence of Tajik economy on outside remittances assistance. The World Bank, Asian Development Bank

and other economic development organization assist the government to create new economic market system where the focus is decreasing of unemployment through creating of capitalistic competitive market system with large and small entrepreneurs. “The government has adopted a plan to reduce the negative impacts of mass deportation of migrants from Russia”(Anvar, 2016). This anti-crisis actions are aimed to deal with the issue on the adoption of measurements for the employment of migrant’s workers returning from abroad, providing social protection, trainings necessary professions and certifying professional skills for the citizens of Tajikistan. The state is cooperating with the great international institution such as World Bank, IMF and European Nation programs for fixing the economic gaps for future prevention of economic crisis. International organization provides numerous grants and developmental programs for Tajikistan government for minimizing their dependence on the high inflow of remittances which covers 30-40 percent of the whole GDP. The state receives theoretical guidelines and financial assistance from such organizations but the main reasons are not addressed. The main reason for the poor economy is corruption which is highly criticized by the international freedom fighter organizations and considered to be one the main obstacles for those international organizations to fulfill their goals in Tajikistan.

Conclusion: This paper examines the economic motives for Tajik emigration abroad and the influence of emigration abroad on Tajikistani socio-political condition. Moreover the thesis presents how the emigrant from abroad through their various methods of benefits has been contributed positively to the development of their homeland. However, still the government and other international specialist predicts long-run negative consequences for the rising numbers of Tajik emigration abroad. Detailed explanation of the economic advantages out from emigrant remittances on Tajik economy will also be studied throughout a questionnaire survey. The survey aims to clarify the impact of remittances effects on macro and micro level of state economy. The questionnaire will try to figure out the importance of financial remittances on individual family lifestyles and its contribution to the Tajik national financial development.

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Appendix 1: The impact of economy on Tajik emigration

1. Name (Optional):
2. Sex:
3. Current Position:
4. Marital Status:
5. Level of Education:
6. Number of Children:
7. Current living country:
8. When Did you leave Tajikistan:
9. The reason of leaving Tajikistan:
10. What keeps you from returning to Tajikistan? Why are you still not back?
11. Are you the financial supporter of your relatives at your homeland?
12. What motivates you to send money to your family?
13. Can your family in Tajikistan live their life without your support?
14. Are you planning to return back to Tajikistan?
15. What can Tajikistani government do to encourage the labour migrants from abroad?

“The relationship between job satisfaction, organizational commitment and organizational citizenship at XYZ Company”

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Abstract. The paper explores relations between job satisfaction, organizational commitment and organizational citizenship. The additional factors examined were demographics which include age and working experience. The paper applies quantitative analysis, for which data is collected by means of structured questionnaire. The theoretical value of the research project is seen in development of the model that will account for the relations of three variable in modern organizations, whereas this paper is dedicated to the review of concepts and development of conceptual framework.

Key Words: job satisfaction, organizational commitment, organizational citizenship

Introduction. Despite of the fact, there are many studies were made in the history of industrial psychology on job satisfaction, organizational commitment and citizenship behavior (e.g. Moorman, Niehoff, & Organ, 1993, Gellatly, 1995, Somers, 1993) there is little empirical research being conducted in Kazakhstan (Massanov, 1999; Nechiporenko, 2007). Due to change in economic and political system from centralized planned to market economy the people lives changed dramatically. Many employees lost their jobs and had to adapt themselves to the new realities. Many of the social benefits and support from government were abolished; many citizens of Kazakhstan have left themselves economically depressed due to changes in the relationships between the employer and employee (Massanov, 1999; Nechiporenko, 2007). Employers have become more demanding with generally lower level of payroll being paid to local employees to save business and keep enterprises profitable. Many people went through harsh stress and had to change attitude towards their job due to the increased labor market competition and the loss of protection from the government. On the other hand, it brought competition to the Kazakhstan labor market which helped to improve the quality of personnel. This research aims to highlight the relevant impact of job satisfaction level on organizational commitment and citizenship behavior amongst a sample of employees of XYZ Company based in Almaty city, Kazakhstan. The additional factors examined were demographics which include age and working experience. The purpose of this paper is to examine the correlation between employee’s job satisfaction and workplace behavior, such as organizational commitment and citizenship as well as demographics.

The objectives of the paper are the following:

- To measure employee job satisfaction, organizational commitment, organizational citizenship behavior at XYZ Company
- To identify relationship between employee job satisfaction and organizational commitment, job satisfaction and organizational citizenship behavior at XYZ Company
- To identify the relationship of demographic factors and length of employment on employee satisfaction, organizational commitment and organizational citizenship behavior
- To develop recommendations for practicing managers on issues related to job satisfaction, organizational commitment and organizational citizenship behavior in Kazakhstan

Organizational Commitment. Porter, Crampon and Smith (1976) define organizational commitment “as the relative strength of an individual’s identification and involvement in a particular organization”. According to Meyer and Allen (1991), organizational commitment includes elements of desires, needs, obligations and represented in the three components. Generally, employees with high level of organizational commitment are less likely to leave the organization, but they will build a better relationship with clients and other employees, internal and external stakeholders, tend to learn more effectively, are more adaptable to change, and able to work more efficiently (Mowday & Steers, 1979). There are three important components related to the definition of organizational commitment: affective commitment, continuance commitment and normative commitment (Meyer & Allen, 1990).

Affective commitment refers to the own sense of an individual in identification him or herself as a member of the organization with the involvement in the organization (Meyer & Allen, 1991). Affective commitment is the process in which employees think and behave in relationship with the organization (Clugston, 2000). Affective commitment can be also described as a positive affection toward the organization expressed in the desire to see how the organization succeeds in its own goals and have a feeling of proud to be part of an organization (Cohen A., 1993).

Affective commitment is known to be impacted by the support and fairness perceptions, positive experience of work, and perceptions of job satisfaction. Individuals with high affective commitment to the organization will continue to work vigorously and voluntarily because they want to work but not only because they have to work (Meyer, Allen, & Smith, 1993).

In affective commitment, employees will share the values of an organization making the interaction between the organization and individuals being positive. As a result, the workers with high affective commitment will be attached to the organization by the reason they want to stay in the work place (Shore & Tetrick, 1991).

Continuance commitment refers to an individual's perception of the cost to leave the organization (Meyer et al., 1993). Continuance commitment is associated with the time length spent within the organization and experience which has been given. Because of the fear of the opportunity cost borne in case leaving the organization or due no or little other alternatives employees with a high continuance commitment find it difficult to leave the organization (Nagar, 2012). Such individuals tend to remain a member of the organization because they have to stay but not because they want to do (Clugston, 2000). Meyer et al. (1993) also found that continuance commitment is negatively related to the desire to leave the organization and is not associated with involvement in a professional manner.

Normative commitment refers to loyalty and a sense of debt to the organization based on moral obligation and usually develops as a result of socialization practices and based on a sense of duty and loyalty (Meyer & Allen, 1997).

Normative commitment refers to feelings and obligations of employees to remain employed in the organization. Individuals in high normative commitment feel that they must stay in the organization because in their perception it is the right thing to do. Normative commitment can be increased when an individual feel indebted to the organization and because the organization have invested time and resources in the employee development. Employees with high normative commitment also feel responsible for paying benefits they got by putting effort (Meyer et al., 1993). Sense of loyalty and obligation assuming high level of normative commitment forces individuals to remain with the organization due to the fact feel they have to stay (Clugston, 2000).

Affective commitment associated with a positive experience (e.g., job satisfaction), continuance commitments related to variables reflecting increased investment status (e.g., employment), and normative commitments associated with positive work experience and common sense regarding the obligation to others (Meyer et al., 1993). Every employee who has affective commitment to the organization will have intrinsic and extrinsic

satisfaction and has an overall job satisfaction (Allen & Meyer, 1996). Research shows employees with high normative commitment will be positively correlated with the behavior working as performance, attendance in the workplace, and organizational citizenship behavior (Kang, Stewart, & Kim, 2011). Affective and normative commitment is positively correlated with positive behaviors that are not desirable (e.g., OCB) and negatively correlated with unwanted negative behavior (e.g., intention to leave the organization, absenteeism, and job neglect) (Meyer et al., 1993).

Organizational Citizenship Behavior. Organizational citizenship behavior (OCB) is largely studied in industrial psychology and can be described as individuals' voluntary commitment within an organization that is not part of his or her contractual tasks (Organ D. W., Organizational citizenship behavior: The good soldier syndrome, 1988). The interest in these behaviors over the past three decades, interest in has increased substantially and has been linked to overall organizational effectiveness, due to the fact of such types of employee behaviors bring important consequences in the workplace (Deery S. , Rayton, Walsh, & Kinnie, 2016).

Organ (1988) defines OCB as "individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the effective functioning of the organization". There are three critical aspects that are included into this construct:

Assumed that OCBs have in basis the discretionary behavior which is not part of individuals job description and performed as part of his or her personal choice

OCBs is followed beyond and above standard job requirements and is not mandatory as per the job description

OCBs make the positive contribution to the overall organizational effectiveness.

In response to the criticism that the discretion nature of the construct makes it difficult to define, Organ (1997) clarifies that since his original definition made in 1988, majority of the jobs have moved away from a clearly defined set of responsibilities and became more wide and ambiguous. It is difficult to define the discretionary portion of individuals activities and the workplace without a defined role and responsibilities (Organ, 1997).

Organ and Near (1985) proposed the idea OCB is composed of general compliance and altruism. These two dimensions serve to improve organizational effectiveness in different ways (Organ & Near, 1985).

Helping behaviors in the workplace are the results of altruism and over the time, the compilation of employees of such behaviors will be advantageous for the organization. Talking about general compliance behavior, it does serve to benefit the organization in several ways. Absenteeism low rates and rule following help managers to efficiently run the organization. A compliant employee does not engage in behaviors such as taking excessive breaks or using work time for personal matters. When these types of behaviors are minimized, the workforce is naturally more productive (Organ, 1988). Organ transformed the model into in a five-factor construct consisting of altruism, courtesy, conscientiousness, civic virtue, and sportsmanship (Organ, 1997).

The definition of altruism remained the same, defined as helping with a specific work to a colleague with an organizationally relevant problem or task. Conscientiousness is compiled with the behaviors that go beyond the minimum job requirements of the organization. Following these behaviors indicate that employees adhere to the rules and accept procedures and regulations of the organization (Law, Wong, & Chen, 2005).

Civic virtue is characterized by behaviors that indicate the employee's deep concerns and interest in the life of the organization (Law et al., 2005). This dimension also encompasses positive involvement in the concerns of the organization. Examples of civic virtue can be seen in daily affairs such as attending meetings and keeping up with what is going on with the organization in general. Civic virtue can also be demonstrated on a larger scale by defending the organization's policies and practices when they are challenged by an outside source (Organ et al., 2006).

Courtesy has been defined as discretionary behaviors that aim at preventing work-related conflicts with others (Law et al., 2005). This dimension is a form of helping behavior, but one that works to prevent problems from arising. It also includes the word's literal definition of being polite and considerate of others (Organ et al., 2006). Examples of courteous behaviors are asking fellow employees if they would like a cup of coffee while you are getting one for yourself, making extra copies of the meeting agenda for your teammates, and giving a colleague ample notice when you alter something that will affect them (Organ et al., 2006).

Sportsmanship has been defined as a willingness on the part of the employee that signifies the employee's tolerance of less-than-ideal organizational circumstances without complaining and blowing problems out of proportion. Organ et al. (2006) further define sportsmanship as an employee's "ability to roll with the punches" even if they do not like or agree with the changes that are occurring within the organization. By reducing the amount of complaints from employees that administrators have to deal with, sportsmanship conserves time and energy.

A different way of organizing the OCB construct was proposed by Williams and Anderson (1991). They divided up the dimensions of OCB into two different types of OCB based on whom the behaviors were directed at. Organizational citizenship behavior – individuals (OCBI) include behaviors that are aimed at other individuals in the workplace while organizational citizenship behavior-organizational (OCBO) include behaviors directed at the organization. Altruism and courtesy are actions aimed at other employees and thus fall under the umbrella of OCBI. Conscientiousness, civic virtue, and sportsmanship are behaviors intended for the benefit of the organization and can subsequently be considered OCBOs (Williams & Anderson, 1991).

Theoretical Models of the relationship. Job satisfaction and organizational commitment.

Meyer and Allen (1991) proposed that the three-component model of organizational commitment mediates the relationship between job satisfaction and turnover intention. Based on previous studies, the two dimensions of organizational commitment (affective commitment and normative commitment) fully mediate the effect of job satisfaction on turnover intention (Meyer & Allen, 1991; Jaros, 2007; Dunham et al, 1994; Hackett et al, 1994; Somers, 1993; McGee et al, 1987)

Cramer (1996) said that most model of turnover assumes that job satisfaction leads to greater organizational commitment. The main reason for this causal relationship seems that job satisfaction is an affective response to the work performed immediately after Job Satisfaction, Organizational Commitment, and Turnover Intention joining the organization than any other aspect in working for the organization as objectives and values (Cramer, 1996).

William and Hazer (1986) showed that job satisfaction is an antecedent to organizational commitment. Hackett et al. (1994) found that job satisfaction has a positive influence on affective and normative commitment but has a negative effect on continuance commitment. Konovsky and Cropanzano (1991) also found that job satisfaction has a positive impact on organizational commitment.

Siqueira (2008) correlates job satisfaction with the organization's social responsibilities, i.e., job satisfaction comprises a way of monitoring to what extend a company can promote the health and well-being of its employees (Siqueira, 2008)

Brown and Huning (2010), in turn, define job satisfaction as the pleasure that employees experience in performing their work, "it is considered an important outcome due to its links with job-related stress, turnover, absenteeism and similar outcomes".

Mowday, Steers and Porter (1979) consider that organizational commitment is broader than job satisfaction. According to these authors, the commitment corresponds to the general response of the employee regarding the organization as a whole, while satisfaction may not reflect a global response, but only partial aspects of satisfaction, such as satisfaction with the organization, promotion, supervision, remuneration or with work

colleagues. Mowday, Steers, and Porter (1979) point out that commitment tends to be more stable as it suggests that highly committed employees will be less likely to leave their jobs. However, isolated or transient events that occur in the organization, such as cases of absenteeism and low employee performance may cause dissatisfaction, do not lead the employee to reevaluate his or her commitment. In this view, the modeling used defines commitment as an exogenous construct, that is, it is in line with the authors who see that since commitment is as a more stable variable, its dimensions are the predictive variables that will influence job satisfaction in the city halls that make up the sample analyzed in this study.

Francisco and Claro (2014) analyzed the relationships between job satisfaction, affective organizational commitment and the intention of changing jobs. The authors surveyed 151 randomly selected Angolan workers working in a diamond mining company in Angola. The results demonstrate that the workers are satisfied, and this satisfaction is the result of the number of promotions, professional skills of their superiors, as well as the way they are treated by their superiors. It is also worth noting that the satisfaction is lower when it comes to the kind of friendship, trust and spirit of collaboration of colleagues. In general terms, it is observed that the plan to leave the job decreases with the increase of job satisfaction and affective organizational commitment (Francisco & Claro, 2014)

Paula & Luz (2018) investigated the relationship between two variables (Organizational Climate and Job Satisfaction), identifying common points between the constructs and the relationship with performance measured through self-assessments (Self-Assessment of Work Performance). The authors investigated 152 employees of two private organizations, one specialized in medical products and the other a social club. The findings evidenced the consistency of the analyzed constructs, since the three similar factors in the climate and satisfaction scales had congruent results (Paula & Luz, 2018)

Job satisfaction and organizational citizenship behavior. Over the past few decades, workplace attitudes and behaviors have been the subject of increasing interest in the organizational behavior and academic managerial literatures (Organ et al. 2006; Wagner & Rush 2000). More recently scholars recognize the importance of employee workplace attitudes and behavior as critical to the organization (Abdulla & Djebavni, 2011) (Ellickson & Logsdon, 2001) (Zeffane, Baguant, & Melhem, 2018). Research shows that positive workplace attitudes and behaviors motivate employees to maintain their performance levels and stay with the organization leading to increased organizational effectiveness (Koys, 2006) (Podsakoff, Whiting, Podsakoff, & Blume, 2009), performance (Podsakoff, Ahearne, & MacKenzie, 1997) (Ehigie & Otukoya, 2005) and competitiveness due to superior human capital and the transfer of knowledge to the organization (Cohen & Keren, 2008) (Ismail, et al., 2009) (Kwantes, 2009) (Mathieu & Zajac, 1990); (Mowday & Steers, 1979) (Wasti, 2005).

Many of the management studies in the area of workplace experience examine the positive benefits of high levels of employee job satisfaction, organizational commitment and organizational citizenship behaviour (Liu & Cohen, 2010) (Ehigie & Otukoya, 2005). Job satisfaction and organizational commitment rank amongst the most important types of employee attitudes in understanding how people perform in their jobs (Podsakoff, Whiting, Podsakoff, & Blume, 2009). Specifically, a person with high job satisfaction tends to hold positive attitudes towards the job while a person who is dissatisfied with his or her job typically holds more negative attitudes (Saari & Judge, 2004). Committed employees are more likely to act in the best interests of the organization whereas less committed employees act in their own best interests (Cohen & Keren, 2008). As such, maintaining high levels of employees' commitment is critical for organizational success (Kirkman & Shapiro, 2001).

One of the factors shall be noted are employees' age and work experience which also affect workplace attitudes and behaviors. Employee demographics are importance because they can explain significant differences in attitudes and behaviors (Chou & Pearson, 2011) (Edgar & Geare, 2005). This knowledge could contribute to designing and developing human resource management policies for practitioners and managers, such as ageing

and retirement policies as well as recruitment and selection policies and practices (Edgar & Geare, 2005). Multiple studies and meta-analyses have been conducted to look at the relationship between OCBs and organizational performance and success. Podsakoff, Ahearne, & MacKenzie (1997) looked at an insurance agency and found that the OCBs civic virtue and sportsmanship were both significantly related to indices of sales performance.

The researches examined paper mill workers and found that helping behavior was significantly related to product quality and found out that civic virtue and helping behavior were significantly related to the percent of team quota sales (Podsakoff, Ahearne, & MacKenzie, 1997). Waltz & Niehoff (2000) examined 30 different restaurants and found that helping behavior was significantly related to operating efficiency, customer satisfaction, and quality of performance. Researchers found that helping behavior was also negatively correlated with wasted food. (Waltz & Niehoff, 2000). Koys (2001) used a combination of OCB dimensions to form a composite measure of OCB. Results from this study indicated that the composite measure of OCB was positively correlated with restaurant profits.

Podsakoff, Whiting, Podsakoff, & Blume (2009) found that OCBs were positively related to unit-level performance and customer satisfaction. Nielsen, Hrivnak, & Shaw (2009) in their meta-analytic review of the existing group literature, examined the relationship between OCBs and performance at the group level. These researchers found a positive and significant relationship between overall OCB and performance at the group level. In addition, Nielsen et al. (2009) found that similar patterns of relationships existed for each dimension of OCB: civic virtue, sportsmanship, altruism, conscientiousness, and courtesy.

There is some tension visible in existing literature on the effects of OCB on the employees who perform these citizenship behaviors. Allowing employees some scope to work outside their formal roles is thought to enhance the employee experience and lower turnover intentions and actual turnover (Podsakoff, Whiting, Podsakoff, & Blume, 2009). However, these benefits of OCB appear to come at a cost. Emotional exhaustion and conflict between home life and work are both higher for conscientious employees, and these effects are stronger amongst employees exhibiting high in-role performance (Deery S. , Rayton, Walsh, & Kinnie, 2016).

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XYZ Company's website & internal policy

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“Challenges and opportunities of flexible work designs for knowledge work”

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Abstract. At present, the labour market is undergoing great changes and the process of the emergence of new, non-standard types of employment in Western literature is called “flexibilization”. The notion flexible work design is receiving increasingly scholarly interest and the methods of new work design became popular due to increase of employee’s quality of life. The main aim of the study is devoted to explore the prevailing findings of challenges and opportunities of flexible work designs for knowledge work and to investigate the relationship between flexible work designs and employee engagement, organizational commitment, job satisfaction and to examine the impact of flexible work design on employee’s work-life balance. The study also explored the advantages and disadvantages of main types of flexible work design (namely part-time working, job sharing, flexitime and telecommuting). Literature review revealed that the notion flexible work design itself is well researched in Western and there is fairly enough information about companies that practice any kind of this type of work. Nevertheless, there is lack information of flexible work design practices in post soviet countries. Furthermore, flexible work design is studied in the correlation with such concepts as employee engagement, organizational commitment, job satisfaction and work-life balance. The research method that was chosen to suit the study of the topic and which was most practical for the time frame that was involved. The qualitative data analysis was applied – general patterns were identify and then discussed without reference to statistical significance.

Key words: Flexible work design, knowledge work, employee engagement, organizational commitment, job satisfaction, work-life balance.

Introduction. In modern environment, the continuous development of information technology changed traditional ways of management, business operations and implementation of work. Scientific and technical progress gradually erases the distinction between the physical and virtual worlds, and changes in all spheres of society are inevitable, regardless of whether we like them or not. In the 20th century prevailing shift from “farm to office” transformed to the shift from “office to the virtual and flexible place” in the 21st century. (Licht, 1988).

Time is one of the most expensive resources in today’s dynamic world. Nowadays society is happen to survive in a very competitive world where people are working longer and longer hours which negatively results on their health both mental and physical and family life.

Bronnie Ware a nurse from Australia is the author of the book “The Top Five Regrets of the Dying” wrote the lessons that she had learned from the patients at the end of their lives. One of the six regrets is “I wish I hadn’t worked so hard” (Bronnie Ware, 2011).

In the past centuries, the majority of people worked on the factories and in other industrial companies where they spent most of their time. Mass production and type of the conveyer machinery used as production tools induce standardized work schedule.

In the late 21st century, times have changed. Increased automation and digitalization caused replacement of conveyer works to work in offices, which is also broadly defined as *knowledge work*. The definition of success at present time has become associated with a busy schedule, multitasking, holidays in the connection “always available” and the lack of weekend days.

One question that needs to be explored in new context of work, is why people in the era of globalization, digitalization, multitasking continue to spend longer hours at the workplace. There is one word “Karōshi” in Japanese language, which can be translated literally as “overwork death” (<https://en.wikipedia.org/wiki/Karōshi>). One of the examples is Japanese Prime Minister Keizo Obuchi who burnt-out at work after one and a half year in the office. He had only three days off during this time and his working day lasted more than 12 hours (Yelena Ryazanova, 2019).

Other concerns relate to how office work affects aspects of works and workplace. The increasing attention is being paid to *flexible work designs*, a special work schedule when employees have degree over flexibility of choosing their work hours spend in the office.

In different sources, research papers, articles this notion termed as “flexible working hours”, “flexible working arrangements” or “flexible work scheduling”. In research paper at hand the notion “flexible work designs” will be used hereinafter.

The flexible work design becomes possible due to two main factors. First of all, the values of society: the work-life balance and convenient schedule for the family have become priorities for our contemporaries and companies are increasingly checking with them. The second factor is technology. Over the past ten years, the development of technical progress such as the evolution of laptops, mobile devices, tablet computers, Wi-Fi and new communication channels (e.g., social networks, instant messaging programs) has expanded the possibilities of remote work and cooperation. The current changes enabled employees to create their work in a more flexible way and resulted in greater flexibility in terms of when to work, where to work, and how to work (Baarne, Houtkam, & Knotter, 2010; Hill et, al., 2008). It is essential to understand whether changes in the context of workplace the flexible conditions of work design evidently could affect positively on individuals, and what shall be measure to make flexible work designs serve individuals and organizations in positive way.

Third rationale for undertaking research on flexible work designs is that generation of ‘digital natives’, Generation Z – those who were born around 2000s have started entering works. Today, millions of boys and girls who are entering the labour market will work in a completely different way than their parents did. All employers, businessmen are interested in the question of how to find common language with yesterday’s children, how to inspire them with respect and motivate them, what to give freedom and what actions to encourage. I was born in 1995, so to speak on the border between the generation Y or Millennials and the new generation Z. Generation Y is the future workforce and therefore the way of working and communication is consequently changing. As a representative of a generation of Millennials, whose feature is the eternal search for self, who is in a need for work flexibility and work-life balance, I would like to study flexible work designs for knowledge work as a new trend of the 21st century of what the advantages and disadvantages it brings and the consideration of flexible work designs as a cause to certain organizational outcomes. Generation Zs expectations to work are very different from those of their parents and even earlier generations Y. Demands for more flexible and digitally enabled works are very characteristic to ‘digital native’. These demands become

adopted by other generations too, which make flexible work place one of the essential configurations of work designs.

Research aims and objectives.

The main aim of the study is devoted to explore the prevailing findings of challenges and opportunities of flexible work designs for knowledge work and to investigate the relationship between flexible work designs and employee engagement namely performance, organizational commitment and job satisfaction. The relationship between flexible work designs and work-life balance also will be examined as the benefits of promoting flexible environment in organizations may impact employees work – life balance.

Methodology and structure.

The present existing theories and practices of flexible work designs, knowledge work, employee engagement, organizational commitment, job satisfaction and work-life balance will be presented in literature review to analyze the roots of flexible work design, its evolution and types.

Definition of Knowledge work

The development of scientific and technological progress in industrialized countries, due to the acceleration of the creation and spread of information, allows most of the routine physical and mental labour operations transfer to a machine today. Innovative processes in the professional activity of the information society, the need for a flexible, mobile, able quickly to adapt to changing conditions, solve non-standard tasks - all this boosts the importance of human being with creative and intellectual capacities and their use in knowledge work.

In the 20th century, organizations paid much attention to manual workers productivity. The management theorists as Frederick Taylor “The Principles of Scientific Management” (1911), Max Weber “The Protestant Ethic and the Spirit of Capitalism” (1905) and Henri Fayol “General and industrial administration” (1916) devoted many research studies to the management and manual workers productivity.

As early as 1959, Drucker identified the transformation of the society into a post-industrial state, where the main shift was from manual towards non-manual work (Drucker, 1959).

Knowledge work has become the major driver for the present research because the world where we live currently marked by one dominant factor “the shift to a knowledge society” where knowledge work presents ways of handling and using information (Rick Wartzman, 2014).

Due to significant changes that have taken place in the post-industrial economy in the area of management of working time and the workforce in the face of generation of Millennials and generation Z who can be described as “knowledge workers”, resulted a significant increase in the number and proportion of people engaged in problem-solving and intellectual work. Knowledge workers are the key factor in a country’s economic strength.

Firstly, the term “knowledge work” was coined by Peter Drucker in his book “The Landmarks of Tomorrow” (1959) and later by Bell (1974). Drucker defined *knowledge workers* as high-level workers who apply theoretical and analytical knowledge, acquired through formal training, to develop products and services. He noted that knowledge workers would be the most valuable assets of a 21st-century organization because of their high level of productivity and creativity (Drucker, 1999).

The main output of knowledge work is intellectual output such as statistical and analytical reports, data processing, decision-making and the like. Although all types of jobs entail a mix of physical, social, and mental work, it is the perennial processing of non-routine problems that require non-linear and creative thinking that characterizes knowledge work (Reinhardt, Schmidt, Sloep, Drachsler, 2011).

Drucker defined knowledge workers as high-level workers who apply theoretical and analytical knowledge, acquired through formal training, to develop products and services. They include professionals in information technology fields, such as programmers, web designers, system analysts, technical writers, and researchers. Knowledge workers are also comprised of pharmacists, public accountants, engineers, architects, lawyers, physicians, scientists, financial analysts, design thinkers, academics and any other white-collar workers, whose line of work requires the one to “think for a living”.

In the article “Knowledge Worker Roles and Actions – Results of Two Empirical Studies” the authors W. Reinhardt, B. Schmidt, P. Sloep and H. Drachsler considered knowledge as an organizational resource and emphasized the importance of knowledge work and knowledge worker productivity to achieve competitive advantages. Their research focused on three scopes: (1) the organizational aspects of its implementation; (2) the creation and utilization of knowledge management systems and (3) motivational aspects of knowledge sharing within the organization (Reinhardt, Schmidt, Sloep, Drachsler, 2011).

These characteristics are important and I will analyze flexible work design in relation to them. In the first scope, authors analyzed and argued about different models and forms of knowledge flow. The second scope of research discussed the creation, implementation, and practical utilization of knowledge management systems. The last scope was aimed to study employees’ motivation. Motivation plays a huge role and factor for the acceptance and usage knowledge management systems. Motivation impacts knowledge workers in terms of work design namely for this research purpose is flexible work designs and learning support strategies in organizations (Kunzman, 2009).

The term “knowledge work” was also well studied by I. Brinkley in his book “The knowledge economy: how knowledge is reshaping the economic life of nations”. Brinkley described the knowledge economy as, “the story of how new general purpose technologies have combined with intellectual and knowledge assets —the intangibles’ of research, design, development, creativity, education, science, brand equity, and human capital— to transform our economy” (Brinkley, 2008). This knowledge economy is based on workers who engage in knowledge-intensive tasks in their daily work therefore it is important to understand how this tasks are designed.

Steiner (2005) raises an issue of global “knowledge workers” in the corporate world that are “born out of the fast-paced IT sector, the principles of relying on the individual’s power of ideas, thought leadership and information to make the right decisions that enhance competitive advantage are crossing over and being adopted by other industries” (Steiner, 2005). He states that the environment of knowledge workers is shaped by collaboration, i.e. formal and informal meetings and social interactions that are enhanced by technology and points out that these employees should be treated differently due to their work specificity and style. They need to have much more freedom in choosing the right time and place to work in order to maximize their productivity and healthy work-life balance.

Intellectual capital precisely its main part, which is embodied in human mental abilities, knowledge and competencies is the most important strategic resource of the modern economy and the main source of accumulation of national wealth. Knowledge work is increasingly becoming the dominant factor in the competitiveness of both enterprises and the country as a whole. Intellectual work provides the introduction of new technologies, an increase in GDP and an improvement in the well-being of citizens.

Investments in knowledge capital determine the growth of labour productivity, in particular in the EU countries and the USA by 20% - 34%, as evidenced by the OECD report “Supporting Investment in Knowledge Capital, Growth and Innovation” (2013). Consequently, enterprises and governments of developed countries are changing the structure of investments, increasing investment in human capital development, improving the organizational structure and business processes. Gradually, the process of replacing manual work with knowledge work is taking place.

Innovative forms of human capital increase the ability of an employee to adapt to changes in the technological and economic environment, which makes him more flexible and mobile, regardless of where the work is carried out. In our dynamic time, there is a growing demand for professionals who, in addition to deep knowledge of the specialty, computer literacy, and knowledge of foreign languages, also have skills in using electronic networks and virtual collaboration, creative thinking, professional knowledge in related fields, professional responsibility, adaptability and mobility.

The growing adoption of flexible work designs

The conditions of the development of innovation economy, science and new technology, national and global economic crisis boost new types of work and non-standard forms of employment, in particular work outside the territory of an enterprise, institution or organization. Spatial flexibility allows work tasks to be carried out away from the central office (e.g., at home or in a coffee shop). Flexible work designs allow employees to have the freedom and control to adjust working hours their personal needs, to improve the efficiency, but also reduce the cost of the organizations.

Despite the fact that non-standard forms of employment are being actively studied and researched, scientists have not come to a common opinion neither in their definition, nor in their characteristics, nor in their classification.

The introduction of flexible working practices is further set forth in the context of the changing nature of work. The shift from Fordism, where work was largely physical and manual, to work being mental and highly knowledge intensive, facilitated the introduction of flexible work designs. On top of that, changes in the labour force, such as the ageing workforce or women participating in the labour market, required a greater compatibility between work and family life which flexibility in both location and timing of work is assumed to provide (Allen, Johnson, Kiburz, & Shockley, 2013).

As a reaction to socio-demographics changes, flexible work designs for knowledge work have become an increasingly popular business practice around the globe. However, it is hardly to define which country introduced this method of work for the first time (McNall, Masuda, & Nicklin, 2010). The emergence of non-standard forms of employment in the Soviet Union was associated with the need for work force in the sphere of the national economy and the service sector.

Flexible working became widespread in some enterprises in the early 1970s and 1980s. The first use of such a labour regime occurred in the USSR in 1972 at an enterprise in Estonia. Already in 1980, flexible schedules were applied in 13 labour collectives. In the 1980s it was introduced at hundreds of industrial enterprises and associations, in research institutes, design organizations of different regions (Livshits V.M., 1990)

As Skyrme (1994) notes flexible working emerged in the early 1980s as a strategic response to the needs of businesses and people-oriented approaches have become part of business life. He identifies these needs or business drivers as drive for efficiency, drive for effectiveness, and drive to response social and demographic change. Businesses started to create innovative working models for knowledge workers especially to adapt to changing conditions to maintain their competitive advantage and to lead their workforce to better levels of productivity.

In today's world, corporations are expected to treat employees such that they are happy with their jobs and the business for which they work. One of the essential aims is to retain qualified knowledge workers and keep pace with changing business practices. The number of literature which have been analyzed concluded that businesses that concentrate on providing employee satisfaction have a competitive advantage, because they have committed employees. That brings along motivation and productivity, allowing the businesses to make a difference and to be a preferred organization for qualified employees at the same time.

Nowadays workers are reporting that it is not just salary which makes a difference between choosing a job but an option of flexible working because it is important for modern employees to spend more time with the family and cutting down commute times.

The concept of flexible work designs for knowledge workers is continuously gaining importance due to various reasons. For example, advances in technology require new working methods and the adjustment of work hours to these changed working methods. Technology advanced rapidly after the economic crisis of the 1970s and the use of computer-controlled systems in production became widespread (Tregaskis O., Brewster C., Mayne L., Hegewise A., 1998).

In this period, the labour market was transformed by the use of information communication technology, and the need for knowledge workers with the ability to adapt to change and development increased (Horwitz F.M., Smith D.A., 1998).

Hassanain (2006) explains the emergence of flexible work designs as a response of organizations to external and internal factors. External factors or changes, according to the author, are the ones that the company cannot control, for instance, technological advances, globalization, competition, regulation, deregulation and consumer behavior. Internal factors are defined as initiatives and proposals of the organization, for example, investment considerations and their impact in company's system and structure. Thus, it is again a response towards changes both external and internal, for the purpose of staying up-to-date and competitive.

One of the most important global processes taking place at the moment is the development of human intelligence. Human capital becomes not only the determining factor of competitiveness, but also the dominant form of social wealth, the basis of intellectual and social capital as a condition of not only economic, but also civilizational progress in general. In a highly competitive globalized economy, enterprises require very large flexibility, mobility and adaptability. This cannot be achieved by applying only traditional types and forms of employment; their transformation is necessary. Thus, the demand and supply of workplaces with flexible, non-standard forms of employment is increases.

Stable employment, income, social guarantees met the requirements and conditions prevailing in the labour market in the 20th century. Today, in connection with the development of information technologies, employment tends to be less rigid, and flexible working, self-employment, and some other phenomena are common lately. The main feature of which is the decrease in the employee's dependence on the employer.

Spread of adoption

Nowadays, the number of articles on flexible work designs is receiving increasing scholarly interest (Walls and Safirova, 2004). The flexible work designs concept is also discovered and implemented by an increasing amount of organizations (Golden 2006; CBS, 2009). However, one of the main concerns of employers to refuse using flexible work designs is that it will not work in their industry.

I have studied a great deal of scholarly articles, scientific magazines and found out the industries in which one of the many types of flexible work designs can be applied. There are industries of audit, consulting, marketing, design, filmmaking, recruitment, computer and software manufacturing, financial and legal services. There is no doubt that flexibility in the workplace is on the increase. According to [Vodafone](#), 75% of global companies “leverage flexible working policies” and 61% of global companies noted higher profits once they had (<https://www.vodafone.com>).

This trend is not limited to a few small companies. Nearly half of the 35,000 Aetna insurance company employees work at home. According to [Aetna's career website](#), the company has openings for 222 jobs that can be done remotely from home. The jobs are based across the country and are available in a range of fields, including marketing, management, information technology and more (Joseph Barberio, 2017).

If taking into consideration audit firms, then Deloitte whose staff is comparable in size to Aetna, 86% of employees work at least 20% of the time remotely. At Intel, 82% of employees regularly work remotely. Even the government has joined the tendency to transfer employees to remote work. To some extent, 85% of the experts of the US Patent and Trademark Office, 57% of NASA personnel, 67% of employees of the Environmental Protection Agency work outside the office (Jason Fried, David Hansson, 2013).

Flexible work designs have become popular HR policies in organizations and recently gained a considerable popularity mostly in the European Union (EU) and Organisation of Economic Co-operation and Development (OECD) countries (Kattenbach, Demerouti, & Nachreiner, 2010; Battisti & Vallanti, 2013). Time flexibility represents a central element in the European employment strategy (European Commission, 2010).

At present, a sufficiently large practical experience of using flexible work designs for knowledge work in foreign companies has been gained. For example, companies like HP, Microsoft, General Electrics, IBM, Royal Dutch Shell, Dropbox, Asana are using flexible work design practices. At Dell, 25% of employees (about 25 thousand of people) have a flexible work design schedule, and according to forecasts, by 2020 it is planned to transfer 50% of employees worldwide to a flexible work design (Lisa Rabasca Roepe, 2016). For example, TransAmerica Financial Corporation (Los Angeles, USA) has been successfully applying flexible work designs for knowledge work since 1974. From 4 thousand employees of the company, 3.7 thousand have the right to use the program of alternative working hours. TransAmerica Financial Corporation considers the introduction of flexible work designs to be one of the main achievements, since a longer period of the company's existence brings significant profit, and a healthy atmosphere reigns in the team (Gennadiy Kazakevich, 2004).

At Asana, employees are offered flexibility because of the innovative way teams work together. Employees are working with their own schedules but deliverables and goals are planned out four months at a time, so everyone knows what they are responsible for and what they're trying to achieve during that time period (Lisa Rabasca Roepe, 2016).

The survey such as European Working Conditions Surveys (Eurofound, 2017) and a recent comparative analysis by Gialis & Taylor (2016) confirm the rising popularity of flexible work designs in both highly developed (e.g. UK, Italy, Netherlands) and less developed EU countries (e.g. Greece, Romania, Portugal). The Netherlands has established a legal basis for employees to request changes regarding the scheduling, length, and location of their work with the introduction of the Flexible Working Act. Other studies have also confirmed increasing proportions of workforce using flexible work design in many countries worldwide such as Japan, Australia, USA and Canada (International Labour Organization, 2011; OECD, 2012).

The popularity and importance of flexible work designs for knowledge work has increased significantly over the years both in Europe and the USA. There are organizations in Western Europe and the USA where flexible work designs have been used for more than 30 years. For example, Families and Work Institute in the USA reports that the number of employers offering flexible work design to at least some of the employees grew from 68% in 1998 to 81% in 2014 (Bond, Galinsky, Kim, & Brownfield, 2005; Matos & Galinsky, 2014). Moreover, European Commission review (Plantenga & Remery, 2009) showed that over 60% of employees have access to flexible working schedules.

According to the AARP Public Policy Institute with the increase in dual-earner couples, growing demands on families to manage increasingly complex health, retirement, and care arrangements, the need for workplace flexibility has increased (Melissa A. Hardy, 2008).

The aim of the research will be reached by meeting the following objectives:

- To conduct a critical review of main concepts and definitions related to flexible work designs practices;
- To analyze and systematize the main findings on flexible work designs, knowledge work, employee engagement, organizational commitment, job satisfaction and work-life balance;

- To explore and understand the challenges and opportunities of flexible work design for knowledge work within organizations and how this impacts on employee engagement, job satisfaction and work-life balance;
- To design the questionnaire to measure the relationships among flexible work designs, employee engagement, organizational commitment, and work-life balance and carry out the research;
- To discuss the results and provide conclusions on what is the impact of flexible work designs for knowledge work on employee engagement and work-life balance;

Significance of the study

Flexible work designs for knowledge work as a concept is increasing worldwide and is the topic with vast application in many organizations around the world. However, there has been limited research conducted around this area in the post-Soviet space and notably in Kazakhstan the country of my origin. The current work will be one more addition to existing studies and researches conducted in past. The present research paper is intended to examine the concept of flexible work designs for knowledge work from different points of view and with hope it will be useful for researchers, employers and employees, people who work in HR sphere and policy makers in organizations.

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“Post-millennials' generational differences in time-use at work”

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Abstract. Baby Boomers, generation X and Y, are currently active in offices of various companies, and new generation Z specialists are already entering the offices. Generation theory, put forward in 1991 by two American researchers William Strauss and Neil Howe, is practiced in business structures, and owners are actively using it both in the selection of personnel and in choosing the method of working with employees. However, not all companies have come to the conclusion that when managing personnel, it is necessary to take into account the difference between generations and not all employers take into account that representatives of different generations have a different approach to work and more often multitasking is prescribed as one of the main skills. It should be noted that multitasking is a characteristic feature of the millennials generation, and the new generation has acquired clip thinking, which further complicates the task of employers. The purpose of the study is to determine the characteristics of generations during working hours, to determine the phenomenon of multitasking and clip thinking, and to reveal the attitude of workers towards monotasking.

Introduction. English politician Sir Richard Cecil said: “The shortest way to do many things is to do only one thing at a time.” In the modern world, inconstantly, we have to perform several tasks simultaneously. However, the to-do-list does not become shortened. In addition, people constantly experience stress, quickly get tired and rarely get satisfaction from work (Tsaosides, 2015). This happens due to the phenomena of multitasking.

According to John Medina (2008) one of the most adverse myths about productivity is multitasking. This requirement employers often include in the job description or employees in their curriculum vitae. In fact, according to Dr. Clifford Nass (2009) work in multitasking regime destroys attention. Accelerated switching from task to task overloads the brain and increases the propensity to depression and anxiety. Indeed, multitasking is a common problem at work when employees perform fragmented attention, and constant sense of urgency and repeated checks on a seemingly endless to-do list. If the goal of People Department is to increase the efficiency of employees, then this thesis is to prove that multitasking ruins work process. Thus, it is proposed a completely different approach to the problem: the creation of a monotasking workplace

It has already been proved (Compernelle, 2014) that trying to do several tasks simultaneously in any situation is condemned to failure. This is the most ineffective way of completing tasks that an employee can choose. It is better to concentrate on one thing: by carrying out tasks consistently, an employee lives and works, achieving greater results. However, for many it will be difficult to immediately move to single-tasking.

Multitasking is ineffective since an individuals' brain is able to focus only on one complex task at a time. When people think that they practice multitasking, in fact, they just switch between different things. When switching between tasks, each case takes more time than is required. Harvard scientists (Zack, 2015) have confirmed that multitasking tactics lead to a decrease in the cognitive abilities of a person and interfere with a deeper assimilation of knowledge. It makes employees less productive and provokes a lot of mistakes. Errors, which lead to simultaneous execution of several tasks, can be fatal. To achieve serious results, employees should follow the principle of monotasking - in each moment of time to do only one thing. Mankind has practiced a one-task approach since ancient times. However, today, in the age of electronic devices, everybody have to learn it anew. The desire to do only one thing at a time has a positive effect on our mental and emotional state. In case of monotasking, we plan the sequence of any work. Monotask helps to build relationships with others correctly.

Monotasking is not a tactic of dull stamping around. It does not mean that at one time an employee bring one paper to the paper cutter in an office. Solving one problem at a time involves focusing on it the maximum resources of energy and attention that leads to achieving exceptional results and respect for others. Monotasking assumes that an employee is true to their choice: committed to solving a specific task completely. It obliges to focus on it at a particular time, including by "cutting off" from other requirements (Zack, 2015). Nevertheless, depending on the circumstances, it is not necessary to complete the task completely. It is important to finish exactly the part that employees have outlined for themselves. Switching from task to task increases the time of their solution. Monotasking is the ability to effectively and without harm to health cope with a multitude of duties, to all who exist in the mode of constant development, to managers, businessmen and just active people.

The question of the effectiveness of multitasking at the individual and organizational level has become relevant recently. Yesterday one said: "If the employee is not multi-tasking, he is ineffective. If he is not stress-resistant, then he will not stay long". Today representatives of the cognitive science have proven that this statement is wrong. Studies have shown that multitasking is a common phenomenon in the workplace; however, neither workers nor employers are aware of the negative impact of multitasking on employee productivity, thereby continuing to indicate multitasking as the most important skill in the workplace. While in the West, companies have already begun to think about the dangers of fragmentary work, in the post-Soviet space, employees do not have a clear idea of what multitasking is, but continue to believe in its effectiveness and the question of single-tasking is only beginning to grow.

The issue of human capital effectiveness is a priority for any organization. Therefore, thesis has several aims. Before analyzing the ineffectiveness of multitasking, it is necessary to give the definition to the notion of multitasking. The second aim is to identify how multitasking influences on a human effectiveness.

Since the hypothesis of the thesis work is that monotasking is a necessity to remain effective not only at work, but also in life. The third aim is to reveal the concept of monotasking and prove its effectiveness on the basis of existing research. Further, it is vital to show the dynamics of multitasking at the individual and organizational levels.

The thesis uses survey methodology, which shows the current perception of the concepts of multitasking and monotasking of KPMG employees in Kazakhstan and Central Asia. Based on this, recommendations are made on how to implement monotasking into workplace.

It is expected that the results of this study will help to identify the ways of monotasking that can be useful not only for organizations, but also for the career and personal development of the employees. In general, the findings aims to highlight the ways for improving the human resources required for the competitive work of organizations.

Methodology

The research was based on survey methodology for many reasons. The art of questioning consists in the correct formulation and arrangement of questions. Questions are asked not only by sociologists. The first to think about the scientific formulation of the questions was the ancient Greek philosopher Socrates, who walked the streets of Athens and confounded passers-by with cunning paradoxes.. Today, in addition to sociologists, journalists, doctors, investigators, and teachers also use the survey method.

The researcher turns to the survey method when he needs to get information about the sphere of people's consciousness: about their opinions, behavior motives, assessments of the surrounding reality, life plans, goals, orientations, awareness, etc. In all such cases, it is the people who participate in the social processes under study that act as a unique source of information that cannot be replaced by any other.

The essence of the survey method is to communicate the researcher, directly or indirectly through his representative (interviewer, questionnaire) with a set of people (respondents) in the form of a question-answer dialogue. The peculiarity of this communication is that, on the one hand, it must meet the strict requirements of the scientific procedure, and on the other hand, it is assumed that the source of information is the ordinary participants of the studied processes, aware of these processes as part of everyday life experience.

Thus, the survey implements the cognitive interactions of two different levels of public consciousness: the scientific, the carrier of which is the researcher, and the ordinary, practical, the carrier of which is the respondent, the respondent.

This study was based on two survey methods: a questionnaire and an interview. The research participants were KPMG employees from the assistant level to the level of the company's partner. In total, 26 employees took part, 5 of them from the position of managers to partners and 21 employees to the position of manager.

The study participants were sent letters. Personalized letters were sent to persons in leadership positions asking them to take time for a personal conversation. Only 5 out of 10 people could find time in their loaded schedule. For these candidates, an interview-conversation method was chosen, since this is the most flexible method of obtaining the information, which involves holding a conversation with the respondent, based on direct, personal contact between the sociologist and the respondent. When conducting an interview, a different kind of contact develops between the interviewer and the respondent. The interviewer asks questions, explains incomprehensible formulations, clarifies the respondent's point of view, organizes the interview, leads the conversation, sends it, records the answers received. Thus, the interview becomes more sensitive, creative, flexible, which allows to receive maximum information about the object of study under study.

For respondents holding positions from assistant to manager, a questionnaire was sent to the general mailing list with a hidden copy. The letter was sent to 35 employees, only 21 people responded to the letter. A questionnaire was prepared for these participants, since the advantage of this method lies in the possibility of conducting a study of a large group of people at the same time and in the comparative ease of statistical processing of data

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“The policy readiness and technical capacities of Kazakhstan towards transition to green economy in energy sector”

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Abstract. Today, in the 21st century global community is facing a number of environmental challenges, which in turns put a pressure on socio-economic development and even questions the survival of human beings. Climate change and global warming are indisputable threats, which needed to be addressed in the first place. In November 2019, more than 11 000 scientists from around the world and broad range of disciplines presented a report, which warns that the planet “clearly and unequivocally faces a climate emergency”. The report urges to “implement massive energy efficiency and conservation practices” and stop using fossil fuels in favor of renewable sources of energy, a trend it notes is not happening fast enough (William J Ripple, 2019) . This paper aims to introduce and analyze the main concepts that are relevant for policy readiness for transition of the Kazakhstan toward green economy in energy sector.

Introduction. Multiple studies published in peer-reviewed scientific journals 1 show that 97% or more of actively publishing climate scientists agree: Climate-warming trends over the past century are extremely likely due to human activities (NASA, 2019). That means that human activities needed to be reconsidered from traditional ways and methods of development to new bold paradigms. The green economy concept could be one of these paradigms. Green economy is an economy that aims at improving human well-being and social

equity, while significantly reducing environmental risks and ecological scarcities. It is low carbon, resource efficient, and socially inclusive (UNEP, 2011).

According to Intergovernmental Panel on Climate Change (IPCC), human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels, with a likely range of 0.8°C to 1.2°C. Global warming is likely to reach 1.5°C between 2030 and 2052 if it continues to increase at the current rate (IPCC, 2018). Rising temperatures are dangerous because it will lead to irreparable consequences. In particular: (a) increasing frequency of extreme weather events (droughts, heatwaves, tropical cyclones, floods and others); (b) rise of sea level, (c) loss of biodiversity and ecosystems; (d) land and forests degradation; (e) melting glaciers and fresh water scarcity in future perspective.

Realizing the importance and emergency of the problem, in 2016 – 195 states have signed the Paris Agreement under the United Nations Framework Convention on Climate Change (UNFCCC). The Paris Agreement aims to limit global warming to well below 2°C and pursuing efforts to limit it to 1.5°C. Additionally, the agreement aims to increase the ability of signatory states to tackle the negative impacts of climate change, and at making finance flows consistent with a low GHG emissions and climate-resilient development (UNFCCC, 2019).

If we use Climate Analysis Indicators Tool (CAIT) and look at data on global CO₂ emissions by sectors, we can conclude that energy sector 2 is the most pollutant one. Energy sector accounts for 73% of global CO₂ emissions (CAIT, 2014). Today, fossil fuels (oil, coal, gas) provide almost 80% of the world's energy supply (WEC, 2019).

Thus, we have an unpleasant scenario of future development. The current world population of 7.6 billion is expected to reach 8.6 billion in 2030 (UNDESA, 2017). Growth of world population will lead to increased demand of energy and other resources. This in turn will increase GHG emissions if we leave the situation with energy production as it is. We need to more comprehensively switch into renewable energy sources and continue research in this sphere to make these technologies more affordable and applicable for countries with transitional economy.

This research will focus on Kazakhstani efforts towards transition to green economy in energy sector. Kazakhstan has committed to reduce GHG emissions on 15% till 2030, as well as by 2050 to produce 50% of all energy from renewable 'green' and alternative energy sources (The Concept for transition of the Republic of Kazakhstan to Green Economy, 2013). The country putted itself very ambitious goals. However, it is important to conduct a comprehensive assessment of policies and evaluate the real technical capacities of Kazakhstan in achieving of committed goals.

Green Economy. The term of green economy was firstly appeared in 1989 at the report: "Blueprint for a Green Economy" by David Pearce, Anil Markandya and Edward B. Barbier. The report was prepared for the UK's Department of the Environment. In this report, authors are reflected on sustainable development and its implication for the measurement of economic progress and the appraisal of projects and policies. According to them, "economy is not separate from the environment in which we live" and that "the way we manage the economy impacts on the environment, and because environmental quality impacts on the performance of the economy" (Pearce et al., 2013). This two-way interaction is fundamental to sustainable development thinking and these elements should not be considered as separate ones. Interesting that the authors in that time have been already concerned about the active use of fossil fuels and resulting GHG emissions. They have stated that high volume of GHG emissions will affect the global climate which in turn affect the performance of economies. In 2008, when the global financial and economic crisis has occurred, the green economy term was revived by the United Nations Environment Programme (UNEP). UNEP launched a so called: "Green Economy Initiative" (GEI) which aimed to assist governments in 'greening' their economies by refocusing policies, investments and spending towards a different of sectors, such as renewable energies, green transportation, water and waste management, smart agriculture and others (UNEP, 2009).

In 2010, the UN General Assembly for the UN Conference on Sustainable Development or Rio+20 agreed the following theme: “a green economy in the context of sustainable development and poverty eradication and the institutional framework for sustainable development” (UNGA A/RES/64/236, 2010) . This theme put attention and affirmed the significance of green economy among international community and fostered the further research in this field.

In 2012, by the results of Rio+20 were adopted guidelines on green economy policies in the context of sustainable development and poverty eradication. These guidelines are based on principles of inclusiveness, sovereignty and equitable development (UNGA A/RES/66/288, 2012).

It is also important to mention that during Rio+20, countries decided to launch a process to develop a set of Sustainable Development Goals (SDGs) within the 2030 Agenda for Sustainable Development, which have replaced the Millennium Development Goals (MDGs). The 17 SDGs are representing the interconnected goals aimed to address global challenges, including poverty, inequality, climate, environmental degradation, prosperity, and peace and justice. However, there are some challenges between SDGs, where the different targets for energy, water and climate change overlap (Georgeson and Maslin, 2014). Green economy can prevent perverse outcomes from implementing the SDGs, which work at cross purposes. The green economy can regain its momentum from pre-Rio+20 and become a key enabler for achieving the SDGs (Georgeson et al., 2017)

The Concept for transition of the Republic of Kazakhstan to Green Economy. On May 30, 2013 – by the Decree of the president was approved the “Concept for the Transition of the Republic of Kazakhstan to a Green Economy”. The Concept laid the foundations for profound systemic transformations in the transition to the economy of the new formation. Within the concept itself, there were identified a certain reasons for transitioning to a green economy: a) inefficient use of resources in every sector; b) inadequate system of tariffs and pricing for energy resources disincentivizes industrial technology improvements; c) natural resources and environment are seriously deteriorating across all crucial environmental standards; d) the economy depends on commodity export and, due to this, is highly exposed to sharp price fluctuations in the commodity markets; e) development of new industries and green clusters will make it possible to reduce inequality in the development of various regions and harness their potential in the renewable energy sector, agriculture, water management, waste disposal and other sectors (The Concept for transition of the Republic of Kazakhstan to Green Economy, 2013) .

The Concept envisages the following 7 key directions towards transition to green economy:

1. Sustainable use of water resources;
2. Development of sustainable and high-performance agriculture;
3. Energy saving and energy efficiency;
4. Development of electric power industry;
5. Waste Management System;
6. Reduction of air pollution;
7. Conservation and effective management of ecosystems.

It can be assumed that research will highlight the most visible and measurable results, which were achieved in the fourth direction on development of electric power industry. Since the beginning of concept fulfillment, government of Kazakhstan predominantly focused on energy sector and put it in the priority of agenda. Even the completed in Astana EXPO-2017 has put the theme: “Energy of the future” and aimed to create a global

debate on question: “How do we ensure safe and sustainable access to energy for all while reducing CO2 emissions?”

On July 3, 2013 – the government of Kazakhstan has adopted a plan for implementation of green economy concept for the period of 2013-2020. The plan is comprised from 141 activities or deliverables. In 2018 was released a report on the implementation status of the plan. In the report, out of 141 activities: 30 were identified as performed; 26 as in process of 9 fulfillment; 33 activities marked as “excluded by the order of the Government of the Republic of Kazakhstan dated 03.07.2017 No. 413”; and finally, 52 activities marked as “removed out of control”

Institutional Capacity of Implementation Bodies. Since Kazakhstan’s independence in 1991, the issues of environmental protection and nature preservation were under the authority of numerous transformed and newly established ministries and bodies. These transformations, procedures of duties and property transferring from one department to another, as well as even moving from one city to another significantly braked and complicated the process of environmental administration and rational nature management in the country.

In 2014 the Ministry of Environment and Water Resources of the Republic of Kazakhstan was disbanded. Its functions were partially transferred to the established Ministry of Energy of the Republic of Kazakhstan and to the reorganized Ministry of Agriculture of the Republic of Kazakhstan 4. In particular, to the Ministry of Agriculture were transferred additional functions and powers in the field of formation and implementation of state policy in the sphere of fisheries development, water management, forests and wildlife. The Ministry of Energy in turns received functions and powers in the field of formation and implementation of state policy in protection, control and supervision of the rational use of natural resources, solid waste management, the development of renewable energy sources and control over the development and implementation of state policy on green economy. As a result, the lack of continuity of the environmental policy and fragmented actions of committees and departments subordinate to different ministries, the state of the environment deteriorated. On June 17, 2019 – the newly elected president of Kazakhstan, Kassym-Jomar Tokayev has signed a decree on creation of the Ministry of Ecology, Geology and Natural Resources of the Republic of Kazakhstan. To the Ministry of Ecology was transferred some functions and powers from the Ministry of Energy, the Ministry of Agriculture and the Ministry of Industry and Infrastructure Development. From the Ministry of Energy in the field of formation and implementation of the state policy of environmental protection; solid waste management; protection, control and supervision of the rational use of natural resources and green economy. From the Ministry of Agriculture in the field of use and protection of the water fund, water supply, sanitation and forestry. From the Ministry of Industry and Infrastructure Development in the field of state geological study and reproduction of the mineral resource base.

It is clear that such radical transfers of duties and responsibilities from one ministry to another and in a relatively short period of time does not lead to high-quality and full performance of these duties and responsibilities. The Ministry of Ecology is currently under the process of development of general regulation documents, such as strategic and operational plan and under recruitment and appointment of member staff within subdivided 4 committees and 14 departments.

According to OECD recommendations, Kazakhstan needs to ensure effective coordination of the work of various ministries and levels of government. Coordinated support of political reforms requires the government to ensure coherence of actions and agendas in relation to many bodies, policy areas, stakeholders and levels of government as they plan, implement and analyze the political direction. Good coordination between governmental bodies will help align policy goals with government priorities. A coordinated government can increase its ‘strategic flexibility’ through strengthening its ability to effectively identify problems and appropriately allocate human and financial resources to solve them. This in turn increases the effectiveness of policy implementation and budget utilization (OECD, 2018).

Energy Sector in Kazakhstan. According to the JSC “Samruk-Energy” data, the electricity consumption level in Kazakhstan has reached its maximum in 2018 and for the first time since 1990, exceeded the 100 billionth milestone, amounting to 103,2 bln kWh. Regarding to the electricity generation, in 2018 was produced 106, 7 bln kWh. Meaning that currently we are producing more than we are consuming. Overall, electricity production and consumption in Kazakhstan has increased over the past three years (Samruk-Energy, 2018). Almost 80% of generated electricity is produced from operation of thermal power plants (TPP), which are operating through the combustion of fossil fuels: coal, oil and natural gas. Kazakhstan has large reserves of fossil fuels resources. Proven reserves of oil and coal rank the country among the top 10 in the world for these resources, and it ranks in the top 20 for natural gas (UNECE, 2019). The abundance of fossil fuels resources is making Kazakhstan able not only to meet domestic energy demands but also to export energy resources in significant amounts. However, the extraction and production of fossil fuels is causing a severe damage to the environment. According to UNECE, all fossil fuels extraction operational activities have an environmental impact on air, surface water and groundwater, soil, wildlife and human health (UNECE, 2019).

Besides that, during the 12 th Astana Economic Forum (AEF) on May 16, 2019- the Minister of Energy, Mr. Kanat Bozumbayev stated that the current state of the energy sector in Kazakhstan is characterized by significant depreciation of generating and network equipment, the dominant position of coal generation and the lack of the necessary reserve to cover the peak load. The development of the economy and the implementation of energy efficiency measures will lead to an increase in energy consumption by 2.3% per year by 2030 to 136 billion kWh and 5 86,795.1 mln kWh by 1.2% per year by 2050 to 172 billion kWh. At the same time, the energy intensity of the country’s GDP will decrease by 50% compared to 2010 (Mamyshev, 2019) . The growing electricity demand and the decommissioning of old power plants due to wear and tear will require significant construction of new capacities. This in turn could be a good momentum for scaling up the development of renewable energy sources (RES). RES are nonpolluting, do not require fossil fuels and significantly limits GHG emissions. Thus, transition to RES will decrease negative impact on the environment and close the problem with overdependence of fossil fuels and depreciation of existing old energy infrastructure.

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УДК 338

“Stress test: The CLASS model adjustments and preliminary results”

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Abstract. This paper illustrates the major adjustment made to the original CLASS model framework by Hirtle et al. (2015). They are based the change of asset and loan balances throughout the stress test horizon in different macroeconomic environments which are forecasted by using the expected normal economic path and the macroeconomic and financial conditions of 2007-09 crisis period. Compared to CLASS, the adjusted model allows banks to adjust their asset and loan shares over the forecast horizon. Based on comparison between CLASS and adjusted model, there are no large changes between the two models. Yet there is an assumption that the estimation of the effect of macroeconomic conditions on asset and loan balances and the flexibility to change these ratio components may cause small, but sharp changes that can be seen from my projections.

Introduction. The model builds the predictions of net income and capital variables for each 200 banking firms under two different scenarios and it does so for PPNR and net-charge-off components by forecasting the entire component expressed in the form of a ratio, keeping the denominator values constant over the forecast horizon. In other words, it is assumed that each bank is not allowed to modify the level of each ratio over the forecast horizon and hence cannot change, for instance, its asset or loan shares under the different scenarios. The ratios are kept as they were in the last historical date (2013Q3).

As it is mentioned earlier in this paper, there is a modification to the existing model, allowing the banks to adjust their levels also during the forecast horizon. That is, each bank can increase or shrink its asset or loan shares accordingly, given a chosen macroeconomic scenario. Instead of forecasting each variable as a ratio, there are numerator and the denominator variables of each ratio located individually, forecast both over the forecast horizon, and then reconstruct the ratio after the simulation is done. This can also allow us to identify the different specific effects that each scenario has on the denominator and the numerator of each ratio in order to investigate what is significantly causing the ratio to change. The paper intends to do this by using a system of Dynamic OLS regressions (DOLS) and Vector Error Correction Models (ECM) instead of the system of probability weighted least squares (WLS) regressions used in the original model.

As in the original framework, the regression models will be estimated by using the whole panel of banks in order to establish a general relationship between the variables to predict, the macroeconomic environment, and other bank specific control variables. The predictions, on the other hand, will be computed for each individual bank and then summed across periods in order to create industry aggregates in the same manner as in the original CLASS model.

2. Dynamic OLS Regressions (Long Run Relationship)

First, since the dependent and independent variables are cointegrated, i.e. they exhibit a common stochastic trend, Dynamic OLS regression is used in order to establish the long term relationship between each variable of interest and the macroeconomic variables, and, when it comes to numerator variables, the relationship between the variables itself, its denominator variable, and the macroeconomy.

The DOLS model consists of a modified version of OLS estimation which includes past, present, and future changes of the independent variables (Stock & Watson, 2002).

In the adjusted model, there is a regress of the log of each dependent variable on its significant macroeconomic variables at time t , its change at time t , on the lagged value (1st lag) of the first difference of each macroeconomic variable, and on the first lead of the first difference of each macroeconomic variable. This can be well explained by equation (2) below. Due to the fact that the data is a panel grouped by banking institutions there is a fixed effect on the “entity” variable that defines each individual institution. In addition to that, in order to avoid a structural break present during the period of the Great Recession, the data for the periods from 2007Q3 and onwards has been cut before running the regressions.

In case of the variables that come in the denominator of ratios, the DOLS equations look as follows:

$$\begin{aligned} \log A_{i,t} = & c_i + \alpha_1 \log \text{MACRO}^1_t + \alpha_2 \text{MACRO}^2_t + \alpha_3 \text{MACRO}^3_t \\ & + \beta_1 \Delta \log \text{MACRO}^1_{t+1} + \beta_2 \Delta \log \text{MACRO}^1_t + \beta_3 \Delta \log \text{MACRO}^1_{t-1} \quad (2) \\ & + \pi_1 \Delta \text{MACRO}^2_{t+1} + \pi_2 \Delta \text{MACRO}^2_t + \pi_3 \Delta \text{MACRO}^2_{t-1} \\ & + \rho_1 \Delta \text{MACRO}^3_{t+1} + \rho_2 \Delta \text{MACRO}^3_t + \rho_3 \Delta \text{MACRO}^3_{t-1} + \epsilon_t \quad \text{/with fixed effect on entity} \end{aligned}$$

where the logged macroeconomic variable is the log of real GDP while the other macroeconomic variables are controls such as spread, volatility index VIX, and the interest rate of treasury bills and bonds with different maturities.

One of the regressions performed in this manner is shown in Table 1.A. of the appendix, where the denominator variable A_t is an interest earning assets (used as a denominator for calculating net interest margin, where the numerator is interest income), and is being regressed on the log of GDP, the 3-months treasury bill rate, the volatility index VIX, and the present, past, and future changes of each regressor.

Once estimated the coefficients from the long run regressions, the second step is to use

these DOLS estimates from the long term relationship to compute the DOLS residual between the actual values of the dependent variables and the estimated model. It should be noted that only the coefficient must be used.

The error correction residual is computed by making an in-sample prediction of the dependent variable using the coefficients estimated in the long run regression. However, there are only those that come from the regressors which are contemporaneous and not differenced, in the case α_1 , α_2 , and α_3 , ignoring the ones of their past, present, and future changes. In this case the DOLS residual takes the following form:

$$\hat{\epsilon} = \alpha^1 \log \text{MACRO}_t^1 + \alpha^2 \text{MACRO}_t^2 + \alpha^3 \text{MACRO}_t^3 \quad (3)$$

This can also be expressed as in Figure 5.A. in the Appendix, with specifications related to the regression equation in Table 1.

3. Error Correction Model (Short Run Relationship)

The third step is establish the short term relationship between the change in each denominator variable and the macroeconomy. This is done by applying a Vector Error Correction Model (ECM) in order to eliminate the common trend from the differences between the dependent and independent variables. The ECM model is constructed by regressing the change of each variable of interest on its first lag, the first lag of the change in the dependent macroeconomic variables, the first lag of the DOLS residual, and some macroeconomic variables at time t included as controls. These equations take the following form:

$$\begin{aligned} \Delta \log A_{i,t} = & C_i + \gamma \hat{\epsilon}_{t-1} + \delta_1 \Delta \log A_{i,t-1} + \delta_2 \Delta \log \text{MACRO}_{t-1} \\ & + \eta_1(\text{controls})_t \quad / \text{ with fixed effect on entity} \end{aligned} \quad (4)$$

It should be noted that the DOLS residual calculated in equation (3) is now included in the above regression. It represents the difference between the actual path of the dependent variable and the model estimated in the long run regression, and hence captures the long run relationship between the variables and takes it into account when establishing the short run relationship. An error correction regression is presented in Figure 2.A., still with the same specifications as the DOLS regression in Table 1.A. It can easily be noticed that the AR(1) term is absent, because of the statistical insignificance. This can be caused by the presence and the high significance of the lagged value of $\hat{\epsilon}$ in the regression, as it already incorporates information also contained in the lag of $A_{i,t}$. Also some additional controls are added, depending on their significance and economic theory.

For the numerator variables the methods applied would be the same, with the difference of including its denominator variable in the long run regression as an independent variable in order for it to be captured in the DOLS estimator, $\hat{\epsilon}$. This is useful in case if the estimator carries information about the relationship between the numerator and the denominator, it will allow the first to converge towards the value of the original ratio in the long run without being susceptible to random-walk like permanent shocks.

4. Forecasting

Lastly, there is the projection of each variable of interest over the forecast horizon. To get the predictions of A , from period 2013Q3 until 2015Q4, the regression estimates from the long run and short run relationship equations are used. The long run regression estimates and the DOLS residual equations are employed to find the long run residuals for the last historical period (2013Q3). As was mentioned, the forecasts of the macroeconomic variables are given in the data, and there is one set of macroeconomic predictions for each of the two macroeconomic scenarios.

Under one scenario, the DOLS residual for the last current period would be:

$$\hat{\varepsilon} = \alpha^1 \log \text{MACRO}^1_t + \alpha^2 \text{MACRO}^2_t + \alpha^3 \text{MACRO}^3_t \quad (5)$$

where MACRO^i are the predicted macroeconomic values and t is equal to 2013Q3.

By inserting the predicted long run residual into the short run regression equation the growth of the dependent variable $A_{i,t}$ is calculated for the next period:

$$\Delta \log A_{i,t+1} = C_i + \gamma \hat{\varepsilon}_t + \delta_1 \Delta \log A_{i,t} + \delta_2 \Delta \log \text{MACRO}_t + \eta_1(\text{controls})_{t+1} \quad (6)$$

and use the same logic to create recursive forecasts for the whole stress test horizon.

The value of the predicted $A_{i,t+j}$ is computed as follows:

$$\log A_{i,t+j} = \Delta \log A_{i,t+j} + \log A_{i,t+j-1} \quad (7)$$

and, once executed the same process also for each numerator, reconstruct the individual ratios with the forecasted components. All this procedure described in Section 4 has to be carried out for all the numerator and the denominator variables of the ratios that are aimed to be forecasted.

5. Comparison and Results

The major variables that were focused on and compare their projections are the components of PPNR, net charge off rates that explains the loan performances of banks and Tier 1 common equity which is already included in the data. The reason to look at the forecasts of Tier 1 common equity in different scenarios is that it is calculated by subtracting the certain amount of Tier 1 capital, that banks obliged to keep by the U.S. regulations, from common equity. Thus there are conclusions based on adjustments made to the existing model. Rather than looking at the projections of aggregated variables across all banks, it was decided to select the top 1% of all banks that possess the largest amount of total assets through counting the percentile. In addition, there are the projections of the same variables of a bank that is ranked at the bottom of the industry and has a small pie of total assets to see if the size of the banks play significant role in their behaviour during different scenarios. Top 1% banks are *Bank of America* and *JP Morgan Chase*, and one of the smallest banks is *First Amer BK Corp*. The reason of not selecting more banking firms is that the projections of the variables that are interested in are more or less similar. One of the reasons could be that the data is collected for the largest banking firms in the U.S.

The graphs illustrated in Figure 3 in the Appendix are the projections of variables in CLASS model that keep level variables constant over stress test horizon. It can be clearly seen that the projections are identical until the last historical value (2013Q3), but vary in two different scenarios over forecast periods.

Just like in financial crisis, the simulations of PPNR ratio, returns on assets and trading assets in redux scenario show negative signs. Conversely, the graphs show that when the forecasts follow normal

stable economic path like in baseline scenario (green line), both income ratios and net charge off rates are relatively stable and lines are comparatively flat. In Figure 2, there are projections of Tier 1 common equity for all three banks are diverging. This pattern is also observed in the projections of industry variables as a whole. If under baseline scenario the line follows its trend before 2013Q3, the projection falls severely under crisis scenario approximately by the same amount it decreased during financial crisis. In other words, the above mentioned balance sheet variables are sensitive to macroeconomic conditions.

The major output of the model are the projections of net income variables and common equity capital with changing level variables in different macro scenarios. Comparing the original CLASS projections with the ones with adjustments there are directions of the trends are similar to the projections in the original paper, but in a slightly larger magnitude and with sharper, even though small, increases and declines.

As assumption of that, this might be due to the fact that while the original paper estimates the effect of the macroeconomic conditions, there is an estimate this relationship twice for the same ratio, once for the denominator and once for the numerator. It might be that this double estimation could have led to some sort of multiplying effect on the prediction, resulting in a harsher effect of the macroeconomic variables on variables of interest, but this has yet to be verified. From a theoretical point of view, this could also have been caused by the fact that, as opposed to the original CLASS model, in the model the banks are allowed to change their asset and loan share period by period over the forecast horizon, and might hence react more severely to changes in recent time periods causing the projections to have a sharper fall or raise. These very small variations can be seen in Figure 2 below where in Panel a and b of the figure that was build on the projections of Tier 1 capital for the largest two banks.

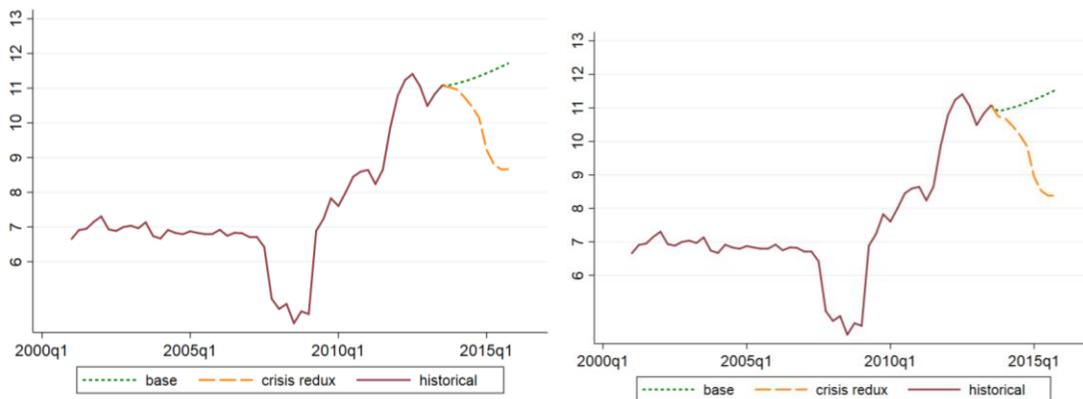


Figure 2. A. Tier 1 Capital projection of Bank of America. Left : CLASS model, right : model with adjustments

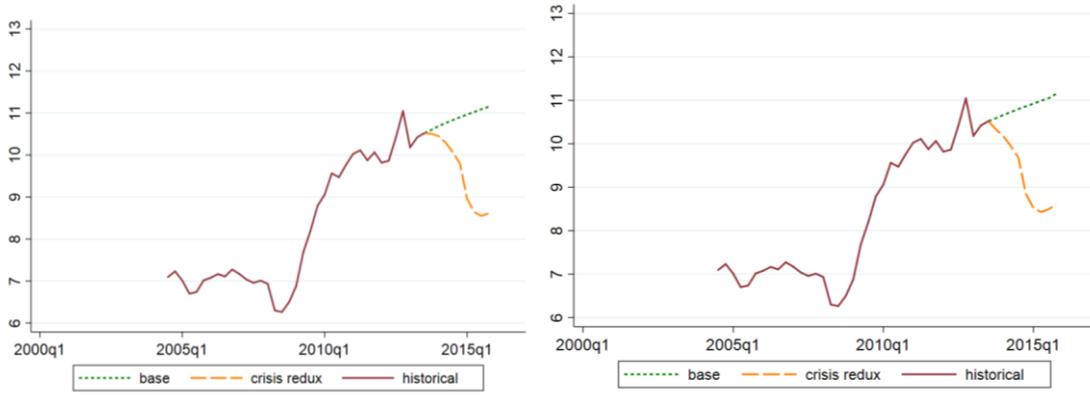


Figure 2. B. Tier 1 Capital projection of JP Morgan Chase and Co. Left : CLASS model, right : model with adjustments

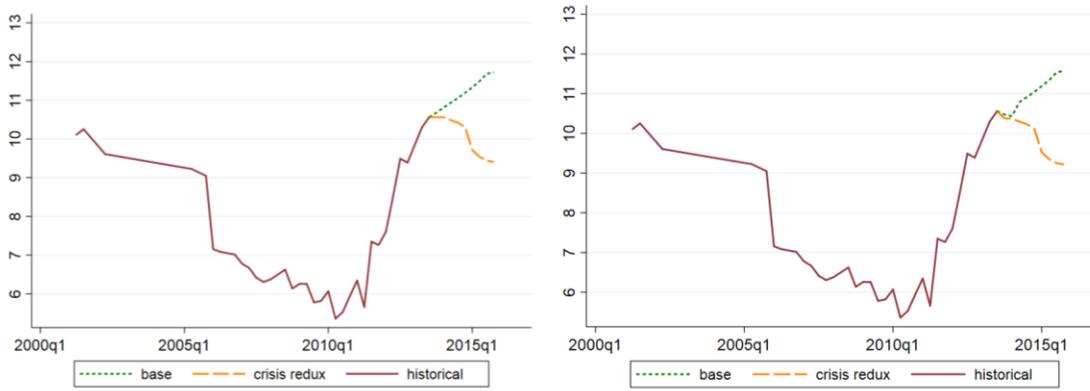


Figure 2. B. Tier 1 Capital projection of First Amer BK Corp. Left : CLASS model, right : model with adjustments

Appendix:

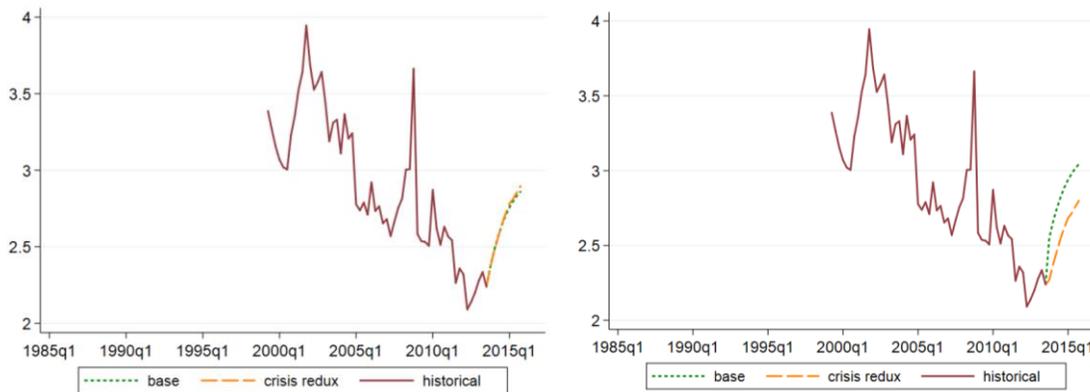


Figure 3. a. Net Interest margin projection of Bank of America. Left : CLASS model, right : model with adjustments

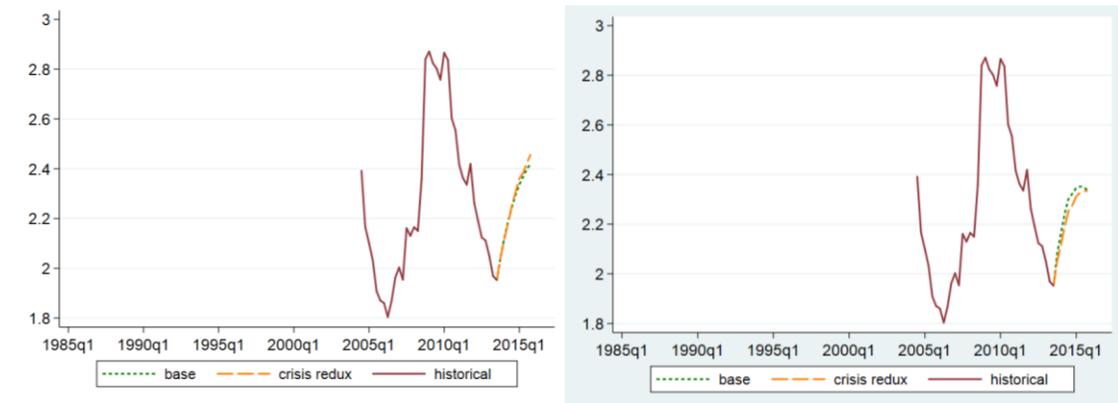


Figure 3. b. Net Interest margin projection of J.P. Morgan Chase and Co. Left : CLASS model, right : model with adjustments

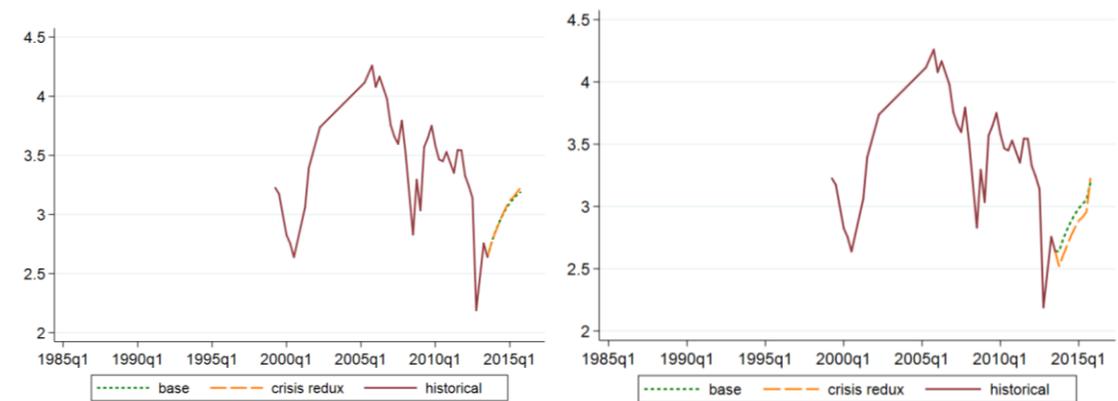


Figure 3. c. Net Interest margin of First Amer BK Corp. Left : CLASS model, right : model with adjustments

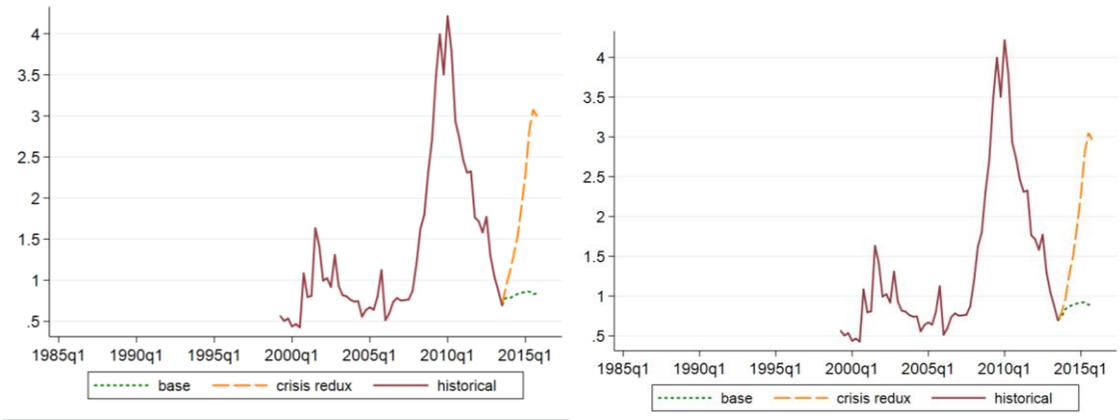


Figure 4. a. Total NCOs on All loans of Bank of America. Left : CLASS model, right : model with adjustments

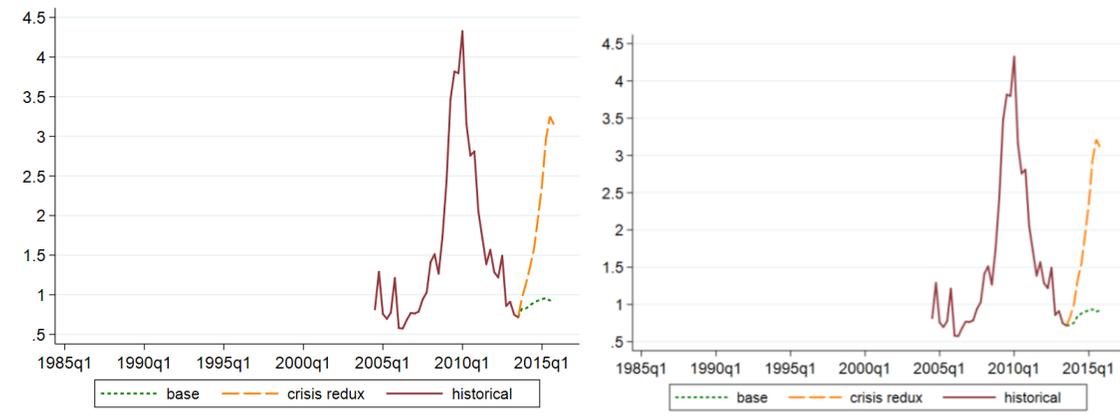


Figure 4. b. Total NCOs on All loans of J.P. Morgan Chase and Co. Left : CLASS model, right : model with adjustments

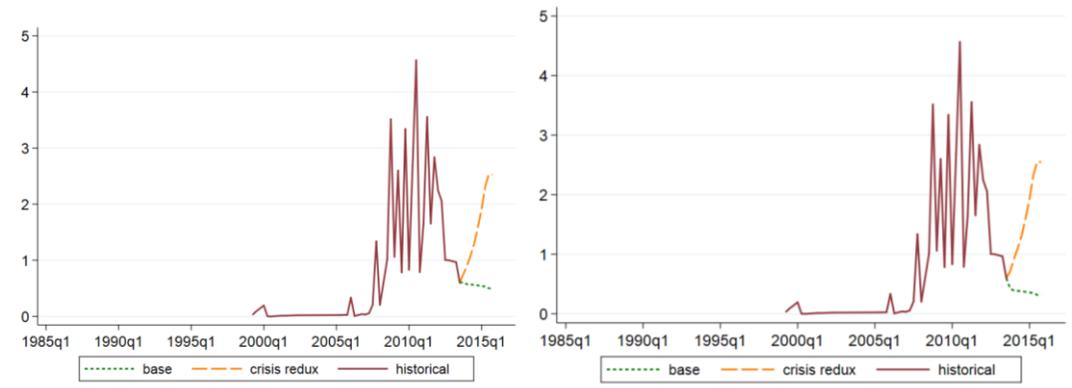


Figure 4. A. Total NCOs on All loans of First Amer BK Corp. Left : CLASS model, right : model with adjustments

Linear regression, absorbing indicators	Number of obs	=	12,338
Absorbed variable: entity	No. of categories	=	447
	F(12, 11879)	=	2697.37
	Prob > F	=	0.0000
	R-squared	=	0.9807
	Adj R-squared	=	0.9800
	Root MSE	=	0.2471

log_earn_ass	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
log_realgdp	3.487933	.0228889	152.39	0.000	3.443067	3.532799
cpr_t3m	-.0131314	.0019683	-6.67	0.000	-.0169896	-.0092733
cpr_vix	-.0007895	.0004154	-1.90	0.057	-.0016039	.0000248
dl_log_realgdp						
--.	-1.325766	.5870087	-2.26	0.024	-2.476399	-.1751329
Ll.	-1.500462	.5963497	-2.52	0.012	-2.669405	-.3315191
Fl.	1.852413	.5528225	3.35	0.001	.7687903	2.936036
dl_cpr_t3m						
--.	.0028756	.0101836	0.28	0.778	-.0170858	.022837
Ll.	-.0004263	.0086673	-0.05	0.961	-.0174156	.0165631
Fl.	-.024283	.0100782	-2.41	0.016	-.044038	-.0045281
dl_cpr_vix						
--.	.00036	.0004622	0.78	0.436	-.0005459	.0012659
Ll.	.0005064	.0004494	1.13	0.260	-.0003746	.0013874
Fl.	-.0002961	.0004366	-0.68	0.498	-.0011518	.0005597
_cons	-16.27025	.2135464	-76.19	0.000	-16.68883	-15.85166

F test of absorbed indicators: F(446, 11879) = 1336.932 Prob > F = 0.000

Table 1. A. Dynamic OLS regression - long run relationship estimation for Total Interest Earning Assets (denominator variable)

First estimation step.

$$e_hat = \log_earn_ass - (_b[\log_realgdp]*\log_realgdp + _b[cpr_t3m]*cpr_t3m + _b[cpr_vix]*cpr_vix)$$

Figure 5. A. DOLS residual composition in case of the regression in Table 1.A.

The $_b[]$'s corresponds to the three first coefficients in Table 1.

Second estimation step.

```
. areg dl_log_earn_ass l1.e_hat dl_log_realgdp dl_cpr_t3m l1.dl_cpr_vix dl.spread dl.growth, a(entity)
```

```
Linear regression, absorbing indicators      Number of obs   =    12,826
Absorbed variable: entity                  No. of categories =    465
                                           F( 6, 12355)   =    83.71
                                           Prob > F       =    0.0000
                                           R-squared     =    0.1028
                                           Adj R-squared  =    0.0686
                                           Root MSE     =    0.0740
```

dl_log_earn_~s	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
e_hat						
L1.	-.0533442	.0026515	-20.12	0.000	-.0585415	-.048147
dl_log_realgdp	1.556016	.2195597	7.09	0.000	1.125645	1.986388
dl_cpr_t3m	-.0143069	.0023735	-6.03	0.000	-.0189592	-.0096545
dl_cpr_vix	.0002985	.000111	2.69	0.007	.000081	.000516
spread						
D1.	-.0131963	.0019807	-6.66	0.000	-.0170787	-.0093139
growth						
D1.	-.0011018	.0003988	-2.76	0.006	-.0018835	-.0003201
_cons	-.8551551	.0432384	-19.78	0.000	-.9399091	-.7704012

```
F test of absorbed indicators: F(464, 12355) = 2.892                      Prob > F = 0.000
```

Table 2. A. Error Correction Model regression - Short run relationship estimation for Total Interest Earning Assets (denominator variable). Last step of the estimation process initiated in Table 1

Reference

Hirtle, B., Kovner, A., Vickery, J., & Bhanot, M. (2015). Assessing Financial Stability: The Capital and Loss Assessment under Stress Scenarios (CLASS) Model. *Journal of Banking and Finance*, 69, S35-55. <https://doi.org/http://www.sciencedirect.com/science/journal/03784266>.

УДК 338

“Stress test: The importance of capital requirements on banks.

Case Analysis and Literature Review”

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Abstract. This paper illustrates how the projections of banks’ balance sheet variables react to different scenarios (baseline and crisis) by using publicly available data for individual U.S. banks. It presents various types of stress tests throughout the world. In addition, it replicates and complements the CLASS (The Capital and Loss Assessment under Stress Scenarios) framework by Hirtle et al. (2015).

Introduction. The financial crisis in 2007-09s showed how important it is to know the capital resilience of commercial banks and bank holding companies when different macroeconomic scenarios

take place. It demonstrated that the level of capital regulation and the quality of bank capital during the crisis was not adequate, which could not help to mitigate the panic in the financial sector (Kunt et al., 2010). Since then there have been several supervisory stress tests on banks performed both in the U.S. (DFAST - Dodd-Frank Act Stress Tests) and Europe to assess the robustness of banks to changes in the economic and financial conditions. These tests help to understand that better capitalized banks have lower capital gap and are more resistant shocks during stressed macro conditions.

This paper will replicate and modify the model of assessing financial stability by Hirtle et al. (2015) – The Capital and Loss Assessment under Stress Scenarios (CLASS). CLASS model is a complement to the existing frameworks used in stress tests like DFAST, or CCAR (Comprehensive Capital Analysis and Review) which enables to build regression based projections of variables like different types of income and expenses and capital, where the effect of macroeconomic shocks is in place. It is a top-down model that helps to find how the largest U.S. banking firms react to exogenous shocks in macroeconomic variables. Following CLASS model, the paper will show how the projections evolve in two different macroeconomic scenarios. The original CLASS model enables to see how the projections of banks' balance sheet and asset variables, which are in ratios, change with different macroeconomic scenarios, but with fixed level variables. In other words, the authors use simple approach when projecting the proportions of assets by keeping them constant over the two-three years (stress test horizon) under both scenarios which is not coherent with banking historical data (Hirtle et al., 2015). Unlike CLASS framework, the paper will cover the asset and loan composition variables like net interest income, trading and total assets and net charge offs on different types of loan ("level" variables) to change over stress test horizon. By comparing my model with the original one, it will be showed how the projections of variables like capital and income will evolve with different macroeconomic conditions and how big the change is. Projections of the variables are modeled by using the predictions of the variables over the horizon period based on regression estimates.

The framework uses public data from commercial banks and bank holding companies, simple econometric models, and some bank specific assumptions in order to generate projections of the institutions' income and capital under different economic and financial environments. In the model presented, the same data and time series model will be used, but rely on slightly different regression models like dynamic ordinary least squares (OLS) and the error correction model when estimating the parameters of asset and loan balances to simulate them over stress test horizon.

As opposed to the original paper though, the model does not forecast each of the banking ratios (Pre-Provision Net Revenue components and net charge-offs) individually, but the ratio will be divided into its numerator variable and denominator variable, forecast both of them, and then reconstructs it with the predicted values.

This method allows banks to adjust their asset shares and loan shares period by period over the whole forecast horizon.

In general, two main research questions will be stated and answered. They are:

- What actions will banks undertake under external and internal economic shocks?
- How these economic shocks will impact the capital conditions of banks?

Moreover, additional questions will be addressed and answered, as a model will be used.

The rest of the paper is arranged as follows. Section 2 of the paper shows all literature findings and data. Section 3 of the paper discusses the details of the macroeconomic and bank related data used in the model.

Literature Review

A stress test is a long-sighted exercise that has an aim to estimate the impact on banks of an extreme shock. The instrument provides not only the accurate predictions of the development of banks' balance sheets under stress but importantly it is an instrument that allows us to understand the consequences on banks exposures, solvency, funding and liquidity of a set of macroeconomic risk.

The stress test instrument can focus on the liquidity stress test and solvency stress test. Liquidity stress test includes the assessment of banks liquidity status, whereas the solvency stress test is based on the assessment of banks on capital position (Breuer&Summer, 2018). Both forms of stress instruments have diverse attributes. Nowadays, according to Corbae&D'Erasmus (2011), the vast majority of financial market uses the solvency stress test, which is the scope of the exercises coordinated by many financial regulatory authorities such as European Banking Authority (EBA), Securities and Exchange Surveillance Commission and etc.

According to Parvate&Sass (2018), nowadays, basic bank stress tests such as Dodd-Frank Act (DFAST) and Comprehensive Capital Analysis and Review (CCAR) are conducted by financial supervisory authorities and banks themselves. The main objective is to determine risks and sensibilities of individual financial institutions or of the banking sector and provide assessment of their elasticities to shocks. Generally, banks use the stress test to regulate risks for both capital and liquidity planning purposes. For supervisors, the instrument of stress test is considered to be one of the tools for the pillar 2 supervisory review process of banks and assists them to have a precise picture of the risks and dangers faced by banks and to figure out potential capital needs (Parvate&Sass, 2018). In addition, macroeconomists use them as an instrument to identify systematic risks that may have an effect on financial stability.

According to Lilly (2018), the outcome of the stress test instrument depends not only on the durability of the models used and on the reliability of the shocks but also on the quality of the starting data. If there are doubts on quality of the data, the stress test should be used to identify the appropriate value of assets and the pertinent level of provisions. There are many other classes of stress test in contingent on the features of the exercise. According to Riebl&Gutierrez (2018), they are:

- Bottom-up stress test – exercise where banks apply their own internal models, methodologies and assumptions to make an assessment of the effect of the scenario on its financial statements.
- Top-down stress test – exercise where banks provide their financial data, hence the authorities use their own models, assumptions and methodologies to arrange the impact of the scenario and the shock on those data.
- Sensitivity analysis versus scenario analysis depending on whether the stress test seeks to make an assessment of the shock of stressed parameter or set of variables defined as part of a scenario.
- Pass and Fail versus supervisory stress test depending on the context and objective of the exercise.

According to Hirtle et al. (2015), the first stress test Supervisory Capital Assessment Program (SCAP) was applied during 2009 in the U.S. After, the application and use of stress tests was widely increased through the execution of the stress test provisions of the Dodd-Frank Act (DFAST) and Comprehensive Capital Analysis and Review (CCAR). Nowadays, according to Riebl & Gutierrez (2018) and Havro (2011), the European countries use the EBA EU-wide stress test that is applied at the highest level of consolidation of the largest European banks to make estimate on banks attitude to a common adverse macroeconomic scenario and adverse scenario on their financial and capital position. In addition, the EBA stress test is an aggregate tool that includes different authorities at national level and many other banks in different countries within the EU. However the EBA

methodology entails strict constraints on banks projections for various types of risks under stress, in order to guarantee certain level of conservatism. It build on banks own internal model, where banks themselves should enhance the methodology and apply for a better risk management system. Furthermore, it is considered to be more theoretical tool rather than practical.

Hirtle et al. (2015) on other hand, described a framework for making an assessment of the impact of macroeconomic conditions on the U.S. banking system. The CLASS model is a top-down instrument of the U.S. commercial banking sector that promotes projections of banks income and capital under various macroeconomic scenarios. Projections are on basis of regression models of components of bank income, expense and loan capacity along with assumptions on dividends, provision, asset growth and other factors. Later, CLASS model projections showed a shortfall of capital under stressed economic conditions starting from early 2004, well before the financial crisis of 2007-2009. The model is based on simple econometric models and publicly available financial data. The CLASS model projections are based on current industry financial data and indicate that companies that are inclined to have a large declines in capital under stressful macroeconomic conditions also have an affection to have higher current capital ratios. In addition, the top-down approach of the CLASS model has an intention to supplement more detailed models of bank revenues and expenses, such as those that are used in DFAST, CCAR and EBA. While comparing all these frameworks, the CLASS model relies more on public data such as macroeconomic and financial market information. The use of all these data helps CLASS model to figure out projections easily for a large number of companies and with a greater frequency. The results can be used either for financial stimulations or for assessment of the effect of a particular macroeconomic shock on the U.S. banking system. However, there are some insignificant limitations. It does not integrate any feedback from the banking system to financial markets. In addition, it abstracts from many idiosyncratic differences between individual institutions. According to Hirtle et al. (2015), despite of all these limitations, the results of the CLASS model projections are positively correlated with the Federal Reserve's DFAST projections and actual outcomes for individual bank holding companies (BHCs). Guerrieri and Welch (2012) provides a precise evidence that in top-down stress test exercises, the macroeconomic variables are improved out of sample forecasting power.

Nowadays, the financial market faces a great challenges, hence the improvements should be in place because current stress test methods, assumptions and methodologies such as DFAST and CCAR fail to systematically identifying dangerous but credible macroeconomic scenarios (Breuer&Summer, 2018). According to Lilly (2018), they also ignore important sources of losses that raised due to behavioral responses of banks to changes in their economic environment. The stress test scenarios are discussed in involved and dense bureaucratic process. The current stress test methods and assumptions concentrate mainly on loss evaluation.

Data and specifications.

In the model I the focus is applied on the largest individual commercial banks in the U.S. and use publicly available BHC (Bank Holding Companies) and banking firms' consolidated balance sheet data taken from the Federal Reserve Y-9C regulatory and the FFIEC Consolidated Reports of Condition and Income (Call Report) filings. The difference between the above mentioned two filing data is that Y-9C is filed by all the BHCs, whereas Call Report data is filed by banking firms which lack bigger parent company that would deliver FR Y-9C to the Federal Reserve each quarter. I also use macroeconomic and financial market data is used to build different macroeconomic conditions and to use them in my regression models. Both types of data have quarterly frequency where last historical value ends in the fourththird quarter of 20173. Banks' balance sheet related data contains observations only for the largest 200 domestic BHCs and banking firms in the U.S. The difference between presented model model I use and other stress tests like DFAST is that "top down" CLASS model builds more aggregated projections of large number of banks by using publicly available data. The aggregation is

done by summing selected balance sheet variables across all banks for each quarter of the year starting from 1991 to 2017. The data also contains the set of individual banking firms grouped together such as CCAR (Comprehensive Capital Analysis) firms, or the Bottom 200, Domestic with CAPP firms. By following CLASS framework, they are treated as an individual bank and do not drop them throughout the process.

Macroeconomic and financial market data consists of variables like change in stock growth, the rate of unemployment, the 3-month and 10-year treasury yields, and change in bond spread and in the real GDP that are most likely correlated with the banking firms' performances. The aspect of I will discuss more about how the set of macroeconomic variables are used will be discussed in my regression equations and how I create different macroeconomic environments using the data are created in Section 3 of the paper. Following CLASS model, I use the components of PPNR (Pre-Provision Net Revenue) like net interest margin (NIM), non-interest trading and non-trading income, and net charge-off (NCO) ratios are used on different types of loans from the banks' balance sheet to forecast the projections.

Big mergers or the splits of several banks like the takeover of Merrill Lynch by Bank of America in 2008 during the financial crisis may severely change the aggregated asset of the industry and result in breaks. On the other hand, following I followed CLASS model, and did not take into consideration these changes were not taken into consideration. One of the main reasons is that the ratios of the variables are used in my regressions and the above mentioned changes come both in the numerator and the denominator, so the effects cancel each other.

General regression equation

As in CLASS model, I use autoregressive (AR(1)) term and the combination of macroeconomic variables in the regression equations are used to build projections of dependent variables over the stress test horizon. Macroeconomic and financial market variables used in regression equations are selected based on their statistical significance. They vary from equation to equation based on the dependent balance sheet variable. Regression equations are run individually for each variable rather than estimating them in common as one system.

The structure of the general regression equation to used to get parameter estimates looks as follows:

$$Y_t = B_0 + B_1 Y_{t-1} + B_2 X_t + \epsilon_t \quad (1)$$

Where Y_t is the ratio of the variable of interest, B_0 is a constant parameter, Y_{t-1} is the AR1 term, ϵ_t is a white noise and X_t is the set of macroeconomic variables at period t that are chosen based on their statistical significance and correlation with the dependent variable. The regression models are time series and for some PPNR variables I also use bank specific assumptions (or control variables) such as loan portfolio shares are used which are the ratios of specific loans to interest earning assets. The dependent balance sheet variables are selected depending on their relation to macroeconomic condition. Thus, for instance, non-interest non-trading income and trading income are variables that are most likely affected by the economic and financial environment (that is, by stock growth and bond spreads). Regression equations are run using banking and macroeconomic data from 1991Q1 to the last historical value. The autoregressive model specification explains the path of slow convergence of projected ratios to a long run steady state value which will be significantly affected by the economic and financial conditions (Hirtle et al., 2015). It also means that the dependent variables are responsive to their lagged values. The set of macroeconomic variables used for regressing the NCO variables are the unemployment change, annualized log change in the real GDP.

It is important to mention that even though the consideration is I look at the net income and capital projections of selected banks, I run regressions are run including all banks without dropping any and then use the estimates for certain banks. By running regressions with all banks I get the general estimates for the whole industry is relieved that I can be used for both selected banks' variable projections or that of the all banks. In other words, these parameter estimates can give the common behavior of variables of interest.

There are six equations for pre-provision net revenue (PPNR) components and fifteen equations for net charge-offs on loan portfolio variables. PPNR variables used in regression equations are the ratios of different types of income and expenses like net interest margin, non interest non trading income and compensation non interest expense to interest earning, total and trading assets. In the existing model, the authors use simple the way to project asset and loan balances over forecasted horizon in two scenarios. According CLASS model assumptions, these asset balances that come in the denominator of the ratio, are multiplied by quarterly asset growth (1.25%) per each period (quarterly) and are assumed to grow at a constant rate. In other words, different types loans, securities and other assets that constitute the structure of the balance sheet or the proportion of total assets are kept constant over the horizon (Hirtle et al., 2015). The banking firms' asset composition variables react differently in different macroeconomic and financial conditions by having reduced asset growth during economic contraction and higher growth during expansion. Therefore, it is important I wanted to see how the projections of income and capital will alter over forecasted periods, if I allow asset and loan balances are allowed to change over time.

In addition, I also the regress on the annualized net charge off rates such as first lien, junior lien residential estate, construction commercial real estate and commercial and industrial is in place by dividing them by four which are then converted to provision expenses by multiplying the rates by loan balances that influences net income. Furthermore income. Furthermore In addition, return on available for sale (AFS) securities is used which is the ratio of gains on AFS securities to total AFS securities. After the autoregressive parameters are estimated, I can use this autoregression can be used to forecast future periods. A simple time series model allows to use the values from the last observations (or lagged variables) that are used as an input to our regression equations to accurately predict the values of the next observations. With each observation, however, the prediction becomes less accurate. Each time the I want to prediction of a value for next period is in place, I use the information from the previous quarter is used which was also projected and is not a historical value. In the original paper use weighted least squares (WLS) method to estimate the coefficients of PPNR equations where they are weighted by the shares of asset balance (e.g. asset shares, interest earning asset shares and AFS shares), while for the net charge off rates I use ordinary least squares (OLS) method is used. I incorporate Ssuch weights are incorporated when incorporated when I include control variables like the ratios of different types of loans in regression equations are included.

I also create The loan portfolio shares are created for loans such as real residential estate, credit card, commercial and industrial, and commercial real estate. Shares of the loans in loan portfolio are calculated by dividing loans by interest earning assets (level variable). In CLASS model, these ratios stay fixed at their last historical value. After getting regression estimates and when using them in creating forecasts of dependent variables over the horizon, I keep Tthe level variables of loan ratios are constant. In other words, the keep the ratios of different types of loans equal to the values in the last historical date (20173Q43).

Once I get the recursive forecasts for each ratios over the stress test horizon of the dependent variables are computed, I convert them they are converted to dollar values by multiplying the ratios by balance sheet variables, specifically interest earning, total and trading assets for PPNR components, different types of loans for net charge-offs and AFS securities for return on AFS securities. I then find

the Then it is estimated that net income by combining predicted dollar values of the ratios, gains and losses on securities and the revenue. In addition, I take into account several assumptions are taken into account such as taxes on income that banking firms are expected to pay and dividend payments by subtracting them from net revenue that possibly can affect the projections of net income and capital. Based on CLASS paper, I the projection is based on the income taxes by assuming that the tax rate will be at a rate of 35% over the horizon. Similarly, I forecast dividends are forecasted each period taking into account the payout rate of 45% and subtract dividends from total equity capital.

Macroeconomic scenarios

To compare the projections of variables in different macroeconomic environments, I create two macro scenarios are created: baseline and crisis redux scenarios. Baseline scenario is the path of the economy that is expected and created by Federal Reserve for capital analysis and review. That is macroeconomic and financial market data already includes the projections of macroeconomic variables for three years. Crisis redux scenario is the replication of macroeconomic and financial conditions experienced during the crisis starting from 2007 and onwards. I take the difference between the last historical value and 2007Q2 which results in 25 quarters is taken. This is done to be able to shift the values of the macro variables from 2007Q2 to 2013Q3 by 25 quarters to have exactly the same macroeconomic conditions throughout the stress test horizon which is called “crisis redux scenario”. Figure 2 a and b, according to Hirtle et al. (2015), illustrates different projections of economic variables like annualized log change in real GDP (growth) and change in unemployment rate (unchange) in two scenarios starting from the last historical date (2013Q4) over the horizon where I can see that projections of the variables in crisis redux scenario are identical to the period during the actual 2007-2009 crisis.

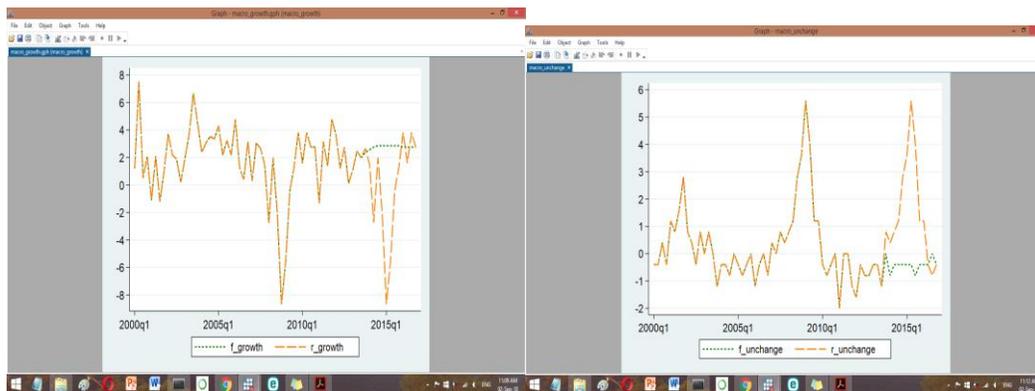


Figure 2 a. and b. The green lines (from 2013Q) are the projections of GDP growth (f_growth) and unemployment rate (f_unchange) in baseline scenario. The orange lines (from 2013Q3) are the projections of r_growth and r_unchange in crisis redux scenario. (Hirtle et al.,2015).

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“Factors influencing decision-making process in debates of Large-scale Infrastructural Projects and Public Policy implications: Case of Kok-Zhailau.”

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Abstract: This thesis work aimed at exploring external and internal factors affecting decision-making processes for large infrastructural projects given in the case of Kok-Zhailau Ski Resort. It was expected that external factors such as environmental as well as economic will prevail internal factors affecting project success. Nevertheless, the results of the interviews conducted with representatives of different organizations showed that external factors contributing to a decision-making process were political and economic whereas environmental factors were least of importance that explained aligned strategically significant role of the government in decision-making. Furthermore, internal factors such as availability of resources and required infrastructure had played a significant role in project success.

Public Policy implications derived from the analysis of Kok-Zhailau case is that civil society of Kazakhstan has been developing and evolving over time due to higher access to information. Hence, large infrastructural project initiations and decision-making should take into consideration active role of civil society rather than negligence its influential power. Hence, perspective PPP model may have lacked consideration of all stakeholder interest. Therefore, local authorities given the role of main decision-maker should be effectively implementing communication plans in order to reach consensus with community where such projects will be initiated.

Introduction: Tourism plays significant role in the world economy by being one of the most profitable industries. As a young country, Kazakhstan in line with other Central Asian states focused on the development of this sector. In fact, dependence of the country on the oil and gas exports, had increased Foreign Direct Investments (FDIs) specifically into these sectors, whereas tourism sector lacked sufficient levels of investments. Thus, most of the tourism infrastructure inherited from the Soviet period, was not upgraded to world standards to be more attractive for foreign visitors. Nevertheless, Kazakhstan introduced several reforms and strategic development programs to revitalize tourism sector (Abubakirova and et al, 2016).

The history of the construction of a ski resort on the territory of the Kok-Zhailau tract began in 2002, when the Bonita Group presented the project of the Zailiysky Alatau resort to Nursultan Nazarbayev, but due to the absence of an investor, the project was frozen. In 2011, Almaty Akimat headed by Akhmetzhan Yesimov and the Ministry of Industry and New Technologies of the Republic of Kazakhstan decided to build a world-class ski complex on the territory of Kok-Zhailau. Funds were allocated from the city budget for the development of a feasibility study for the construction of the resort. Almaty residents protested against construction: it threatens to destroy the ecology and transfer land to private use. For 16 years, the construction of the resort has stopped due to public protest or due to a budget deficit, the authorities have repeatedly amended the law, which authorized the transfer of specially protected land to other land categories. In 2017, the construction of the resort was resumed; in 2018, the Save Kok-Zhailau initiative group created a petition “We demand to preserve Kok-Zhailau”.

The Ecological Society Green Salvation filed a lawsuit in court to invalidate the conclusions of the state environmental review of the Pre-EIA project for the feasibility study of the Kok-Zhailau Ski Resort. The application was submitted to the Specialized Inter-district Economic Court of Almaty on October 8, 2013. The case is led by judge Kazymbetova G.N. The defendant in the lawsuit is the Department of Natural Resources and Environmental Management of Almaty. The first hearing on the case will be held on November 11 at 10. Recall that currently in Almaty, a project is under construction for the construction of the Kok-Zhailau ski resort. The resort will include hotels, restaurants and shopping centers, the total length of the ski slopes - more than 60 km. Construction is planned on the territory of the Ile-Alatau National Park. More than eight thousand people signed the Open Letter in defense of the Kok-Zhailau tract and against the construction in the national park. A letter was sent to the President of the country and the Government. The detriment of this project lies in the fact that the creation of such a large-scale facility in the territory of the national park contradicts the requirements of the legislation of the Republic of Kazakhstan and international conventions. The national park was created to preserve and restore the unique natural complexes of Zailiysky Alatau, which have special ecological, historical, scientific, aesthetic and recreational value. And the construction will lead to irreversible environmental degradation not only in the national park, but also in Almaty. In January of this year, public hearings were held with violations of the law, which also raised the question of the legality of construction. Despite a public outcry, on April 13, 2013, the Department of Natural Resources and Environmental Management conducted a state environmental review and agreed on the materials of the Preliminary Environmental Impact Assessment as part of the feasibility study for the Kok-Zhailau Ski Resort project.

When reviewing this conclusion, it becomes clear that it is illegal both in content and in the subject, who carried out the examination. Therefore, the conclusion cannot be the basis for the conclusion about the admissibility and the possibility of making decisions on the implementation of the project. In accordance with the legislation of the Republic of Kazakhstan, the plaintiff, the Ecological Society Green Salvation, asks the court to "declare the conclusion of the state environmental review based on the materials of the preliminary environmental impact assessment as part of the feasibility study of the Kok-Zhailau Ski Resort project invalid."

Court mitigations that started by environmental groups in 2007-2008 requested Akimat of Almaty with the followings:

1. Recognize the provision of false information by KSU "Department of Tourism and External Relations of the City of Almaty" as unlawful action.
2. To impose on KSU "Department of Tourism and External Relations of the City of Almaty" the obligation to provide the Ecological Society with reliable environmental information.
3. In relation to the head of the KSU "Department of Tourism and External Relations of the City of Almaty" to make a private determination in accordance with Article 270 of the Code of Civil Procedure of the Republic of Kazakhstan "(end of quote from the lawsuit).

On May 27, 2014 a meeting was held in the Almaty City Court on a public suit to annul the results of public hearings. The judge listened to both parties and ruled in favor of the plaintiffs!

Recall that on February 25, 2014, a public hearing was held to discuss the feasibility study on the transfer of land from a specially protected natural area - the Ile-Alatau State National Natural Park to the reserve lands for the construction of the Kok-Zhailau ski resort. They were organized by the defendants in this lawsuit - the Tourism Authority of Almaty and the Terra Remote Sensing and Geographic Information Systems Center LLP (GIS "Terra"). The plaintiffs, as participants in the hearings, believe that during the hearing, as well as during the execution of the protocol, the defendants committed violations of the current legislation of the Republic of Kazakhstan, resulting in violations of their rights.

On March 31, a lawsuit was filed with the Medeu District Court. On April 7, the court issued a ruling on dismissing the case due to the fact that "public hearings and the protocol appealed by the plaintiffs and the protocol do not give rise to any legal consequences". On April 14, a private complaint was filed against this ruling. May 23 was the first meeting. On May 27, the second court session was held. The judge, after hearing both parties, made a decision - to cancel the decision of the Medeu District Court and refer the case for re-consideration to the same court.

Research Questions: This thesis work will address several questions related to Private Public Partnerships and public-policy making in this sphere to analyze current factors of decision-making based on the given example of Kok-Zhailau.

1. What are the external and internal factors affecting decision-making processes in large-scale infrastructural projects given the role of moderators to the local governments?
2. Does PPP model implemented in large-scale and environmentally sensitive projects as Kok-Zhailau consider all needs and interests of stakeholder groups except business and government?
3. What are the public policy implications derived from analysis of Kok-Zhailau project?

Methodology: In order to achieve research goals and objectives, it was decided to apply interview research method. Qualitative research technique as interviews can provide with up to date information about current pace of Kok-Zhailau project. Moreover, different public groups such as opinions of government officials, environmentalists as well as ordinary groups will be assessed. Analysis of the results will provide with more insightful information on major reasons of conflict of interests. Interviews will be multifaceted meaning that they will be covering different stakeholder groups, which are involved directly and indirectly by local policy on constructing new ski resort in Almaty. Three major target groups included environmental, social activists and the government being represented by akimat of Almaty. Such approach of collecting primary data will contribute to the diversity of opinions as well as arguments in favor and against of Kok-Zhailau project.

Purpose of the Study: Local government's decision to initiate totally new project of skiing resort on Kok-Zhailau did not find its supporters among citizens amid the fact that such projects could have positively impacted city economy. Even though, it was decided that format of this project would be Public Private Partnership (PPP), city dwellers were much concerned about the nature preservation and due to inability of Almaty Akimat to promote and justify reasons favoring such construction except economic benefits, initiative

was failed. In fact, economic development as well as large infrastructural projects play significant role for emerging economies such as Kazakhstan. It provides with more economic stimuli as well as diversification source of revenues of the nation. Recently, countries started focusing on the development of tourism based on the areas capabilities that could have provided not only economic benefits, but also increase competitive advantages of the cities in attracting capital as well as human resources, which could have allowed increased level of economic development being reflected on the quality of life. Thus, the role of such developmental projects is strategically significant (Dissart, 2012). It should be noted that large tourism infrastructure could have been viable catalyst for the cities in becoming tourist attractions. Abdymanapov and et al (2016) stated that complex as well as challenging environments today require modern and more effective mechanisms of interaction between population and government. It is argued that during the economic downturns government's role as an investor increases for all economic sectors. Nevertheless, its financial and economic capability decreases due to downfall of budget revenues in initiating large-scale infrastructural projects. As a result, it led to increased popularity as well as importance of developing Private Public Partnerships (PPPs) in long-term large projects.

It should be noted that this research project is focused on assessing effectiveness of decision-making in organizing Public Private Partnerships (PPP) in the given example of Kok-Zhailau Ski Resort. Analysis will be based on the multifaceted approaches where factors currently affecting PPP effectiveness, public-policy making in promoting PPPs as well as common issues that pertain to Kok-Zhailau will be assessed in a more detailed analysis. Moreover, work will attempt to seek for reasons of failures and weaknesses of local public-policy making in reaching consensus on Kok-Zhailau project.

Literature Review: Construction of economically and ecologically important large infrastructural projects has always attracted the attention of public due to its potential impact on the well-being of city dwellers. In this section of the research work, previous academic works studying theories as well as practical aspects of public private partnerships (PPP) will be analyzed. Analysis of PPPs can shed a light on the effectiveness of this model in accomplishing large infrastructural projects in Kazakhstan. Indeed, it will determine major country-specific internal and external factors affecting government projects as Kok-Zhailau. Literature review findings can serve as theoretical foundation based on which primary research will be conducted.

Indeed, construction of large-scale infrastructural projects can have both advantages as well as disadvantages. De Bruijin and Leijten (2008) highlighted that there were two major issues on the course of implementing any mega-projects. Analysis of different large-scale projects can bring a light on major issues that prevail such projects. Indeed, this work contributes to understanding and revealing major issues that are existent in long-term projects.

1. Unmanageability of projects by time or money parameters. This risk arises due to specific characteristics of an environment, technical as well as social difficulties being encountered. Author considered that technical uncertainty can impose major technical risks, whereas social issues can arise due to conflict of interests.
2. Impoverished condition of the project, which can be interpreted as inability of project to prevent unmanageable due to lack of motivation and ambition. As a result, it can lead to a conclusion that future-oriented sense of project is lost.

The following table represents the technical patterns of projects that can potential impact on the degree of manageability:

Manageable if . . .	Less well manageable if . . .
Robust (overdesign)	Less robust (underdesign)
Proven technology (tame technology)	Innovative technology (unproven technology, unruly technology)
Divisible	Indivisible
Loose coupling	Tight coupling
Fallback option	No fallback option
Monofunctional	Multifunctional
Incremental implementation	Radical implementation

Figure 1: Technical features of project influencing its manageability (De Bruijn and Leijten, 2008)

All in all, authors concluded that manageability of large projects depends on different parameters of the project that are outlined above.

Private-Public partnership mega-projects have attracted attention as possible third method of implementing infrastructural projects. Also, it remains as an alternative approach in comparison to traditional project management approaches (Koppenjan, 2008). Following this approach in managing mega-projects is justified by the following factors:

1. Attraction of private investment into projects. As previous large cultural and sport events show, large projects are often associated with high degree of investments into infrastructure. Thus, Private-public partnerships can reallocate the burden of such projects.
2. Value for money. Compared with public sectors, private companies that are involved in such projects tend to be more cost-efficient due to their interests. Moreover, value for money will also be aligned with cost optimization through incremental changes in project design.
3. Innovation-centered approach. More creative solutions of existing risks and problems will be suggested since private company is motivated to overcome any cost increases. As a result, it will foster innovativeness.
4. Efficient decision-making. Private-public partnerships will be beneficial in terms of making quick decisions with more positive impact. Moreover, experience that private company has, will be exploited.

Koppenjan (2008) assessed how a decision to create joint mega projects between private and public sectors can ensure future successful completion. Despite anticipated benefits of such partnerships, author highlighted shortcomings such as lengthiness of contract negotiations, high levels of transaction costs, large forecasts and developments, lack of transparency among involved parties, differences in strategy due to individual needs of each party.

Agha and Taks (2015) conducted theoretical analysis of economic consequences of large as well as small events. Research theory was based on the notion that small events contribute largely into the city economy compared with large projects. Authors developed a model, which tested economic impact. Moreover, new economic terms were introduced: “event resource demand” or ERD, and “city resource supply” (CRS). By introducing two terms, economic model analyzing city economy emerged. According to authors, this economic framework can be used in determining lack or surplus of the resources and its impact on hosted event. Resource-based approach in assessing the capability of cities in hosting large events can be effective in making more rational decisions by city officials. Furthermore, by comparing two types of events (small and large) authors argued that hosting smaller events can have much higher economic return than large events. Indeed, resource-based theory can yield with better projection of economic impact of hosting large events if it is supported by other approaches such as cost-benefit analysis.

Schulenkorf (2012) had focused on risks in seven large projects. The authors have analysed the risks based on categorization of risks into major groups: operational, short-term and long-term. Study was based on the analysis of 1450 risk elements, which were taken from the risk registers of seven large projects. The analysis results revealed that long-term strategic risks were not so often occurring compared with other risks. Indeed, strategic risks tend to be more uncertain in nature. Indeed, data set analysis indicated that operational risks were dominating in all seven projects chosen for study. Even though strategic risks are not considered to be project's responsibility, identifying them and managing them lies on organization itself. All in all, operational risks can impose significant impediments for further development of projects. Multi-dimensional approach can be applied in identifying major project risks (Cagno, Caron and Mancini, 2007). This model aims at identifying set of factors such as project operations, stakeholder relationships. Data derived by an analysis can later be used in the development of risk maps. Risk mapping can deliver information on the distance between the risk elements and determining more appropriate risk mitigation models and tools. The risk groups included the following types of risks:

1. Technical risks
2. Managerial risks
3. Commercial risks
4. Environmental

These four categories are used in Risk Breakdown structure to identify project-specific risks. One of the proposed advantages of multidimensional risk management model was that it allowed simultaneously focus on the variable parameters of risk and analysis of major risks based on the separation of two from each other.

Conclusion: This thesis work is dedicated to the analysis of Public Private Partnership model application in particular case of Kok-Zhailau Ski Resort in Almaty. Primary goal of the research work was to identify major internal and external factors affecting decision-making in particular case of large-infrastructure projects, effectiveness of PPP in addressing different stakeholder needs and interests in the case of Kok-Zhailau Ski Resort.

The results of the research work had identified several outcomes including important role of political and economic external factors, availability of resources, the level of infrastructural development and support from the government. Moreover, potential failure reasons included lack conflict of interests between stakeholder interests as a main reason that can lead to failure in reaching consensus. Opposition against Kok-Zhailau project has had strong public policy implications including development of more sophisticated civil society aware of environmental issues neglecting potential economic benefits and seeking for social justice.

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Appendix 1: Interview questions

Question 1: Do you think that external factors such as Political, Economic, Social, Technological, Legal and Environmental, can have greater impact on public-policy decision-making?

Question 2: Which external factors do you consider as most prevalent in initiating long-term and high cost infrastructural projects?

Question 3: Could you please define the role aligned to government officials in decision-making on large-scale infrastructural projects as Kok-Zhailau?

Question 4: What are major factors that led to protesting mood against the development of Kok-Zhailau resort by social groups?

Question 5: Why does Almaty need new ski resort whereas it already has Shymbulak?

Question 6: Do you think that large-scale project decision-making has to include all possible affected stakeholder interests to avoid conflict of interests?

Question 7: What are implications of Kok-Zhailau case to public policy-making in developing large infrastructural projects in urban areas of Kazakhstan?

Question 8: Do you consider that proposed model of PPP model in case of Kok-Zhailau would be more effective?

“Government’s responsibility to support the minorities (orphans and disabled)”

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Abstract. The post-Soviet Union states face the social divisions of minorities who are often overlooked by the rest of the society. As a result, the overlooked minorities face the inequality in opportunities as well as social stigma. This paper explores the responsibility of the investing in a bigger social welfare projects to support the underprivileged part of the society. The focus group is the orphans and the disabled part of the society (including the disabled orphans). The main question of this paper is to answer, “Whether there is a need for the government to invest in the social welfare of the aforementioned group”. The second question of this paper is “what is the economic tradeoff of supporting or not supporting the social welfare projects for orphans and disabled society?”

Keyword: *Social welfare, underprivileged society, minority, inequality, government.*

Introduction. This research paper will be focused on the vulnerable part of societies and will further study on whether the government should be supportive towards that class of society. The main topic will be the following: does the government have the moral obligations to support and fund the vulnerable part of society. If so, what are the economic tradeoffs for the government? The definition of vulnerable part of the society:

- orphans (including poor people, who are unemployed) – vulnerability has the context that the members of this subgroup are exposed to different obstacles in the post soviet union countries. In many cases, there is a lack of education and oversight support for this group of people. This group has a good prospect for investments and therefore having good economic returns to the government. Therefore this group has a potential to be better supported and the questions would include what the government currently does and is it willing to do more in order to support this subgroup of people.
- Disabled (invalids) – there are two types of disabled: mentally and physically.

The research will be focusing on the physically disabled people who can be performing the mental tasks. What kind of support are they offered and what is the current situation. Moreover should the government funding more projects that support this group and is there any rules or regulations created to support them.

This research paper will further investigate and study whether the government should “invest” more in welfare of the disadvantaged people or is there any moral obligation. Therefore the main goal of this paper to show if there is a need that government should be funding the help to the vulnerable people. And if there is what kind of need it is, is it more of rational need for the government or more moral obligation to take care of its citizens. Moreover this paper aims to show how important would it be to fund this part of society and what good can it bring to the overall wellbeing of society.

If the objectives of this research paper are met, this paper can serve as ground for the argument of why does the government need to provide more support to its vulnerable citizens.

Methodology

This specific work will include both the qualitative and quantitative research. As the title itself, the moral obligation of the state is yet to be defined and explained conceptually. This part of the research is going to be qualitative. The state of Kazakhstan is going to be compared to the socialistic states, such as Denmark for the justification of the moral obligation of the state to support its vulnerable citizens. Moreover there would be the

comparison with the African (Sub-Saharan) states where there is no obligation to support the citizens. The focus of this research work are the orphans, disabled and the ex-drug addicts (including the alcoholics, and ex-criminals). However in order to compare these states, the codes of ethics, core values are to be studied in order to define the moral obligations of different states and then compare them with Kazakhstan's. The reason for that is to explore and define what moral obligation is for the certain country and how do these countries deal with the obligations besides their citizens, regardless of the amount of wealth available for the government.

NGO called "SOS Children's Village" provides the home based atmosphere for several orphans in Almaty city. The organizers and the residents of this community will be the first ones to be asked about the current situation and the support they receive from the government (i.e. monetary funding, grants, social packages etc.). There are many elder orphans in Almaty who grew up in the public orphan houses. They would be also targeted for this research. The social media would be the main tool of finding and arranging the personal or online interviews with them and in some cases the surveys that will include the key questions needed to be answered. The questions to be asked are mostly about the support they had (if still have) from the government. The reason for these type of field work is analyze what is the reality for orphans of receiving certain support or help from the government. Moreover in order to reconcile the real situation with the official one, the Committee on Guardianship of Almaty city will be also contacted and the information would requested regarding the amount and the types of helps and provisions that are provided to the orphans.

Alongside with the previously mentioned field work, the Social Security Authorities will contacted as well requesting the information on the social benefits that disabled people are receiving (including the monetary support and the certain legislation in the labor codes). However finding the people with the disabilities and reasonably coming up with the sample size might one of the limitations which could lead to misleading data. Though the official data would be requested on the number of disabled people in Almaty city, and if that data is received (which is less likely) the proper and statistically correct sample size can be drawn. The main question is here also to find out what is the government support for these type of people and how helpful is the government in supporting its citizens who are physically unable to take care of themselves properly.

Research plan:

The plan for this research is to thoroughly expand and study the actual topic of the existence of moral obligation of the government towards the support of its less fortunate part of society. Moreover the main question to offset this obligation is to study the economic tradeoff for the government. Therefore there might be different reasons for the government to provide highest social and welfare support towards the vulnerable as well as not providing the much level of financial support to those groups of people. This paper will be oriented to answer and find out about the economic tradeoffs for the government. In doing so, the extensive research will be done on the government's budgets and expenditures for the last 5-10 years, depending on the availability of the information. Moreover the information regarding the budget on the social welfare and provision of social benefits to those groups (described earlier) will be researched as well. This will be helpful to see what is the portion from the overall budget is allocated to the support of the vulnerable people. Moreover the similar information of other socialistic, similar and less developed countries will be useful to look into and compare with the Kazakhstan's figures.

There would be also done a field work, meaning that the current orphanages, drug treatment centers or hospitals would be visited. During these trips, the overall conditions of the facilities would be taken into consideration and further described in the findings. This would be helpful in order to receive the overall information about the support that these agencies (organizations) are receiving. Moreover there are several non-governmental organizations that provide the support and care for the orphans and other vulnerable people. For the instance, the SOS Children's Village International helps the orphans to have the family type environment. It would useful to provide find out the information regarding the donors of those non-profit and non-governmental organization, moreover the plan is find out their budgets for their operations. There might be some limitations

in terms of finding the reliable data or finding at least financial data regarding these non-governmental organizations including the government organizations as well. However the official request letters and in-person interviews will be focused on receiving these types of data.

Theoretical framework

In investigating this issue of how the government should support its vulnerable citizens and what would be the level of necessary funding of these people. This is a very conceptual topic and therefore as the basic framework, the fundamental ethical theories will be used. Two theories: consequentialist theory and utilitarianism will be used in order to justify the need of the government to support or not its underprivileged citizens. As by the definition, consequentialism is a type of teleological theory – suggest that the moral value, moral rightness or wrongness of an act, is entirely a function of the consequences, or the results of that act. Therefore it is important to spell out what sorts of consequences are morally good and what sorts are morally.

Fundamental ethical theory that can be used during this research is the utilitarianism. It is a moral theory according to which welfare is the fundamental human good. The classical utilitarianism is a theory in normative ethics holding that the best moral action is the one that maximizes the utility (for the greater good). Welfare may be understood as referring to the happiness or wellbeing of individuals. Another important theory to mention is the neoclassical welfare theory – the performance of economic institution can and should be judged according to whether they provide economic goods in quantities that accord with people's relative desires for those goods. This theory is more applicable to socialist states, however in the context of providing the economic or social support to the ones who are in need (in this case vulnerable people) could be quite relevant to use. Fundamental theorems of neoclassical welfare theory – Pareto optimality: “The community becomes better off if one individual becomes better off and none worse off”. In this regard the support and the wellbeing of everyone in the society including the vulnerable people (focus group mentioned earlier) is important for the overall wellbeing of the whole society.

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Ответ на депутатский запрос Премьер-Министра РК от 27 декабря 2014 года No 20- 54/5822«О

реорганизации интернатной системы воспитания детей-сирот и детей, оставшихся без попечения родителей, развития патронатного воспитания» Zakon.kz Retrieved from: <http://www.zakon.kz/4682011-otvet-na-deputatskijj-zapros-premer.html>

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“Water Governance in Central Asia: assessment and current situation”

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Abstract. Currently, many countries are facing the problem of use of water resources and water scarcity. Pursuing rational consumption, efficiency in water distribution and effective outcomes, governments miss details of their performance. Such small pieces make large mechanism work, and their absence stops it. Therefore, once one of the government departments wants to implement a policy, agents that involved into policymaking process should inform, discuss, and come to a consensus with all interested (and hypothetically affected) parties. This paper discuss the current situation regarding water governance in Central Asia, with focus on Kazakhstan.

Introduction.

Since agriculture plays important role in the economy of Kazakhstan, government pays a lot of attention to that sector. Currently, when meteorological conditions are constantly changing, water consumption is rising, and agrarians require higher attention to the crops growth. However, the issue of water resources use had arisen only recently (when the aftermaths of human activity on transboundary rivers lead to catastrophic ends).

Not only surface waters are used on areas of fertile soil for yields support. There is also a big portion of other resources expenditures on watering as well (such as ground waters, land, and financial expenses for technical procurement and human resources provision). Agrarians should take these major points in consideration while preparing for each season. It brings us to the issue of dealing with interdepartmental relationships within administration, for example departments of environment and committee for water resources, Ministry of agriculture and Ministry of Finance. Nowadays, there is no one best and most effective procedure of dealing between tangential departments on same resource consumption and saving. This is why I want my work to become a draft of how to rationalize and speed up decision-making order to reach an agreement for sustainable water use for irrigation and management while improving agriculture in Kazakhstan, as social problems are means for problems in policy.

If we will take into account the current situation of relationships between industry of agriculture and water resources committee in Kazakhstan it is seen that second is falling into line with first as it is a subordinate organ of Ministry of Agriculture. However, it does not mean that interests of water managers and environmentalists should be neglected or mitigated. Day after day environmental concerns arise sharper within society. Government should consider worries of public by revising old and irrational policies, which include natural resources consumption. The Ministry of Agriculture falls under this description better than others.

In the Republic of Kazakhstan, Environmental Code regulates the quality of water resources. On the territory of Kazakhstan, the principle of the multiplicity of bodies exercising public administration in the field of water use and protection is maintained. By no surprise, difficulties exist, when state regulation contradicts

associations of water users and market needs. This kind of distribution of management functions does not facilitate the implementation of the concept of integrated water resources management, weakening the institutional basis for their effective solution, and creating conditions for overcoming consequences. Therefore, it is necessary to clearly delineate the powers between the existing general and special water management bodies, eliminating duplication of functions (planning, licensing, monitoring, setting standards, data management, data collection, etc.). At the state level, these coordinating functions for water resources management should be transferred to the Committee for Water Resources, giving it the status of a special authorized central body (Dzhumagulov, 2017). Indeed, these days Water Resources Committee is responsible for mentioned functions. However, groundwater monitoring in the Republic of Kazakhstan is conducted by the Committee for Geology and Subsoil Protection of the Ministry of Energy and Mineral Resources (UNDP, 2004).

According to CIA World Factbook data 77.4% of territory of land is dedicated to agricultural uses, 8.9% arable land. Permanent pasture takes 68.5% of it, forest: 1.2%, 21.4% of land is for other use (2011 est.). Irrigated land includes 20,660 km² (2012). One of the major problems of farmlands is soil pollution from overuse of agricultural chemicals and salination from poor infrastructure and wasteful irrigation practices, although agriculture of Kazakhstan takes 4.8% of GDP. Main products of agriculture are: grain (mostly spring wheat and barley), potatoes, vegetables, melons (CIA).

Policy towards agriculture in the 1990s was largely one of neglect. Some farmers faced locally monopsonistic buyers for their outputs (e.g. cotton gins, dairies, grain merchants or flour mills) and for all producers trade costs were high (Petrick and Pomfret, 2016). Despite meaningful recovery in use of fertilizers in 2000s, treated area was lower in the beginning of 2010s rather than in 1990s (OECD, 2013). The OECD has been monitoring and evaluating countries' agricultural policies since 1987. Agricultural policy packages need to be both effective and efficient to enable the sector to develop its full potential and achieve key public objectives. The sector is facing a number of challenges related to meeting future demands in a more sustainable manner in the context of a changing climate.

Perhaps, one of the ways of tackling such challenges is an introduction of new water consumption technologies in agri-sector. As an alternative to old-fashioned method of land irrigating system with irrational water use, new methods are gradually tested in Kazakhstan in order to reduce water losses. Practice has shown people that the harvest with new methods of irrigation comes out richer, due to the fact that the moisture goes directly to the plant's root, soil structure is not damaged and the area of evaporation of water reduced. The projects repaired and replaced irrigation channels, well control points, roads, transmission lines, and power substations. The network of 245 existing wells for monitoring water levels was rehabilitated and electrical systems were installed (ADB, 2011). Such examples of new approach to water use can be used as a template for future change in attitudes toward water supply management and agricultural policies revision on tariffication and land and water users support in saving resources through investment in advanced technologies. In addition, such projects created direct employment for more than 6,600 people, led to water savings of 1,300 cubic meters per hectare per year (allowing an increase in areas irrigated and more water for environmental mitigation), and reduced average energy usage in pumped irrigation schemes by about 1,000 Kwh/ha/year. Even so, this appears to have been very successful at introducing new methods and technology such that consultants' contracts was extended subsequently a reduced cost version of the component was prepared using national consultants who benefited from the training -of-trainers subcomponent.

All this projects show that there are various ways to alter and adopt new and widely useful technologies in the Kazakhstan land, and the process of changing attitudes with such technologies is visible too.

On July 9, 2003 Kazakhstan adopted a new Water Code. The development of the Water Code was necessitated by, first of all, the development of market relations in the water sector and agriculture. According

to the new Code, special water use can only be exercised if a special approval or license has been obtained. Withdrawal and use of over fifty cubic meters per 24 hours of water from surface water sources for agricultural needs in Kazakhstan requires licensing for special water use.

There are suggestions on developing and implementing an improved economic mechanism of paid-for water use and a gradual transition to self-financing of water facilities and structures. Such as: differentiated approach to water charges, self-repayment of costs for conservation and reproduction of surface water resources, and payment tariffs changes consideration (in hydrological and meteorological conditions) by privileges provision for consumers who use water resources rationally. The capacity of water users, especially in agriculture, is low. Therefore, transition has to be carried out in stages and must consider water users' economic growth and the important factors. The first factor considers payback of maintenance costs, including preventive repairs, incurred by the water management services. The second factor considers payback of all costs including maintenance costs, current and capital repairs as well as allocations for renovations (Shibutov, 2017).

To establish a theory-driven thesis framework I would like to note that according to UNDP report 85% of water in Kazakhstan used from surface sources, when the remaining part is supplied from ground, marine and sewage waters. The main volume of water resources (about 78% of all) is consumed by agriculture (UNDP, 2004). To manage these amounts of main resource many institutions express their mandates on all levels of government. Water Resources Committee of the Ministry of Agriculture implements policies at the national level. Further, going from top to bottom at the regional level local representative bodies and akimats (executive authority) manage water issues, ending up with communal local facilities, which provide water to users. There is also another territorial subdivision of Water Resources Committee known as Basin water management unit, or BVO. BVOs provide integrated management and coordination within rivers' basins (8 main units). All mentioned levels are interconnected.

Despite many advantages of such management division, village (aul) water supply still suffers. After Soviet period stopped rural support by state government technically and financially declined due to restructuring of agricultural and water management sectors. Being mainly for agricultural purposes, there is still lack of assignment of responsibilities for, rural water supply systems. Village and local authorities claim that they are incompetent and incapable with problems and issues of workload they have with water provision to farms for cattle breeding and crops irrigation. The main unrecoverable losses of water occur within the irrigation network and in the fields; they exceed 40% of water supplied to Kazakhstan's farms (UNDP, 2004). Due to absence of local boundaries and changes in seasonal water flow managers are facing problems in dealing with issues in the field.

Considering all stakeholders, their needs and values, it seems to be impossible for analysts to come up with simple model of choice in this issue, when we got one and only feasible policy recommendation for solution, which outcomes will resolve the issue. Thus, since water is a public good (not privatized commodity), policy and decision-makers should play a role of regulator, in a rational way, of course. This rational approach needs to consider legal, technical (effectiveness), economic (efficiency), and social aspects. Here, I would like to mention, that all of us are focusing on long-term impacts. In other words our policy shouldn't have one short-dated effect. In addition, public choice has to be prioritized, since our goals is to improve people's (water consumers) well-being, meaning improvement of villagers farming conditions. Therefore, all possible alternatives of problem solving should be compared. Then, choosing the best is left.

Structural improvement of the water management system should aim at a well-defined assignment of responsibilities at national and local levels. On April 8, 2003 the Law of the Republic of Kazakhstan "On rural consumer cooperatives of water users" was adopted. Establishment of cooperatives (associations) of water

users ensures efficient use of irrigation water, plus it would allow to maintain farmers' hydraulic facilities, and repair them on time or when needed.

Having in mind decrease in employed professionals in the field of water resources and increase in the amount of issues, we can see that most of the management is done by public administrators. At the same time fresh graduates from programs of agriculture and water resources management are not working by their specialties. Government focus on young professionals' attraction is another essential point for future success.

In order to better understand a problem and further recommendations provision information needs to be collected in all possible ways. Qualitative data (gathered through interviews, surveys, and official documents revision) goes along with quantitative statistical facts and numbers (water consumption tariffs and its correlation to the agricultural sector). Hereafter, analysts and all policy related agents will be able to inference data obtained. By related agents and actors we understand Ministry of Agriculture and farmers as main stakeholders. After them environmentalist with rest of the publicity will be involved.

While working with tariffs on water use due to dependency of tariff prices clear conceptualization on sizes of farms and irrigated areas should be done as well.

Unstructured interview questionnaire (with open-ended questions) is another tool for better data gathering. When all the details of existing problem of irrational water use and water waste will be revealed analytical policy recommendation can be presented to public with recommended changed and upgrades for existing one.

During the second half of the 1990s some farmers may have faced locally monopsonistic buyers for their products, and for all producers trade costs were high, but there were no policies to impact on market support. Subsidies for agriculture were negligible between 1995 and 2000. (Pomfret, 2006). As it was earlier in 2000s, First Vice-Minister of Agriculture of the Republic of Kazakhstan Kairat Aytuganov notes the fact that Ministry does not see subsidies help in improving situation in farmers' resource savings. Observations would say that he is right. Anyway, does it mean that changing support in favor of lending is the best alternative, which can be induced from information acquired?

I obtained current information of views on water use by biggest stakeholders as Ministry of Agriculture of the Republic of Kazakhstan (and Water Resources committee), and small and big farmers. The biggest issue that rises between both of them is prices on water consumption and contradictions in understanding of governmental help and support to agrarians. In the Ministry decision-makers try to promote policy of changing subsidies by affordable lending and giving credits. While farm owners claim that this will not give effect on their waste of resources and tariffications. The flow following showed me that most of the water losses occurred in transportation from water origins (reservoirs) and while watering crops by old-fashioned way, as it was before Soviet Union breakup. Hence, farmers cannot afford pipelines and watering improvement technologies by themselves, they need to be supported by government. From governmental opinion affordable lending will help eradicate the practice when farmers, having received state support, did not think about how to return the funds. They plan to change that step-by-step, not all of a sudden. Government is planning to pay directly to suppliers, who on their side will sell products (technical stuff, seeds, etc.) to farmers by discounted prices (of amount government paid). Although not so much information on this topic is available (policy is still under discussion), we can track down the trend of which direction things in agriculture of Kazakhstan are more likely to change in near future... To a picture that we had seen in the country's past, when farmers strive to survive and save their businesses through cooperation. Is it the best alternative of the way how state/region/ village administration influence and support resources savings in the farms? Is it comparatively appropriate to substitute subsidizing (which is used now) by affordable long-term lending? And how to define whether this lending is really affordable, and for whom? Is it a sign of "Laissez-faire" government, where farmers have more freedom and influence on development of agriculture?

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"Women empowerment in Kazakhstan"

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Abstract. *Why should someone be interested in this topic?* Nowadays, gender equality is one of the most important indicators of the development of society, including compliance with the principle of meritocracy in the civil service. Kazakhstan has created conditions for the development and realization of women's potential. And this, of course, in the foreseeable future will contribute to the development of the country and its entry into the top 30 leading countries of the world. The present paper is an attempt to analyze the status of women empowerment in Kazakhstan using various indicators based on data from secondary sources. The study reveals that women of Kazakhstan are relatively disempowered and they enjoy somewhat lower status than that of men in spite of many efforts undertaken by government.

Introduction. Gender gap exists regarding access to education and employment. Household decision making power and freedom of movement of women vary considerably with their age, education and employment status. It is found that acceptance of unequal gender norms by women are still prevailing in the society. More than half of the women believe wife beating to be justified for one reason or the other. Fewer women have final say on how to spend their earnings. Control over cash earnings increases with age, education and with place of residence. Women's exposure to media is also less relative to men. Rural women are more prone to domestic violence than that of urban women. A large gender gap exists in political participation too. The study concludes by an observation that access to education and employment are only the enabling factors

to empowerment, achievement towards the goal, however, depends largely on the attitude of the people towards gender equality.

In Kazakhstan, the participation of women in the political life of society plays an important role. At the same time, political participation of women is considered as the most important independent task

Significant part of women has a high educational status, good professional training, and is active in the economy and public life. Women are also active in building civil society - as experts, they participate in all projects of any level. Women have their own vision of problems and their recommendations for solving them. Without their active participation in public and political life, it is impossible to achieve the goal of becoming one of the 50 most competitive countries in the world

There are some obstacles which may be result in the lack of women in politics in Kazakhstan. Therefore, it is very important to be aware about this issues and solution of them in order to solve this problem.

But, in our country there are a lot of gender policies which was signed by President to decrease such gender discrimination. There are some exact examples of gender policies below:

Here are 3 of the most important stages in the formation of laws regarding gender equality in the Republic of Kazakhstan:

- 1) Stage 1 - 1995-1997 - the stage of formation of the state policy to ensure gender equality
- 2) Stage 2 - 1998 - 2004 - gender policy reform. This period is characterized by the fact that the activation of the state policy in the field of gender equality has begun. At the end of 1997 the development Strategy "Kazakhstan - 2030" was published, on June 29, 1998 Kazakhstan ratified the UN Convention "On elimination of all forms of discrimination against women" (1981). By subscribing to the principles set out in the Convention, Kazakhstan has committed itself to all norms of gender equality.
- 3) Stage 3 - 2005 -present – improvement of the state policy of gender equality in the Republic of Kazakhstan in the context of modernization of the political system.

One of the most important strategies for our country is “Strategy for Gender Equality for 2006-2016” and “Path to Europe”, which develops a balanced gender policy in Kazakhstan using the European experience. Also, in January 2010, entered into force the Laws of the Republic of Kazakhstan "On Prevention of Domestic Violence" and "On State Guarantees of Equal Rights and Equal Opportunities for Men and Women", signed by the head of state in December 2009.

Unfortunately, vast majority of the people do not know about this. So, my purpose to write about this topic in my research paper is to try to encourage people to learn about these issues and find solutions.

Nowadays, there are tendencies in the transition of developed states to new, modern functions of the state, primarily related to state policy in such areas as education, health, social security, and science.

In this regard, the development of the modern state requires the restoration of gender balance in government and the creation of a more rational mechanism for governing the country at all levels. That is why the promotion of women to power is now viewed as an instrument of stable, humane and sustainable development of society, since real equality of men and women changes the priorities of state policy. One can speak about genuine democracy only when there is full equality of women, up to parity with men in governments, parliaments and in all institutions of the state that ensure social justice and stability in society.

According to the UNICEF, states that have less than 25-30% of women in their parliaments and governments do not cope well with the problems of maternal and child welfare, child rights, and social protection. That is why, I chose this topic. This issue is relevant to the part of world where I live and to many other countries in the globe. It is very significant, because it greatly affects the economy of the country

Research questions:

My research paper will ask:

- 1) Why is there a gender gap in earnings and access to education, employment in almost every independent country?
- 2) What can explain the limited participation of women in politics?
- 3) How does the representation of women in power in our country look when compared to other countries?
- 4) What can prevent the entering of women into the government?

I will look into these questions deeply and try to answer to them according to the statistical indicators.

Literature review. Over the past five decades, the concept of women's empowerment has evolved significantly from a notion of well-being to an equality-oriented approach. This was understood as the process by which the powerless gain greater control over their lives. Empowerment, in particular, includes control over resources and ideology. According to Sen and Batliwala (2000), this leads to an increase in internal skills, more confidence and inner transformation of consciousness which allows one to overcome external barriers. This view basically emphasizes two important aspects. First, it is power to achieve the desired goals, but not power over others. Second, the idea of empowerment is more applicable to those who are powerless whether male or female, a group of people, a class or a caste. Although the concept of empowerment is not specific to women, it is unique and encompasses all types of classes and castes, as well as families and households (Malhotra et al, 2002). Women's empowerment is also defined as a life change that allows her to enhance her ability to lead a full life. This is reflected as in external qualities (viz. health, mobility, education and awareness, status in the family, participation in decision-making, and material security) and internal qualities (namely self-awareness and self-confidence). Statistics show that women lag behind men around the world in almost all aspects of life. It is for this reason that the focus of human development is on gender and the persistent inequalities faced by women since 1995 (UNDP, 1995).

UNDP (1990) introduced the Human Development Index (HDI), which initially was a broad indicator of socio-economic progress nation. It became popular as a measure of gender development. The report notes that without the empowerment of women, there can be no overall human development. It further stressed that if development was not achieved, it would be threatened. Two indices, namely the Gender Development Index (GDI) and the Gender Empowerment Measure (GEM), have been introduced to identify women's disenfranchisement. Although the GDI measures achievement in the same dimensions and variables as the HDI, it also takes into account achievement inequality between women and men (Anand and Sen, 1995). The greater the gender disparity in human development, the lower is country's GDI compared to its HDI. GDI is a downward-adjusted HDI based on gender inequality. On the other hand, GEM indicates whether women can participate in economic and political life. Theoretically, the index can take values from zero to infinity, with the value of one reflecting equality in the respective achievements of men and women. A value above one would mean that women have achieved more than men.

Today, men and women work equally in the economy and politics. Women regularly become ministers, deputies, and heads of government. And it is not only in Western countries. For example, in Israel, girls are called up for military service on a par with the guys, and they are coping perfectly with it.

According to the message of our President to the people, gender policy has also been successfully implemented in Kazakhstan. In 1999, President Nursultan Nazarbayev approved the national action plan for the advancement of women in the Republic of Kazakhstan.

Women's social rights are spelled out in the laws on labour, marriage and family, pensions, housing relations and social benefits.

Two key laws were adopted in 2009 - "On State Guarantees of Equal Rights and Opportunities for Men and Women" and "On Prevention of Domestic Violence".

Now the main vector of the country's development is determined by the Kazakhstan-2050 Strategy, in which the task is to bring Kazakhstan to the ranks of the 30 most developed countries. It is possible to achieve this ambitious goal by providing equal opportunities for women, increasing their role in the political and economic life of the country.

Over the past five years, Kazakhstan has been steadily gaining more than 0.7 points in the Gender Equality Index of the World Economic Forum. This is a fairly high indicator, given that only seven countries were able to overcome the 0.8-point barrier. As a result, by the presence of women in the civil service, we are already ahead of countries such as Italy, Belgium or Spain.

This indicator signals the merit of our entire society, where equal conditions and opportunities are created. Women are particularly interested in public service. After 27 years of national independence, we see that many women choose a political career. More than 50,000 civil servants are women. Moreover, in comparison with 2004, representation of women in leadership positions, including political ones, increased from 3.5% to 40%. Women leaders in government bodies are almost 9.6 thousand people. However, such a representation depends on the level of the agency: While at the regional level women leaders are 46%, at the rural level they are only 12.5%. These data indicate that we should build the capacity of women at the local level.

The current composition of the Mazhilis of the Parliament has reached almost 30 percent representation - 29 of 107 deputies, three of six committees in the Senate of the Parliament. Women senators are in charge of international relations, defense and security, finance and budget, social development and science.

All of these indicators are the result of a balanced policy of gender equality, the tone of which is set by the President of our country.

However, the situation in central government bodies varies greatly. While from 47% to 65% of women work in the ministries of health and labor and social protection of the population, in the ministries of internal affairs and defense there are few of them even among accountants and personnel officers.

It should be noted that there is a lack of representation of women managers in the regions. In the Turkestan region, created by the Head of State, only 15% of managers are women. In Zhambyl, the share is 25.6%; West Kazakhstan, 26.5%; and Kyzylorda, 26.6%. Out of all 2,379 akims, 251 women (10%) sat.

The implementation of family and gender policy until 2030 will have a significant impact on their capacity-building. It sets a target of 30 per cent representation of women in decision-making positions in the executive, legislative and judicial branches of government, the public, quasi-public and corporate sectors by 2030.

The development of women's political potential is influenced by social stereotypes. We know that previous generations of women have tried to live up to their expectations and roles in society: mothers and homemakers. But in modern society, a lot of girls, along with family responsibilities realize themselves in politics, business and other areas.

In the area of gender, there is still a division of occupations by gender. The stereotype that science and technology are "male" fields of knowledge is strong in Kazakhstan society. At the same time, according to statistics, one third of Kazakh students studying technical Sciences and technologies are women. Moreover, women often seek to expand their scientific and career opportunities – they make up 60% of the total number of undergraduates in the country.

Here is another example of changes in gender stereotypes. Now there are 107 women in Kazakhstan peacekeeping brigades. In general, women comprise 13% of our army is 13%, and almost 6% of our officers.

Wage gap. Why can't social mechanisms yet provide equal chances for both sexes in their salary? According to researchers at Columbia business school, men overestimate their talents by about 30%. Women, on the contrary, regularly underestimate their abilities. The perception of their talents and skills of women is much lower than their true values. The reason lies in stereotypes and the traditional gender system.

At the same time, a high level of education does not guarantee women a promising job with high earnings. This is especially true, as according to statistics, the wage gap between men and women in Kazakhstan is almost a third. The average monthly nominal salary is 169 352 tenge for men and 116 108 for women. This trend has been observed over the past 10 years.

Material dependence is becoming a condition for women's tolerance of domestic violence. It is a matter of concern that 15 percent of the women interviewed in the sociological study responded affirmatively to the question of whether a man has the right to beat his wife in various situations. In Mangistau, 32.9% of the respondents said yes; Pavlodar, 24.2%; and North Kazakhstan, 20.6%.

The experience of developed countries shows that the most effective gender policy is an integrated approach. Our country shows an example of continuous, systematic, fruitful promotion of the issue of gender equality and has quite high goals. The country has taken a great step forward in overcoming the stereotype that gender inequality is a historical tradition. This is reflected in the reports of the National Commission for women.

Table 1: Representation of women in national parliaments in 2016 (% of total parliamentarians)

Countries	Parliament	Palata	Senate
Sweden	47		
Norway	36,1		
Denmark	38		
Finland	41,5		
Belgium	35,3	38	
Germany	31,6	21,7	
Austria	32,8	24,6	
Spain	36,6	23,2	
Poland	20,4	8	
France	18,2	18,2	
Italy	17,3	14	
Canada	21,3	34,4	
Russia	14	4,7	
USA	16,8	16	
Kazakhstan	21	17,8	4,3
Japan	9,4	18,2	

Data from EuroStat.com

The data shows that many countries managed to achieve women's representation in parliaments at the level of one third or more of the total number of deputies. Over the second half of the twentieth century, the percentage of women in legislative bodies in countries with parliaments increased 4 times

For comparison, consider the representation of women in the legislative, executive and judicial authorities of Kazakhstan

Table 2: Distribution by gender (%) in 2016

Job title	Total	Women(person)	Women (%)	Men(person)	Men (%)
Deputies of the Senate of Parliament	46	2	4,3	44	95,7
Deputies of the Mazhilis of Parliament	107	19	17,8	88	82,2
Deputies of regional maslikhats	2124	368	17,3	1756	82,7
Deputies of city maslikhats	615	130	21,1	485	78,9

3 Table: Representation of women in the political service system

Job Title	Number of political civil servants	
	Women	Men
Prime Minister, his deputies	-	3
Head of the Presidential Administration of the Republic of Kazakhstan	-	1
Ministers, their deputies	6	65
Responsible secretaries of ministries	4	12
Assistants to the President of the Republic of Kazakhstan*	-	2

Chairman* and members of the Constitutional Council	1	6
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Women for the most part do not occupy leadership positions in this system. I would like to draw attention to the positions marked under the asterisk ("*") in the tables above. These are positions in the civil service system of the Republic of Kazakhstan to which women have never been appointed.

It is noteworthy that in the authorized body for civil service, since its establishment in 1999, a woman has also not been appointed to the position of the Chairman and his deputies. I believe that this trend will continue for the next 5-10 years.

This is explained by the fact that the second wave of the ongoing reform of the civil service, as the very concept of the civil service itself, does not provide a mechanism ensuring the principle of equality (parity) between women and men in the political public service.

If you look at post-communist countries - Croatia, Lithuania, Poland, they demonstrate similar trends with Western Europe. After the period of velvet revolutions and the transition to free elections, there is a drop in the number of women in representative bodies. But Poland has changed for the better (shows more than 26% together in the Upper Chamber, almost as much as England).

The experience of European countries shows that the role of parties in the promotion of women in political life is great. Modern sociological research has noticed a tendency that the majority of women have recently been elected to the European parliaments from left-wing parties - socialist, social democratic and green

According to the statistics, elections to the Majilis of the Parliament of the Republic of Kazakhstan in 2012 showed that from 7 political parties registered by the Central Election Commission of the Republic of Kazakhstan, 362 candidates were elected for deputies of the Majilis of the Parliament, of which only 77 are women.

Of the 9 registered candidates for deputies of the Mazhilis of the Parliament of the Republic of Kazakhstan, nominated by the Council of the Assembly of the People of Kazakhstan, only 2 are women.

Thus, for Kazakhstan, the issue is still urgent - the realization of women's passive electoral rights, which allows them to be elected to the country's legislative body.

Creating an equal number of women's deputies in the Parliament of the Republic would influence the discussing and adopting of legislative acts, through parliamentary mechanisms, to defend the interests of Kazakhstani women and their families

For example, an issue discussed today is increasing working time by raising the retirement age. This would support not only mothers of many children but also women raising children themselves.

Senator Barbara Mikulski of the US Democratic Party, who won the Senate elections in Maryland three times, speaking about herself and Madeleine Albright, Former Secretary of State, described the feminine way into politics: "It took us only twenty-five years for 'sudden' success."

The best way to succeed is through the judicial system of Kazakhstan and the scientific field. In particular, 64.3% of the republic's judges are women. Of 18,000 scientists, 9,200 are women in scientific, scientific and technical activities. Similar statistics: women candidates of science - 76.2%, women doctors of science - 16.2%, women doctors PhD - 7.6%.

However, although there are as many women as men in science, as a rule men are the leaders of scientific organizations. It is also noteworthy that since the establishment of the authorized body in the field of science, the head and his deputies have appointed only men. For the period from 2009 to the present, 4 men have been

appointed to the position of Chairman of the Science Committee of the MES RK. During the entire existence of the Science Committee, only one woman has been appointed Deputy Chairman of the Science Committee.

The women scientists of Kazakhstan have real opportunities to start their own scientific research, including outside the walls of scientific organizations and universities. The only requirements are activity, creativity and perseverance.

According to the magazine "Vlast," in September 2010, in Kuala Lumpur (Malaysia), the world conference of women of Muslim scholars "Women in the Science of the Islamic World" was held. The conference was attended by 3,500 women from around the world, but there were no women scientists from Kazakhstan at this forum. On behalf of the women of the Republic of Kazakhstan, a report was read by representatives of the diplomatic mission of Kazakhstan to Malaysia.

This fact suggests that women scientists of our country should take a more active position. In the context of globalization, it is not enough to engage in desk research; it is necessary to exchange views with scientists from different countries, initiate such forums, discuss the most courageous scientific ideas, propose innovative solutions, publish, and act as experts in international scientific programs.

In order to consolidate forces and promote new initiatives of women scientists of Kazakhstan, including outside the Republic of Kazakhstan, and in order to represent and protect their scientific interests, it may be time to create a public organization of women scientists of Kazakhstan.

In an interview with a BBC radio program, Former Prime Minister Margaret Thatcher said: "Many women do not use the opportunities that they have ... or are too easily reconciled with their work and do not seek to climb a tree higher ... Sometimes they think that they are making a career - not female occupation."

Methodology

The present paper is an attempt to analyze the status of women empowerment in Kazakhstan using various indicators. As the main issue of my research is gender inequality in different areas, I will do econometric analyses in 3 key areas such as:

- a) Political participation and decision-making, taking into account the situation of women and proportion of men in percentage of seats in Parliament.
- b) Economic participation and decision-making power measured by two indicators: 1) Female and male percentages of legislators, senior officials and managers; 2) Percentage of women and men in professional and technical positions; and
- c) Power over economic resources as measured by the estimated earnings of women and men in terms of purchasing power parity;

As UNDP reports says that without the empowerment of women, there can be no overall human development.

As we know, HDI is a cumulative indicator of human development. It measures average achievement in the three main dimensions of human development, such as: knowledge (measured by the literacy rate of adults with two-thirds of the weight and combined gross enrolment ratio of primary, secondary and tertiary education with one third weight - Education index), longevity (long and healthy life as measured by life expectancy at birth-health Index) and standard of living (measured by GDP per capita in PPP terms in us dollars-income Index). Performance in each dimension is expressed in a value from 0 to 1 by applying the following formulas:

1. Education Index- I_1
2. Health Index - I_2
3. Income Index- I_3

$$(1) I_j = \frac{X_{ij} - \text{Min}(X)}{\text{Max}(X_i) - \text{Min}(X_i)}$$

$$(2) I_3 = \frac{\text{Log}(X_{ij}) - \text{Log}(\text{Min}(X_i))}{\text{Log}(\text{Max}(X_i)) - \text{Log}(\text{Min}(X_i))}$$

Here, X_{ij} refers to the actual value in relation to the corresponding variables used in construction of the above indices. The HDI is then calculated as simple the average value of the measurement indices. Although HDI measures average achievement, GDI adjusts the average achievement to reflect the inequalities between men and women in the same dimensions as used in HDI. The next three steps are involved in construction of GDI:

First Step: Education and health indices are measured for females and males separately using the formula (1) and for income index by formula (2)

Second Step: The Equally Distributed Index (EDI) for each dimension is constructed using the formula (3) as follows:

$$(3) \text{EDI} = \left(\frac{\text{Male Population Share}}{\text{Dimension Index for Male}} + \frac{\text{Female Population Share}}{\text{Dimension Index for Female}} \right)^{-1}$$

Third Step: Also I will measure GDI by combining 3 indices using the formula below:

$$(4) \text{GDI}_j = \frac{1}{3} (\text{EDI}_1 + \text{EDI}_2 + \text{EDI}_3)$$

Theory/hypothesis

Basically, the main research problem is what can explain the limited participation of women in politics. To answer to this question we need to find out several hypotheses which might be reasons for these issues. First of all, the role of patriarchy and other cultural attributes might be the main obstacle which women face with it during their political career. By this I mean that it is about our mentality. Kazakhstan's mentality always supports men's career growth over women's. There is a notion among males that "a cook cannot lead the State". In our mentality, women must sit at home and look after the kids. In order to test this hypothesis I will calculate the male share of the Kazakhstani population in each year. Perhaps men have more political power when they constitute a larger share of the population. Also I will regress the female share of the legislature on the male share of the population over the years. If patriarchy is a problem, then the coefficient on the male-share variable should be negative

The second reason which plays a significant role among women in their political path is gender policy. There are a lot of gender policies in the Constitution which was approved by our President. Gender policy is approved in order to decrease gender discrimination. Unfortunately, those gender policies do not work. They are just in papers. Even though it works, they do not give significant results to solve this problem. In order to determine I will regress women's share of the legislature in each year on this dummy variable. I take it that the dummy variable would equal 1 if the year of observation comes after the year in which gender policies were adopted. If gender policies don't work, then the coefficient on the dummy variable should be zero or even negative.

Conclusion. Time has shown that gender equality can be promoted not only at the level of state programmes and laws, but also at the level of individual state bodies and national companies. According to the experience of advanced countries, gender-oriented personnel policy, the creation of equal starting opportunities in promotion, gender education to overcome stereotypes can be useful measures in this direction.

In the public service, progressive development in this direction is already noticeable. For example, there are certain types of work that do not require a permanent stay in the office. The Agency for civil service Affairs and anti-corruption plans to test flexible working hours for employees with young children. To facilitate the

return to work after the decree, the Agency is considering the possibility of organizing training courses. The introduction of flexible schedules and distance work for women has also become more active.

Today, women have equal access to a civil service that is traditionally perceived as exclusively male – law enforcement service. For example, in 2017, more than five thousand women participated in the testing; almost half of them overcame the threshold – this figure is better than that of men. There is now significant progress on the gender issue among civil servants. This is a great potential and creative experience that can be used for further state development

Our republic brilliantly has passed its twenty seven-year path of becoming an independent state whose goal is to build a truly democratic society. I believe that now, when the second wave of reforming the public service system of Kazakhstan begins, the time has come to advance women into power, into the management system at all levels, this should be the most important direction of state policy. New measures of state support should be developed related to the expansion of mechanisms for the advancement of women into power

One of such mechanisms for the inclusion of women in power may be the quota mechanism. At one time, this method allowed in a short time to solve two problems at once - to get women to have a secondary specialized and higher education and to become a reliable tool for advancing women to party and government bodies. Europe uses this method widely.

For example, in Sweden, since 1994, political parties going to elections have included the same number of men and women on their electoral lists. The result of this work today is impressive: Sweden is the first country in the world in which 50% of women are in the government. In Norway, the law on quotas applies to all public organizations and to the participation of women in the management of companies. French legislation for political parties participating in elections provides for a rule according to which no more than 50% of persons of the same sex should be on the lists of candidates. The quotas for women's representation in elections to state bodies were introduced in Argentina and India. In Brazil, Greece, Costa Rica, the Dominican Republic, Peru, Indonesia, Paraguay, Bosnia and Herzegovina, Serbia and Montenegro, seats for women are reserved in the parliament.

Legislative consolidation of this mechanism can ensure gender balance in the structure of power, which will allow equalizing the opportunities of men and women in political governance.

Otherwise, gender inequality in politics will remain one of the most significant obstacles to further democratic reforms in Kazakhstan.

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"Russian "soft power" in Central Asia: the Kazakhstan's case"

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Abstract. This paper examines the specifics of Russian's soft power strategy. The sources of the Kremlin's interest in the soft power concept in Central Asian states are explained in the example of Kazakhstan. The paper discusses how the soft power concept fits in the current Russian foreign policy philosophy. Russia's soft power resources, institutions and instruments are described and defined the shortcomings of Russian soft power that must be addressed for the effective application of this instrument in the Central Asia countries, in particular in Kazakhstan. At the end, some practical conclusions and recommendations are made.

Keywords: "soft power", Central Asia, Kazakhstan, Russia, Russian foreign policy

Problem statement. According to a famous legend, when I.V. Stalin was advised not to spoil relations with the powerful Pope, the soviet leader with irony asked how many divisions the Vatican had at its disposal. However, at the present stage, the influence of states in the international arena is no longer measured solely by military or economic potential; therefore, it is no accidental that political science has been actively developing the concept of "soft power" for more than a quarter of a century (Nye, 2006), which assumes an impact on other countries with the help of intangible factors: own culture, values, successful model of social development, recognizable national brands, etc.

Although the idea of "soft power" was originally formulated by J. Nye for the United States to explain American influence in the world, it quickly spread to other countries: today, discussions about Chinese, Brazilian, Indian and other national varieties of "soft power" are becoming common place. Russia also tries to follow this trend: in the Foreign Policy Concept adopted in 2013, "soft power" was first defined as an integral part of modern international relations (Russian Foreign Policy Concept 2013); a number of institutions have also been created, designed to ensure the implementation of the Russian "soft power": the Federal Agency Rossotrudnichestvo, the Fund named after A.M. Gorchakov and the Russkiy Mir Foundation.

Active development of the concept "soft power" is also going on at the level of the Russian academic and expert community: it's enough to type the desired words in the base of any large electronic library, and dozens of titles of articles, monographs and dissertations will be offered to choose from. Nevertheless, in this theme there are still numerous gaps that are waiting for their researchers. In particular, exclusively applied aspects of "soft power" were rather sparingly covered: what could Russian soft power be in its concrete embodiment in Central Asia; how the structures created for its promotion work; how is it necessary to build the strategy of the Russian "soft power" in Kazakhstan? This paper makes an attempt to fill this gap and consider the designated range of issues in relation to post-Soviet Central Asia, in particular to Kazakhstan.

Thus, the aim of this research work is to determine the features of application of the "soft power" tool by Russia toward Kazakhstan, as well as its effectiveness. Also on the basis of elaborated analysis, to make own recommendations on the implementation of Russia's soft power strategy in Kazakhstan.

Research questions

1. How Russia perceive the “soft power” concept by itself? How does it differ from the Joseph Nye’s concept?
2. What does Russian soft power represent in its concrete embodiment in Central Asia? How the structures created for its promotion work?
3. How should Russian soft power strategy built in Kazakhstan?

Methodology. The theoretical basis of this research paper based on constructivism and post-structuralism approaches in the theory of international relations. When writing a study, the author used: systemic, institutional, neoinstitutional, comparative, historical approaches. A systematic approach allowed us to explore the role and importance of soft power tools in modern foreign policy of Russia. The institutional method studied the work of formal “soft power” institutions that were created at the beginning of the 21st century in Russia, both in the form of state institutions and in the form of news agencies, NGOs and research centers. A neoinstitutional approach helped to determine the role of informal “soft power” conductors, which also participate in the process of developing and implementing the Russian “soft power” strategy.

Literature review. The concept of "soft power" formulated by Harvard scientist J. Nye (2004), opened a new page in theoretical and practical studies of the phenomenon "power" in international relations. By the figurative expression of J. Mattern (2005), the concept of "soft power" has mastered the imagination of both scientists and politicians all over the world. Part researchers focused on criticism, refinements and theoretical development of the concept of “soft power” (for example, R. Biegon 2013, A. Bohas 2006, C. Lane and R. Cooper 2004), others on the bases of J. Nye ideas formulated and presented to the international community their own concepts of power (for example, the concepts of M. Kounalakis (2011) and J. Gallarotti (2011)).

Others scholars as Rusakova (2015) and Simons (2011) investigated how the concept fits into Russia’s contemporary foreign policy philosophy. It should be noted that many scholars prefer to study Russia’s soft power strategy through the prism of various political communication concepts, including imagemaking, political branding and public relations. Political communication theories, which are relevant for explaining some aspects of Russian soft power strategies, cannot, however, explain all aspects of this phenomenon.

In overall, researchers of Russian foreign policy often encounter difficulties when trying to conceptualise and analyse the phenomenon known as ‘Russian soft power’. On the one hand, both Russian official and public discourses had adapted the use of the term ‘soft power’ (often translated into Russian as “мягкая сила”) in a wide variety of contexts. While references to the importance of soft power as an instrument of international relations formally appeared in an article authored by Putin in 2012 (Kudors 2010), the establishment of institutions and agencies with the goal of promoting Russian views and international image, such as the news channel ‘Russia Today’ (RT) and the ‘Russian World’ foundation, has already began in the mid- and late 2000s. On the other hand, from the perspective of many Western observers, Russian leaders’ understanding and application of soft power seem to be inconsistent with the formulation of soft power presented by Joseph S. Nye (2004). In particular, Moscow’s use of state-funded foreign language channels or influence among Russian-speaking minorities in former Soviet states to accomplish its foreign policy goals meet with strong suspicions and critiques from Western scholars and political pundits, who perceive it as “a hybrid mix of classical soft power and Soviet-style propaganda” (Conley 2011), or “a combination of traditional ‘hard power’, employing force and direct pressure, and tactical ‘soft power’, aimed at both undermining and overwhelming resistance” (Giragosian 2015).

Nevertheless, many scholars of International Relations continue to be preoccupied with decoding the curious case of Russian soft power. Interests in Russian influence abroad also surged in recent years due to the heightening tension between Russia and the West after the Ukrainian political crisis and Russia’s annexation of Crimea in 2014, which raised concerns among policy-makers in the U.S. and Europe about the danger of

Russian ‘propaganda and information/ hybrid warfare’. Research in this area often focuses on Russia’s soft power resources and effectiveness in post-Soviet countries of Eastern Europe, South Caucasus and Central Asia – known as the ‘near-aboard’ in Russian official discourses (for example, see Cheskin 2010, Ćwiek-Karpowicz 2012, Makarychev 2015). On the other hand, another trend in the literature has recently emerged, which questions the extent to which Nye’s concept of soft power can be applied in the context of Russian foreign policy and Russia’s ambiguous position in international politics. In contrast with the first approach, this constructivist/ post-structuralism approach is interested in the reason Russian elites appropriated a Western-made concept in discourses on foreign policy and how the discursive construction of soft power can characterize Moscow’s ambivalent position in a Eurocentric and hegemonic international order (Kiseleva 2015, Morozov 2015). In this work, I would like to argue for the application of the latter, constructivist/ post-structuralist approach in assessing Russia’s use of ‘soft power’ in foreign policy and its successes/ failures in Central Asian countries.

Following Kiseleva’s argument on the duality of Russia’s soft power discourse which seeks to “both accepting and rejecting the hegemonic discourse” (Kiseleva 2015) in this paper, I rely on the theory that Russia’s attempt to use soft power in foreign policy is both counter-hegemonic and oriented toward promoting a regional, Russo-centric hegemonic order. Therefore, applying Gramsci’s theory of cultural hegemony (which can properly fit into Russian’s perception of soft power according to the claims of Kiseleva 2015, Zahran and Ramos 2010), I’ll try to explain the logic of Russian “soft power” in Central Asia (using Kazakhstan as a special case), where Russia is trying to resist the West by copying western elements and structures in its own ways, but unlike Kiseleva, this work will focus on the main idea of Gramsci (1992) - on the role of the intelligentsia in the effective implementation of this policy, which, among other issues, has been missed by many researchers in this field, including Kiseleva herself.

Russian perception of “soft power”. At the very beginning, it would be necessary to clarify the basic concepts that are mentioned in this paper, specifically the concept of “soft power” and hegemony. According to Joseph Nye (2004), soft power is the ability of a country to exert influence over other countries through the use of attraction rather than military coercion and payments (Nye 2004: 5). Another name for soft power is co-optive power, or the ability to shape the preference of others by appealing to shared values and ideas (Nye 2004: 6-8). As Zahran and Ramos (2010: 12-30) and Kiseleva (2015: 319) have noted, Nye’s concept of soft power can be better understood via the lens of Antonio’s theory of hegemony (Gramsci 1992). Hegemony refers to a political order in which domination is sustained through the use of institutions, ideas and belief framed in universalistic terms and by incorporating certain interests of underprivileged groups without undermining the dominant group’s power. A hegemonic order functions via both coercion and generation of the dominated groups’ active and voluntary consent (Zahran and Ramos 2010: 20-22, Kiseleva 2015: 319).

Russia’s use of soft power is plagued by a contradiction between the desire to obtain status recognition from the hegemonic core and the need to subvert the hegemony in order to create its own regional hegemonic order. Russian elites’ appropriation of the concept of soft power reflects the role of the West as the traditional ‘Other’ to the Russian ‘Self’, whose recognition is required for legitimization of Russia’s great power status (Neumann 1996, Tsygankov 2013: 17). Additionally, Russia’s use of soft power is motivated by the need to generate the ‘active consent’ necessary for establishing a regional hegemony in the post-Soviet space, or at the very least undermining the attempt to assimilate this region into the European hegemonic projects (NATO and EU). Russian ruling elites realized the danger as well as the potential of Western soft power after a series of ‘colour revolutions’ in Georgia, Ukraine and Kyrgyzstan in the 2000s; and in response, Moscow began to promote the concept of ‘sovereign democracy’ and established institutions and agencies to disseminate its views and positions (Dias 2013). However, as a subaltern in a hegemonic order, Russia counter-hegemonic effort “has no other language to use other than the language of the hegemony” (Morozov 2015: 108) – in other words, Russian elites in their attempt to subvert the hegemony have to imitate the language of the West and constantly refer to Eurocentric norms and values, albeit with new and distorted meanings. As a result, Russia is found promoting

the very same Eurocentric neo-liberal agenda, including regional integration (the Eurasian Economic Community), freedom of movement, trade liberalization, and respect for democracy (in the 'sovereign' form), in order to compete with the normative power of the European Union in the post-Soviet space (Casier 2013: 1382). Russia's use of soft power, therefore, can be defined as "counter-hegemonic practices", since the Russian Federation seeks to challenge hegemony, the neoliberal interpretation of "soft power" and present its own version of this concept, with the goal of undermining Western regulatory power and creating Russian hegemony in the post-Soviet space.

Thus, through the prism of Gramsci's theory, many of Russia's actions regarding countries of Central Asia, such as "propaganda", aimed not at creating a positive image of the country, but more focused on undermining Western influence in the region, can be clearly understood. Obviously, these actions are not included in the circle of definition of the "soft power" concept developed by Joseph Nye, however, they fit perfectly into Gramscian cultural hegemony theory, where the philosopher explains that ideology and propaganda are strong enough resources to legitimize political power in the region or country and this is quite a long process that includes gradual and consistent publication of books, brochures, magazine and newspaper articles, television and radio broadcasts, conversations and disputes, jokes and rumors that endlessly repeated. In their gigantic aggregate, they form the effort from which the collective will of a certain degree of homogeneity is born, which is necessary to obtain an action coordinated and simultaneous in time and geographical space, aimed both at undermining and establishing power (hegemony) (Gramsci 1992: 154-155).

However, the most important difference and advantage of Gramsci's theory, which was not taken into account by either Zahar or Kisileva, is that for him, the intelligentsia is the main functioning actor responsible for establishing or undermining hegemony. To be more precise, intellectuals serve as "clerks" of the dominant group, used to exercise subordinate functions of social hegemony and political governance, namely: 1) to ensure "spontaneous" consent of the broad masses with the direction of social life that is set by the main dominant group, - consent, which is "historically" generated by the prestige of the dominant group (and, therefore, the trust placed in it), due to its position and its function in the world of production; 2) to bring into force the state apparatus of coercion, "legally" ensuring discipline of those groups that do not "express consent" neither actively nor passively; this apparatus, however, was established for the entire society in the event of critical moments (crises) in command and control when spontaneous consent disappears (Gramsci 1992: 155).

Therefore, the central thesis of the paper is that when developing the strategy of the Russian "soft power" in Kazakhstan, this main factor must be taken into account in order to promote pro-Russian interests, which ultimately will ensure the effective implementation of Russia's policy in the region without imposing any efforts from the part of Russia.

Evaluations of the effectiveness of the Russian model of "soft power" in Central Asia, in particular in KZ. In order to assess the effectiveness of Russia's soft power strategy in Kazakhstan, I'll try to analyze how Russia uses its "soft power" resources in country through its three main institutions - the Russkiy Mir Foundation (created in 2007), Rossotrudnichestvo (created in 2008) and the Alexander Gorchakov Public Diplomacy Fund (created in 2010). These structures are the most important players in this field from Russia's side.

First of all, it is noteworthy that both Rossotrudnichestvo and Russkiy Mir in their activities place a clear emphasis on working with "compatriots abroad", which can hardly be considered as a good solution. The fact is that the category "compatriots abroad" itself, which arose during the collapse of the USSR, seems to be very problematic. As applied to the post-Soviet space, in the broad sense it usually includes all Russians who, after 1991, were left outside the RSFSR. These people are often seen as a pillar of Russian influence abroad, as part of the notorious "Russian world", which supposedly represents a single "cultural and civilization" community. A typical example of this approach is the arguments of the former director of the Department of Foreign Affairs of the Russian Federation on work with compatriots abroad, A. Chepurin (2006) about the fifteen millionth

“Russian diaspora” in the CIS and Baltic countries, whose members should contribute to “promoting Russian interests and developing ties with Russia in various fields” (Chepurin 2006: 30).

But the problem is that, firstly, the identity and life aspirations of Russians in the "near abroad" in reality are not necessarily connected exclusively with Russia. Many of them are not only going to leave the newly independent states to “reunite” with compatriots in Russia, but on the contrary, they feel as they are an organic part of the local community and consider their homeland that country, in which they currently live. For example, in Kazakhstan in recent years, many Russians have specifically send their children in Kazakh-language kindergartens so that they can socialize in the appropriate language environment and become full-fledged bilinguals. Interestingly, one of the common strategies of Russians in the “near abroad” was the combination of two identities (“Kazakh Russian”) or an emphasis on regional identity, which “avoids the difficulties of choice” between Russia and a new homeland (for example, the “Almaty Russian” option) (Kosmarskaya 2006: 98). It turns out that the concept of a "divided Russian nation" initially contains a controversial idea of the loyalty of people who do not always see themselves as part of the "Russian diaspora" and do not at all consider that their duty is to "advance Russian interests."

Secondly, the conscious emphasis on working with "compatriots" prevents Russian actors of "soft power" from addressing their activities to wider categories of the population in Kazakhstan. Rossotrudnichestvo seeks, first of all, to develop a network of Russian centers of science and culture (RCSC) abroad, which should be a place for everyone to become familiar with Russian culture - there you can read books in Russian, watch movies, participate in concerts, etc. The Russkiy Mir Foundation operates in a similar way, forming a network of Russian centers and cabinets of the Russian world, which in their functionality are similar to the activities of the RCSC. The Foundation also regularly holds the Pedagogical Forum and the Assemblies of the Russian World under its auspices. In all these projects, the focus is not on working with Kazakhstani society as a whole or with various social groups (youth, civic activists, representatives of political, cultural and business elites), but a narrow focus on the very “Russian world”. While American NGOs work in the Kazakhstan with a wide range of segments of civil society, implementing numerous projects from business training to monitoring elections and health programs, opening EducationUSA information and educational centers, etc., Rossotrudnichestvo celebrates its anniversary M. Bulgakova in Astana, and the “Russian World” holds an event called “Eternal Values of Russian Literature”. Of course, both the evening in memory of Bulgakov and the conversation about Russian literature are important and interesting things, but what return do they give in terms of promoting Russian “soft power”? How do they help in forming a favorable public opinion about Russia in the "near abroad"?

But the shortcomings of the Russian “soft power” are associated not only with the incorrectly chosen targeted group. The problem is also that the Russian “soft power” model is completely devoid of creativity, its actors act in a stereotyped manner, according to long-established models, it seems that they do not really care about their effectiveness. In this sense, the depressing impression is made by acquaintance with the report of Rossotrudnichestvo on the work done in 2015. Among the achievements for the indicated period there is stressed the “expansion of the Russian humanitarian presence abroad”, which is expressed in the opening of another RCSC in Romania, obtaining a consent for the opening of the RCSC in Kyrgyzstan, completion of the construction of a new RCSC in Kabul, etc. (Rossotrudnichestvo 2015 Performance Report) In other words, the authors of the document consider in a purely bureaucratic vein: they opened another RCSC, which means they expanded the “Russian humanitarian presence”. About effectiveness criteria of these centers are not mentioned a word.

It should be noted that Russia's support on various kinds of educational, research and scientific projects in Kazakhstan in general could become one of the promising areas for the implementation of Russia's “soft power” in this country, and such activities would help to form an intellectual elite loyal to Russia.

As for another well-known institution - Alexander Gorchakov Public Diplomacy Fund - the general philosophy of its work is not much different from the activities of Rossotrudnichestvo or the "Russian World". You can read on the Foundation's website (<http://gorchakovfund.ru>) that its "mission ... is to ... contribute to creating a favorable social, political and business climate for Russia abroad".

For this purpose, the fund is mainly engaged in the distribution of grants to non-profit organizations for holding all kinds of seminars, conferences and public lectures on foreign policy issues. For example, with the support of the foundation, the "School of Young Experts in Central Asia" Scientific and Educational Forum has been held for several years. But with all these events the same problem as with the Assemblies of the Russian World or concerts at the RCSC - they can be very informative and useful for their participants, but they usually have a rather low efficiency in terms of influencing public opinion in Central Asia states and the formation there of a positive image of Russia.

Thus, summing up, we can say that the resources of the Russian "soft power" in Central Asia, and in particular in Kazakhstan, are mainly due to the legacy of the Soviet era and are ineffective in terms of results. After 1991, very little was done for their development and growth. As noted, a significant limitation to the promotion of the Russian "soft power" is the sharpenedness of its actors to work with "compatriots," and so far no vector shifts are expected here. Also taking into account that in 2016, the total budget of Rossotrudnichestvo was estimated at 3.7 billion rubles, and there were plans to increase it to 9.5 billion rubles in 2020 (Rossotrudnichestvo 2016 Performance Report). And here suddenly raises the questions such as: how much does Kazakhstan receive from Rossotrudnichestvo foundation? ; did these resources reach the target entities? ; do policy makers aware about the fact that resources in general do not provide any considerable results? However, it should be noted that a program or concept, concerning the funds both for Kazakhstan and other countries of Central Asia, are not accessible documents for the general public and we cannot freely claim that exactly this amount of money is allocated to specific country in post-soviet space.

Strengths of Russia's Soft Power in Kazakhstan. Russia was almost always perceived by the population of the region as a force modernizing Central Asia. "Through the Russian language and Russian culture, the Central Asian peoples joined European civilization. This is noted by such outstanding representatives of the Kazakh intelligentsia, as, for example, Chingiz Aitmatov (Gachev, 1989). And therefore, the interest among Kazakhstanis to Russian education is always high, and the attractiveness of Russian schools among Kazakh students is largely due to the quality of education, language accessibility, geographical proximity and similarities in mentality.

Thus, as of 2014, more than 50,000 Kazakhstani students received education abroad, whereas 28,000 students studied in Russia. According to this indicator, Russia takes the first place (China the second, where 11,200 students), which indicates a rather high attractiveness of Russian education among Kazakhstani students. Knowing this fact, the Ministry does not hurry to provide grants (for free tuition) to students from Kazakhstan. For example, in 2014 the quota was 150, and the number of applications exceeded more than 600. In 2015, the quota increased to only 240; and 800 applications were received (Ministry of Education and Science of the RF). Meanwhile, Rossotrudnichestvo allocates a large number of investments in the creation of "ineffective" institutions for the Russian compatriots abroad, which supposedly should contribute to the "promotion of Russian interests".

It is also important to highlight the omission associated with the lack of a long-term tracking strategy for graduates of Russian educational institutions, where about 90 thousands of Kazakhstan's students are studied. After receiving a diploma of higher education, for example, KRSU or RTSU did not create an Alumni center or alumni clubs, where they could meet on a regular basis already as full-fledged specialists or even agents of influence. Such alumni meetings are sporadic and uncertain. While the Western model of soft power places a strong emphasis on supporting and tracing its graduates and their future role as agents of soft power.

Thus the educational sector is a strong point of Russian soft power; nevertheless, it is necessary to continue work on increasing the attractiveness, accessibility and quality of Russian education, especially on the background of the positive dynamics observed by other foreign policy actors in the Central Asian region. For example, China, in which about 9 thousand Kazakhstani students studied in 2014, but already in 2016 this indicator reached 13 thousand, and by 2020 it is planned to bring this indicator to 20 thousand people (Gusarova 2017).

In terms of the level of knowledge of the Russian language, the population in large cities of Kazakhstan and Kyrgyzstan is still mostly Russian-speaking (99.9% and 87.1% of the population speak Russian). To a lesser extent, the Russian language is spoken in the urban environment of Uzbekistan (99.2%) and Tajikistan (68.5%) (Startak 2017). The prevalence of the Russian language allows for the Russian media to find a significant audience in the region through which the Russian perception of political processes is broadcasted, both in Russia and abroad, controlling the public consciousness.

The Russian point of view through the media to the population of Central Asian countries is indicative on the example of the perception of Russia's position in the 2014 Russian-Ukrainian crisis by the population of Kazakhstan. According to a study by Kazakhstani sociologist G. Iseulova (2018): "62 percent of those polled on the complication of Russian-Ukrainian relations approve the Russia's position on this issue, another 15 percent consider the neighbor's actions to be wrong. At the same time, the position of Ukraine is supported by 5 percent of respondents, 68 percent do not approve, and the remaining 27 percent did not know what to say."

Also, according to the data of the Center for Social and Political Research Center Strategy public foundation, 64% of the population of Kazakhstan supported Russia in the Ukrainian crisis" (Yesenkulova 2018). However, the positions of Kazakhstani experts and researchers on this issue did not at all coincide with the opinions of society and they mostly emphasized a slight fear that "If only the Russia didn't treat with us in a same way" (azattiq.org news). In other words, the Ukrainian crisis showed that in Kazakhstan there is no literally "intelligentsia" who could promote the interests and positions of Russia in the country.

Thus, Russia has a number of unique advantages in terms of soft power in Kazakhstan, which allow it to easily "control" the consciousness of the masses and which should be strengthened in the future in order to prevent the influence of the West, at least because the western influence has potential promises to replace the role of Russian's. First, Russia and Kazakhstan are related by a common historical past, in which Russia served as the "modernizer", "enlightener". Secondly, the Russian language is still widely spoken in Kazakhstan and its popularity is growing among schoolchildren and their parents. Thirdly, Russia is perceived by the population of Kazakhstan as a guarantor of security and stability. These resources allow Russia to successfully use the "soft power" mechanisms in Central Asia, including Kazakhstan, both through educational institutions and the Russian media. Consequently, education and the media should be considered as the most important focus of attention of the Russian foreign policy strategy. Since through the education means, it is apparently possible to create the "think tanks" or with another words intelligentsia loyal to Russia.

Conclusion

Thus, in Russia there is still no systematic and integrated work with its "soft power"; there is no long-term strategy for its development. Perhaps one of the reasons for this is the ambivalent attitude towards "soft power" among the Russian establishment.

An important component of the "soft power" strategy is the image of itself that the country offers to the rest of the world. But the crisis of political self-determination in post-Soviet Russia prevents the formation of such an image - neither society as a whole nor the elites can clearly answer the question "who are we?" And "in which direction do we want to move?" Problems with Russian identity naturally reflect on the effectiveness of the conductors of Russian "soft power", which often simply do not understand how to talk to the societies of the "near abroad", what to offer them, how to position modern Russia. In this situation, it is much more comfortable

to continue unpromising work with "compatriots", open regular RCSCs, and hold endless assemblies, conferences and forums, which literally seems to me as a waste of resources.

Finally, another nuance that cannot be missed is a poor knowledge of local realities. This may seem strange - who else should have the fullness of information about their "near abroad", if not Russia? However, the neglect of the post-Soviet space, which can be expressed by the phrase "they will not get anywhere from us," has led to the fact that in Russia there is practically no targeted training of specialists as in the post-Soviet space as a whole; quite a few think tanks, "factories of thought", which would be closely targeted by the states of the former USSR and were able to produce high-quality analytics. It just enough to recall how, after the Ukrainian crisis, it suddenly turned out that Russia had a huge shortage of truly serious experts in this important CIS country, especially in Kazakhstan, which is closest partner for Russia in "Near abroad". Ultimately, this situation turns into a poor knowledge of the target audience, which the Russian soft power conductors are called to address.

In this connection, it is much more necessary to work with "think tanks", who could help out in times of "crisis" and thereby could transmit correctly Russian intentions to the region and finally who could become a political tool in achieving countries interests without coercion and pressure.

For these purposes, it seems enough to focus attention on the educational sphere and direct the main resources exactly there. But at the same time, it is very important to take into account the quality of the educational services offered and increasing the attractiveness of universities. Additionally, Alumni institutions could play a crucial role in the formation of loyal "intelligentsia", which function quite effectively in western universities.

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УДК 338.48

“International, Political and Economic aspects of inbound tourism strategies in Kazakhstan from 2010 to 2019”

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Abstract. The word "tourism" (tourisme, from tour) in French means "walk", "trip", "travel". Tourism is a trip made by a person in his spare time from his main job for recreational, educational, professional and business, sports, religious and other purposes. This is one of the types of outdoor activities, the best way to escape from the hustle, see new and interesting, and gain positive emotions. Kazakhstan is a country with great tourist potential, beautiful natural landscapes, rich historical heritage, interesting examples of the latest architecture and culinary diversity. However, Kazakhstan, as a tourist destination, has not yet taken its rightful place in the list of countries that must be visited. Tourism is one of important engine of the economy, and the lack of infrastructure and a well-designed programs, creates difficulties to develop tourism infrastructure and show its value in country's economy. This paper will explore the current situation with tourism in Kazakhstan as compared to other Central Asia country.

Introduction. Sustainable tourism is the concept of visiting a place as a tourist and trying to make only a positive impact on the environment, society and economy (J.Lisse, 2018). Sustainable tourism development requires the informed participation of all relevant stakeholders, as well as strong political leadership to ensure wide participation and consensus building. Achieving sustainable tourism is a continuous process and it requires constant monitoring of impacts, introducing the necessary preventive and/or corrective measures

whenever necessary. Sustainable tourism should also maintain a high level of tourist satisfaction and ensure a meaningful experience to the tourists, raising their awareness about sustainability issues and promoting sustainable tourism practices amongst them (Niedziolka, nd).

There are many researches about tourism, developing the tourism or tourism as a theory of development. Most of researchers took tourism industry as source of income, hard currency and employment and taxation of the country and as a part of international relations. In my literature review, I took in comparison inbound tourism in Kazakhstan with neighbor countries like Uzbekistan, Kyrgyzstan and Armenia. In the study, I will compare all these countries in general, and then state strategies to develop inbound tourism, tourist destinations, and number of tourists in these countries. This comparison help us to define more the problem statement and purpose of the study.

Comparing Kazakhstan with its neighbors

For the last a hundred year, these four countries shared common history, majority of population is Shia Muslims, they all were part of Russian Empire, then part of Soviet Union and all get their independence after collapse of Soviet Union and all of them are Turkic speaking countries.

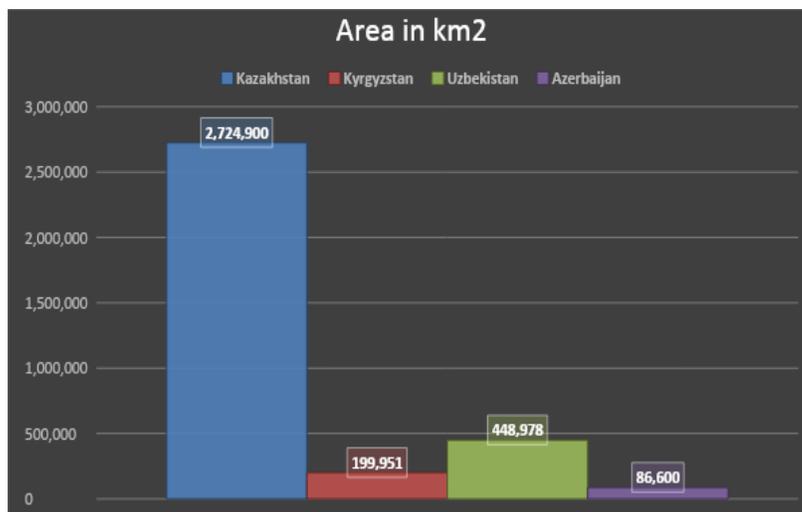


Chart 1: Composed by Author

As we see in chart, Kazakhstan is the biggest country among them. Actually, Kazakhstan is ninth largest country and the largest landlocked country in the world. Kazakhstan is a vast country — the largest of the former Soviet republics after Russia — covering two zones and an area of more than 2,724,900 square kilometers (Sala and Deon, 2013), roughly the size of Western Europe or almost five times the size of France. Located in northern Central Asia in the heart of the Eurasian continent and bordered by Russia to the north, China to the east, Kyrgyzstan, Turkmenistan and Uzbekistan to the south, and the Caspian Sea to the west. Kazakhstan stretches more than 3,000 km (two time zones) from the lower reaches of the Volga in the west to the foothills of the Altai Mountains in the east and almost 2000 km from the West Siberian Plain in the north to the Kyzylkum desert in the south. On the territory of Kazakhstan, 8500 rivers flow. The length of seven of them (the longest) is greater than 1000 km, including the Ural and Emba flowing into the Caspian Sea, the Syr Darya, which flows into the Aral Sea and the Irtysh, Ishim and Tobol, carrying its waters to the Arctic Ocean. There are 48 thousand lakes in Kazakhstan. The largest of them - Balkhash, Zaisan, Alakol, Tengiz and Seletengiz. Kazakhstan occupies the northern half and eastern coast of the Caspian Sea. The Kazakhstan coastline of the Caspian Sea is 2340 km.

Uzbekistan locates in eastern Central Asia and bordered by Kazakhstan to the north and west, Kyrgyzstan and Tajikistan to the east, and Afghanistan and Turkmenistan in the south. Uzbekistan covers

447,400 square kilometers (Megoran, n.d), making it slightly larger than California and approximately the size of France, Iraq or Sweden. Uzbekistan is the third largest nation in Central Asia after Kazakhstan and Turkmenistan. Uzbekistan is completely landlocked. Liechtenstein and Uzbekistan are the only two doubly landlocked countries in the world. This means that all the countries around Uzbekistan — and Liechtenstein — are also landlocked. Uzbekistan stretches 1,425 kilometers from west to east and 930 kilometers from north to south.

Kyrgyzstan locates in eastern Central Asia and in the heart of the Tien Shan Mountains and bordered by Kazakhstan to the north, China to the east, Tajikistan to the south, and Uzbekistan the west. Kyrgyzstan covers 199,951 square kilometers (Murzakulova and Mestre, 2016), which is roughly the same size as Nebraska or England and Scotland combined. The second smallest of the five Central Asian states.

Azerbaijan - is located in the southeastern part of the Transcaucasian region in western Asia. It borders in the north - with Russia, in the north-west - with Georgia, in the South - Iran, in the west - Armenia, in the extreme south-west Turkey. On the east by the Caspian Sea. Land area - 86 600 square km (Baban and Shiriyev, 2010). Apart from the mainland, it is composed of numerous small islands of the Caspian Sea.

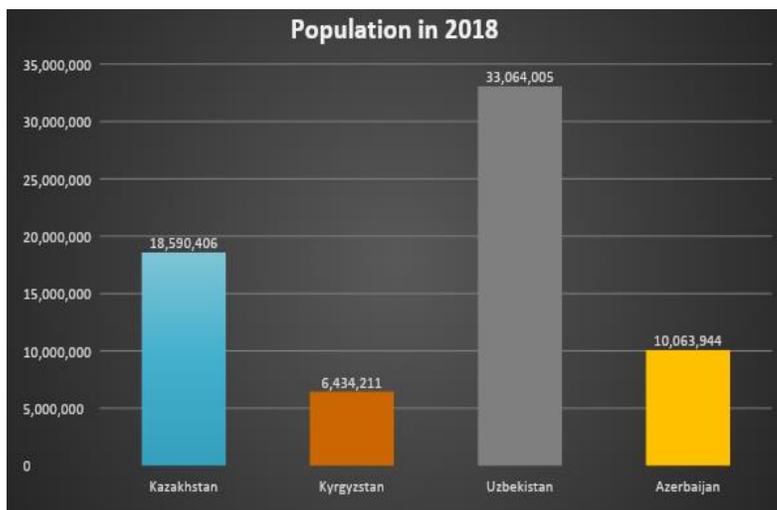


Chart 2: compiled by author

According to the information by World Population Review (2019) among these countries, Uzbekistan is on the first place. Uzbekistan's population of 32,393,645 makes it the 43th largest country in the world and the third largest of the former Soviet states - behind Russia (142 million) and Ukraine (45 million) (Kulesa, 2019).

Despite its large area Kazakhstan in 2019, has an estimated population of 18.55 million, which ranks 64th in the world (MSI, 2019). Another reason for small population is great famine During Soviet Union. Details of the Kazakh national leader Alikhan Bukeikhan reveal the true extent of the famine of 1929-1933: the number of Kazakhs decreased from 6.47 million in 1924 to 2.1 million in 1937. It shows losses reached almost 67.19% of Kazakh people (Akkulov, cited from Gumilyov, accessed 2019). After getting independence from Soviet Union, Kazakhstan announced a new program, welcoming back ethnic Kazakhs who left at another side of border.

Azerbaijan has an estimated population of 10.05 million, which makes it the 90th most populous country in the world. In 2019, the estimated population of Kyrgyzstan is 6.42 million, which ranks 112th in the world (MSI, 2019)

Kyrgyzstan, officially the Kyrgyz Republic and formerly Kirghizia, is a landlocked country located in Central Asia. Kyrgyzstan is bordered by Uzbekistan, Tajikistan, Kazakhstan, and China. The land itself is largely made up of mountains, valleys, and basins. In 2019, the estimated population of Kyrgyzstan is 6.42 million, which ranks 112th in the world (World Population Review, 2019). Much of the mountainous region is uninhabitable and Kyrgyzstan has an overall population density of just 80 people per square mile (31 people per square kilometer), which ranks 147th in the world in terms of population density.

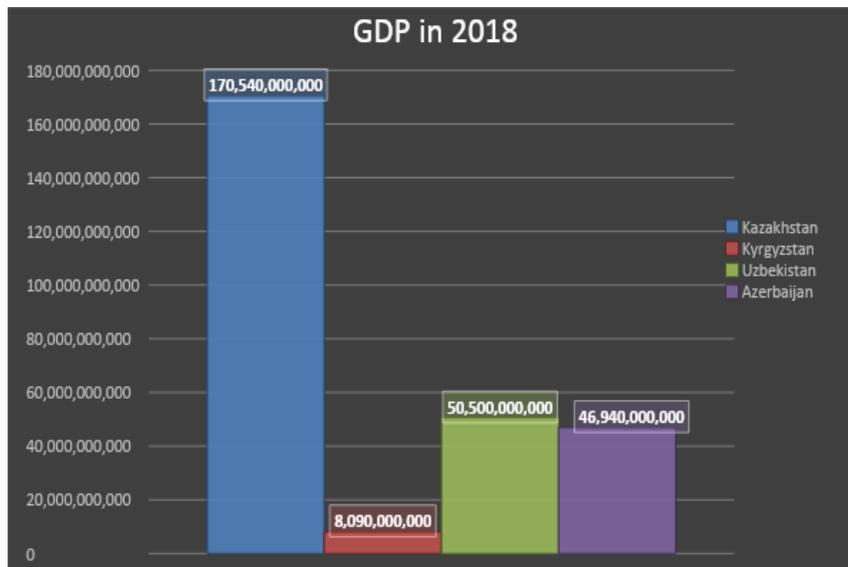


Chart 3: compiled by author

Kazakhstan is the biggest economy in Central Asia and is reliant on massive deposits of natural resources such as oil, gas, and other minerals. The Gross Domestic Product (GDP) in Kazakhstan was worth 170.54 billion US dollars in 2018 (WorldBank, 2011). The GDP value of Kazakhstan represents 0.28 percent of the world economy. GDP in Kazakhstan averaged 86.78 USD Billion from 1990 until 2018, reaching an all-time high of 236.63 USD Billion in 2013 and a record low of 16.87 USD Billion in 1999 (WorldBank, 2018). Exploration of oil in Kazakhstan in early 2000s helped the country to develop faster than neighbors.

Main income of Uzbekistan is agriculture, especially cotton production. Lack of its own textile factories Uzbekistan had to sell cotton as raw material in cheap price and income was not sufficient to develop other sectors. The new president, in Uzbekistan, has taken steps to improve ties with neighbors and attract foreign investment by pledging to improve public administration, maintain macroeconomic stability, and reform such sectors as agriculture, finance, and banking. GDP in Uzbekistan was worth 50.50 billion US dollars in 2018. The GDP value of Uzbekistan represents 0.08 percent of the world economy (Tsereteli, 2018).

Azerbaijan also started exploring oil in early 2000s, and still oil remains as the most prominent product of Azerbaijan's economy, and also cotton, natural gas and agriculture products contributing to its economic growth over the last five years. Exploitation of hydrocarbon resources has played a crucial role in the economic development of Azerbaijan. The set of agreements with foreign companies and foreign investment have also played an important role in the state economy. One of the main objectives of economic policy was the transition to a market economy through appropriate reforms. GDP in Azerbaijan was worth 46.94 billion US dollars in 2018 (Hasanov, 2019). The GDP value of Azerbaijan represents 0.08 percent of the world economy.

Kyrgyzstan is a mountainous country with a dominant agricultural sector. Cotton, tobacco, wool, and meat are the main agricultural products, although only tobacco and cotton are exported in any quantity. The economy of Kyrgyzstan cannot be called highly developed and prosperous, since the country is poor. However, it is developing dynamically; therefore, it is very promising and attractive for foreign capital and business. GDP

in Kyrgyzstan was worth 8.09 billion US dollars in 2018. The GDP value of Kyrgyzstan represents 0.01 percent of the world economy (Holzhacker and Skakova, 2019).

Comparing tourism in Kazakhstan, Uzbekistan, Azerbaijan and Kyrgyzstan

During Soviet Union official state travel agency, “Inturist” which was founded in 1929 controlled tourism in all these four countries. In addition to the “Intourist” travel organization in the Soviet Union was engaged in several structures: youth travel bureau “Sputnik” trade union “Inturbyuro” and several others. However, in terms of the volume of controlled tourist flow, they did not go to any comparison with such a monster as “Intourist”. In spite of the formal structure of the joint stock company “Intourist” in the USSR actually stayed at the level of the ministry. Despite the stereotypical view of the closeness of the USSR, the best time to take more than 5 million foreign tourists per year (Gendlin, 2015).

After getting independence all these countries, started developing tourism by themselves, but none of these countries put the tourism as foreground sector of the economy. Another problem - tourism largely controlled by the administrative levers of command than the real economic mechanisms. These are the remnants of the Soviet system that continues to persist in the economies of these countries.

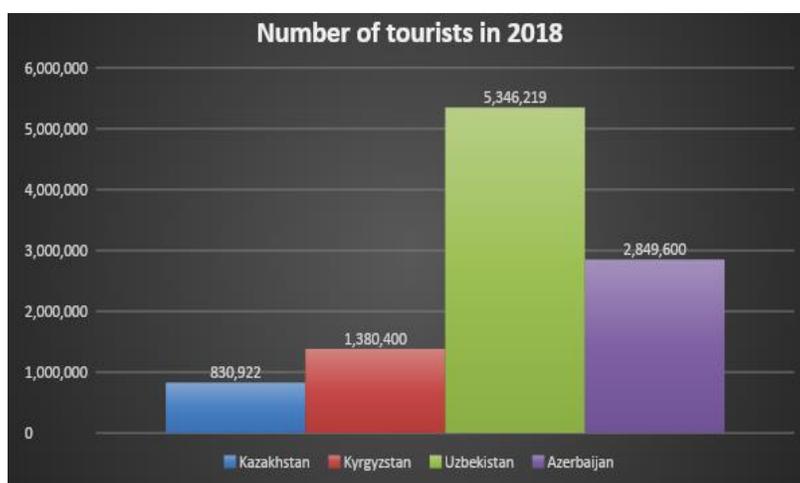


Chart 4 Compiled by author

In the Chart 4 above, we can see that Uzbekistan shows highest results for number of inbound tourists with 5,346,219 tourists among these countries (IAD State Committee of Tourism Development, 2019). In the conditions of independence, the government of Uzbekistan managed to introduce the organizational component into tourism: all tourism resources were concentrated in the system of the National Company “Uzbektourism”, which was given the functions of state administration. At that time, this turned out to be the right decision: in the republic, they were able to evaluate the existing potential with the current state and identify problems that impede the development of the tourism sector. The company became the National Tourism Administration, the governmental policy and coordinating the strategy and tactics of the industry. Subsequently, tourism, as well as other sectors of the economy, has undergone market reforms. For twenty-five years, the process of privatization and privatization has been going on here, and now more than 98% of all enterprises engaged in tourism are not state-owned. The Government of Uzbekistan, as well as foreign investors have invested heavily in infrastructure: built in Tashkent, Samarkand, Bukhara, major hotels are being reconstructed hotels in Urgench, Termez, purchased new buses and airliners that meet Western standards, is being reconstructed roads to tourist centers. Moreover, due to the small and medium enterprises to open hundreds of private hotels and houses, which can accommodate both foreign and domestic tourists. Much attention is paid to the recreational areas. Ongoing restoration work on the cult objects and antiques, fall under the protection of natural features that are being destroyed because of the negative human activity. In the strategy to promote the country as a

tourist destination, an effective brand holds a special place. In the tourist community of Uzbekistan there is conception that a successful tourism brand contributes to not only strengthen the position of the national tourist product in overseas markets, but also enhance the overall image and credibility of the country as a touristic destination (Kim, A). In 2013, Euronews started to broadcast ads about the historic sites of Uzbekistan – Samarkand, Bukhara and Khiva. It was a 30-second advertisement about tourism potential of Uzbekistan. Finally, the slogan was created for Uzbekistan “Uzbekistan – the symbol of the magic east” in December 2013. So it will help to promote tourism potential of Uzbekistan among 370 million viewers of Euronews in Europe (Gonzalez and Araujo, 2016).

The state program on the development of alternative sectors of the economy are designed to implement a phased transition of economic development and reduce the country's dependence on energy exports. The step-by-step implementation of the state program is laid down in the roadmap, a document that has been the development strategy of Azerbaijan for ten years. It provides for the development of various sectors of the economy, including tourism. In 2018 number of tourists in Azerbaijan reached up to 2,849,600 (State Statistical Committee, Azerbaijan). There was a video on Euronews TV channel, where a famous French actor, is delighted with Azerbaijani cuisine. The storyline of the video revolves around Gerard Depardieu, tasting Azerbaijani dishes, suppressed while the screenwriter reads his excerpts from the script of the film about the beauty of nature of Azerbaijan. A charming meal, Gerard Depardieu does not pay attention to the script of the film.

“A country where there is such food is definitely a reasonable country,” says Gerard Depardieu, pausing for a tasting of dishes that he calls “a dream come true” (Azattyq, 2013).

This video came on July 2011, and it was one of the first advertisement about Azerbaijan on Euronews by famous European movie actor. Every year, Euronews shows some videos on their TV channels about Azerbaijan.

In 2011, having won the Eurovision Song Contest, Azerbaijan was given the opportunity to hold the 57th song contest in 2012 in the capital of Azerbaijan, Baku. Holding such an event increased the possibility of an influx of tourists into the republic, as more potential tourists received information about Azerbaijan and its cultural and historical heritage, which will increase the rate of inbound tourism. In May 2012, in Baku, the number of guests who visited Azerbaijan on the eve of and during the days of the competition, including contest participants and delegations, exceeded 50,000 people, which is a good indicator for a country that has just begun to develop in the tourism sector (Musaeva, 2011).

Kyrgyzstan was the first country who started opening its borders for foreign tourists to develop inbound tourism. In 2012, in order to develop tourism, Kyrgyzstan introduced a visa-free regime for citizens of 44 countries; in 2013, another country was included in the list. The law was to expire in 2020 (Central Asia Guidebook, 2019). According to National Statistical Committee of the Kyrgyz Republic, in number of inbound tourists in 2018 reached up to 1 380 400 tourists (Profi Travel, 2019). Deputy Dastan Bekeshev proposed to extend the term until 2030 and add 10 more countries to the list - Montenegro, Andorra, Brazil, San Marino, Chile, Argentina, Oman, Bulgaria, Cyprus and Romania. However, according to the results of the discussions in the parliament, it was decided to extend the visa-free regime until 2025 and add only 7 states. Deputies removed the last three countries from the proposed list. On February 28, 2019, they adopted the law “On Amendments to the Law of the Kyrgyz Republic”. On the introduction of a visa-free regime for citizens of some states for up to 60 days. ” On April 9, President Sooronbai Jeenbekov signed the law.

Advertisement for developing the tourism is one of the most important steps of the process. JSC "NC Kazakh Tourism "commissioned by the Committee on Tourism Industry of the Ministry of Culture and Sports of the Republic of Kazakhstan conducts an advertising campaign about Kazakhstan on the Euronews NBC channel. Euronews showed a video on September 20, 2018 for the first time on its air and by the end of the year will demonstrate a video about Kazakhstan another 238 times. “The purpose of this video is to demonstrate

the many opportunities of Kazakhstan as a completely new and unusual tourist destination, which will give tourists a unique experience of new discoveries. Plunge into the pure nature, hear the singing of dunes, ride on snowy slopes, enjoy the best views of the mountains or lakes, and also see majestic canyons can be found in the heart of Eurasia, our native country. From sand deserts to snowy peaks - all in one destination. We were able to reflect in the video only a small part of the most prepared PARTICULAR tourist products of our country why this story will be continued ", - said in the description of the video (Informburo,2018). The JSC "NK" Kazakh Tourism "noted that Euronews NBC covers an audience of 430 million households in 166 countries and video timing 1minute 28 seconds. The company managed to negotiate with the channel about bonus programs on adventure tourism and city tours in Kazakhstan, which the channel has already withdrawn at its own expense.

On June 06, 2019 primeminister.kz site published an article stating that "according to preliminary data in 2018, Kazakhstan was visited 8 790 000 people" (Primeminister.kz, 2019). This information was given by Chairman of the Board of JSC National Company "Kazakh Tourism" Urken Bisakaev on his interview to website. After this interview some media outlets, started citing Primeminister.kz, posting information already stating, "almost 8.5 million tourists visited Kazakhstan last year". Actually, 8.5 million is quite big number, and first of all we should clarify what he meant by 8.5 million people and who are these people. The implications for future research from the undertaken analysis is that Kazakhstan, as a tourist destination, is yet to take its rightful place in the list of countries that must be visited. Tourism is one of important engine of the economy, and the lack of infrastructure and a well-designed programs, creates difficulties to develop tourism infrastructure and show its value in country's economy.

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“Political participation of the US fashion industry in the Trump era”

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Abstract. The political activism of fashion companies towards President Trump’s administration on issues of United States foreign and domestic policy represents a novelty in the history of US politics, which finds no precedents in previous election cycles (Carlson, 2018). There is currently little research being conducted on this topic, in spite of the nearly ubiquitous presence of either President Trump, the 45th administration, its critics, its supporters in media and non-academic publications. This study investigates the correlation between political activism and the fashion industry; particularly, this study looks at the underlying interests for the fashion industry’s involvement in contemporary American political discourse centered on the opposition to specific policies enacted by the US administration. As a preliminary case study my research will consider a number of fashion companies including Nike, Adidas, Benetton and Tommy Hilfiger and their response to the Trump Administration policies on anti-globalization policies, trade protectionism and immigration control.

Background. The connection between fashion and politics has already been explored by Miller (2005), Boone (2017) and Delgado (2019); however, the recent trend of active political involvement of American fashion companies is still relatively under-addressed. During the 2016 electoral campaign, and more vehemently since the inauguration of the current administration, the United States fashion industry has made increasing use of its large public platform to influence political discourse (Carlson, 2018; Chadwick and Zipp, 2018; Roth, 2018). For example, fashion giants, such as Nike and Tommy Hilfiger have recently made a number of political statements against the current administration, through advertisement and clothes’ design (Chadwick and Zipp, 2018). Different companies have demonstrated their political stance against issues regarding globalization and immigration policies.

The contemporary weight that economic giants within the fashion industry exert in US domestic policies does not find an equal amount of scholarly analysis. The fashion industry and the political field have historically been considered as two unrelated and quite distinct fields (Delado, 2019). Scholarly works in the fields of political science, social studies, and international relations do not generally address the fashion industry – or they do so superficially, and within the context of cultural analysis. On the other hand, examinations of the fashion industry or the role of fashion in society have generally been centered on more anthropological aspects, with the sub-field of body politics gaining prominence often in relation to gender studies.

Considering the relative lack of inquiry on this phenomenon, I propose a question, aimed at explaining why fashion companies moved to an increasing participation in political discourse during President Trump’s presidency:

Research Question: Why and how have fashion companies moved to establish a growing presence in political discourse responding to Trump’s anti-globalization policies of trade protectionism and immigration reduction, when they have not been equally vocal on similar issues during past presidencies?

Preliminary Assumption: At this stage of my work, the study rests on a preliminary assumption: fashion companies are increasingly investing in political protests in politics due to the combination of two factors. Fashion companies understand the anti-globalization policies of Trump administration as potential economic threat. Moreover, fashion companies promote such values as diversity and inclusivity which they find incompatible with the values of the current UD administration. The main objective of this thesis is to understand whether there is a correlation or causality between US policies and fashion companies active involvement in political protests.

Preliminary answer: there is a degree of correlation between both the implementation of the current policies and increasing political protests of fashion companies, and there might also be causality. The answer to the research question carries two variables. The dependent variable is given by the political statements of fashion companies. The independent variable is Trump's foreign and domestic policies on globalization and immigration.

Literature review. A preliminary survey of the literature suggests that a great number of scholarly works focus on Trump's personality as well the foreign and domestic policies of the current US administration regarding trade, immigration and globalization. These constitute a non-specialist general background whereas a smaller number of works provide initial grounds to analyze the correlation between fashion and politics in term of body and identity-politics as well as fashion companies' political protests against current legislation passed by the US congress.

The election of the 45th US administration and the policies designed and implemented under President Trump are currently debated in academic works and the media. The aspects of the Trump administration spark a more vigorous debate are those related to the perceived populist character of domestic policies (Roth, 2018; Skonieczny, 2018; Chadwick and Zipp, 2018; Boone, 2018; Milkman, 2017). A significant numbers of works that take a definite anti-Trump stand rely on Critical theory a number of these depictions of Trump and the 45th administration have left the boundaries of traditional political science to turn into criticism often open and vocal sometimes vitriolic, to the point that it may constitute libel: in a recent volume Gounari (2018) describes the US administration as "neo-fascist" (p.208), based on the understanding of "Trump's policies" (rather than that legislation passed through Congress).

Political Protests against policies under Trump administration

For the last three years, there has been a growing rate of political protests against the legislations passed by the US congress. An increasing number of companies and organizations are taking political stance including fashion companies. Chadwick and Zipp (2018) describe the case of Nike advertising campaigns that stand in opposition to US administration. The authors question the real interests of Nike to take a political stance on various socio-economic issues. In the article, it is assumed that Nike is taking advantage of current controversial social issues to promote their brand name. However, it begs a question whether such a famous as Nike can advocate for global social and political issues without showing their own "skeletons" (p.6). According to the authors Nike's tag-line campaigns have been transformed from apolitical "Just do it" adverts thirty years ago into narratives that lie far beyond the reach of sport. Nike's recent campaigns with fellow NFL player, Colin Kaepernick promote issues such as equality, racism and different forms of discrimination. The advertising campaigns have sparked a considerable public debate, prompting hashtag on social media platforms agitating people to use "#burnyournikes" statement (p.4). This led to a growing number of Nike's customers burning their apparel to protests again the Kaepernick's campaign. Authors argue that such a move is a "smart business" that has only aggregated more attention and higher sales rates of Nike's apparel.

The social political stance also includes various forms of boycotts. According to Schrobsdoff, political resistance also targeted the brand of Ivanka Trump. The author describes her collection as "ugly" and "divisive" therefore representing the link between the politics and people. The reaction to Ivanka Trump's visual posts on

social media platforms provokes a negative reaction, as she is linked with her fathers' policies. Therefore, Ivanka Trump's dressing is therefore political, which will inevitably spark criticism and judgment.

Trump, populism and trade

The economic policies of Trump's administration on trade protectionism have triggered a prompt response from apparel companies (Hays, 2017). According to the article, the idea of producing goods in US became a threat to fashion companies, which mainly produce their goods abroad. Since the first month of the administration, apparel companies including Nike, Wal-Mart and Amazon spent considerable budgets on making their stances on trade and taxes. Leaders of apparel companies seem to be uncomfortable with the "populist wave" of Donald Trump who tends to focus more on the nationalism than economics.

On the other hand, Clark (2017) argues that there is far less risks for business from the trade policies, therefore fashion companies might face economic challenges due to their internal issues within the companies. As argued by Clark (2017) the US market is overpopulated with retail stores which might soon close down in huge numbers.

Fashion and Politics

Usually, fashion when considered from the political point of view is associated with body and identity politics. There is a bulk of literature analyzing the performance of fashion in political agenda. There is a recent trend in the literature of identity politics that showcases how this branch study is also linked to political protests. Identity-politics have always played a considerable role in politics (Schrobsdorff, 2017). However, since the Trump inauguration and his rhetoric that "females staffers should dress like a woman" in combination with recent policies signed by Trump administration, there was new way of identity -politics in forms of massive protests and marches. Schrobsdoff (2017) describes how those objectors united in opposition to President Trump. Clothes play vital role in representing a political protests, the author gives example of women's marches, when the streets were full protestors in pink hats representing new sign of resistance against gender discrimination.

Trade Policies under the Trump Administration.

There is a large body of international literature on the current trade policies of Trump's administration. Among the researchers, Marcus Noland and Gary Clyde Hufbauer (2016) focused on President Trump's policies on globalization and trade. The article provides an overview of trade policies of Trump and its potential consequences including the effects of the US trade policies on China. Recently, the US imposed 25% border tax on Chinese goods being imported into the US. Consequently, China reciprocated to this policy with a 25% tariff on \$34 billion worth US products such as soybeans, cotton linens, uncombed cotton, lobsters, and automobiles. The authors explain the US trade tariffs as the way to punish China for its controversial trade policies. Trump's administration claimed that by making Chinese products more expensive for American consumers, it results in pushing them to seek similar products elsewhere. Likewise, China has held responsible for the US for starting the biggest trade war in economic history. The study proposes that the consequences of the trade war might be detrimental. One of the most significant results seems to be barriers to free international trade, which can be damaging to the movement of their goods. It is vital to note the reaction and response of some influential US apparel retailers. For instance, such companies as Gap, Levi Strauss Target Corp, and VF Corporation, have signed a letter, urging President Trump to avoid any trade war with China. A U.S. Fashion Industry Association's benchmark study focuses on the importance of industries to be more globalized and fast-paced. It is vital for businesses to maintain a balance between their sourcing costs, speed, flexibility, reliability, and risks.

Additionally, Zeeshan Aleem (2018) provides a theoretical background on trade wars. When countries start having more tensed economic relationship between each other, which might be negotiated under the World

Trade Organization which plays a vital role of an arbitrary. It is acceptable and does not necessarily lead to trade war when countries impose unilateral tariffs on each other's goods. However, if countries continue to impose tariffs and taxes at each other economies, that might potentially lead to a trade war. The author proposes that Trump's trade policies on China might have detrimental consequences for the economies of both countries.

Another aspect of literature on Trump's policies focuses on his protectionist policies and views on globalization. The book, titled "Globalization in the Age of Trump" written by Pankaj Ghemawat (2017) provides the notion of globalization under the Presidency of Trump. The author proposes that the concept of globalization is under threat, due to the anti-globalist policies of the 45th President of the United States of America. One week after Donald Trump's inauguration, with fears of a trade war spiking, the Economist published a cover story, "The Retreat of the Global Company," in which it presented the concept that "the biggest business idea of the past three decades is in deep trouble." And Jeffrey Immelt, GE's chairman and CEO, has mentioned the company's "bold pivot" from globalization to localization.

The study indicated the business advice for companies to implement certain policies or business models in order to decrease the role of President Trump's apparent preference for domestic deregulation and international intervention. It is suggested by the author, that company's market and nonmarket strategy should be in alignment. International companies might be negatively affected by anti-globalist policies of current US administration. Therefore, it is not considered to be a good idea for companies to actively support policies that build up barriers to trade and capital flows, make people less mobile, and delegitimize the idea that companies can contribute to the well-being of people in more than one country- even if all the company concerned about is shareholder value. Furthermore, the author describes companies which might benefit from the protectionist policies. Over the long run, companies that rely heavily on sourcing from abroad (such as Walmart) and those that export far more than they import (such as GE) would benefit from joining forces to oppose protectionism.

The Trump Administration and Immigration.

Immigration policy was one of the main priorities in Trump's election campaigns. His promises to build a wall between the US and Mexican borders, as well as the "Muslim ban" might be considered as populist promises. Michael Kazin (2016) defines populism as a means of communicating with voters and attracting more supporters. He has also defined populism as the "populist persuasion." According to the book, populism is essential during the times of socio-cultural change, as well as economic crisis and stress. This particular kind of communication with voters has been widely used by such political actors as William Jennings Bryan to Bernie Sanders and Donald Trump. The author believes that populist views and statements of Donald Trump have helped him to gain support during his election campaign. This book focuses on Trump, noting his penchant for action, not adherence to conservative principles or Republican Party orthodoxy. The "scourge" of Donald Trump's populism, like his predecessors, is that he blames the "other" for the failures of American government and the inability of those who aspire to achieve the American Dream from achieving their goals. This is the scourge of populist candidates who have led their respective parties to ultimate defeat. In Donald Trump's case, blaming Hispanics and immigrants for the country's problems is a scourge that will take the Republican Party years to recover from once the 2016 election is over and the ballots counted.

Wendy Cervantes and Christina Walker (2017) focus on the consequences of migration policies towards children. The scholars consider migration policies of President Trump as a betrayal of American values and direct threat for the well-being of vulnerable children. The detrimental consequences of Trump's migration policies involve separation of families, lack of basic protections of children and deeper poverty, which might potentially have long-term implications. According to the study, Trump's Immigration Orders have negative outcomes for the US economy.

In final chapter, the author proposes a number of offers for Trump Administration to stop its policies that have detrimental consequences on children. The article provides advice to reverse the course on its

destructive immigration agenda and instead work toward promoting policies that will enable all children in America to achieve their full potential.

Fashion in Global Politics.

The last section of relevant literature focuses on the relationship between fashion and politics. The literature on the link between fashion and politics requires readers to define the fashion from the perspective that is not so widely accepted. Andrea Behnke (2016) defines fashion from the political aspects, emphasizing the importance of fashion to understanding global politics. In her book, titled “The International Politics of Fashion: Being Fab in a Dangerous World” Andreas Behnke, conceptualizes fashion to from the global politics perspectives, with a particular focus on its performative dimensions. In this review essay, Christopher May outlines and builds upon the book’s intervention to propose an international politics of fashion as a set of political economic practices with profound, global implications. The author devotes one of the chapters at the notion of fashion’s performativity in global politics. Andreas Behnke was initially influenced by the previous work of Judith Butler. In the book, performativity is considered as the construction of identity through the clothing of political leaders. According to the book, fashion plays a vital role in global politics as it sends a certain political message. It is assumed that the attention is usually drawn to global fashion corporations, in particular, supply chains that are also vital in global politics. Fashion clothing of politicians may be constrained or shaped by regulatory intervention and/or reflect social resistance, and for the contributors represent a site of political articulation and struggle. The author contributes to the new understanding and implications of the international politics of fashion. The book develops and builds introductory remarks and discusses what a broader meaning of international politics of fashion (IPF) might look like.

After the Trump’s election there has been a dramatic increase in the number of companies that started taking political stand against Trump’s policies. In order to have a clearer view why companies started to be so highly politicized, Maggie Clemenson (2017), in her article, titled “When and how should companies take a political stand?” provided reasons for the current trend for companies to be involved in politics.

The article suggests that political and social responsibilities of companies helped to further learning about political activism. According to political theories, companies possess a considerable influence over society. The author asserted that companies might enact change in the marketplace and therefore can enact change in political sphere too, due to the responsibility it has to the society. Maggie Clemenson assumes that companies might play a considerable role in political sphere when the citizen’s rights are being violated. Therefore, in places where the power of governments is weak, companies might be more powerful and influential in political and social life of citizens.

Overall, the preliminary literature review examines three main aspects of the topics. The books on Trump’s biography present an overview of the American President’s early life as well as personality. The studies on Trump’s policies describe his immigration and anti-globalist policies, as well as introducing the consequences of such politics. The final category indicates the studies on the relationship between fashion and politics, presenting a new overlook on the concepts.

Theoretical Framework: Rational choice theory and the analysis of interests among political actors

Recently, there has been a considerable increase in vocal political protests of US fashion companies against current policies of US administration (Schrobsdoff, 2017). Fashion companies are increasingly taking political stances through various means including advertising campaigns, open letters and new clothing design (Schrobsdoff, 2017; Chadwick and Zipp, 2018). Apparel companies such as Nike, Tommy Hilfiger and Adidas have been actively promoting resistance towards policies passed by US congress on trade and immigration (Chadwick and Zipp, 2018; Roth, 2018). In order to explain why fashion companies decided to manifest their protests against current US administration, I consider a theoretical framework that builds on rational choice

theory. According to rational choice theory, individuals as well as social institutions make choices in accordance with their preferences. The theory argues that decisions are made in order to maximize one's utility in terms of benefits and incentives. The theory tries to explain why individuals and institutions make certain decisions as well as what influences their choices. Rationality is considered to be most noticeable in bureaucratic forms of organization, in which "rules, means, ends, and matter-of-factness dominate its bearing" (Gerth and Mills, 1991, p. 235). From a rational point of view, decisions are made in order to achieve the most beneficial outcomes. However, the rational choice theory is not sufficient to explain the reasons and objectives of fashion companies' decision to be vocal on political issues. Therefore, this theoretical framework also includes the concept of interests. According to this notion, fashion companies as organizations or individuals pursue certain objectives due to their interests. Fashion companies as organizations have always integrated certain corporate values; however the promotion of diversity, equality and inclusivity have taken on a growing prominence in recent years. In order to explain why fashion companies are taking a political stance against current US legislations, I have decided to build the answer on several explanations and theories. Current active participation of US fashion companies in political protests against the legislations passed under Trump administration might be explained with the concept of principled ideas which consists of various factors. Vaubel (1986) describes the bureaucratic principles on the example of NGO's, which emphasizes that they choose one idea over another due to bureaucratic imperative to increase company's influence and prestige. The main assumption of bureaucratic explanation of company's behavior is extension of its bureaucracy and power. Therefore, the companies' decisions to pursue certain objectives might be explained as means for survival and growing influence of the company (Oestrich, 2007). Although, bureaucratic explanation of companies' behavior is valuable, it does not explain how companies adopt their ideas and interests (Oestrich, 2007). As Oestrich (2007) points out, these explanations do not comprehend why companies choose to promote certain ideas and choose one idea over another. The notion of principled ideas might be also implied in the case of fashion companies. In regards to fashion companies and the implementation of principled ideas, it appears that bureaucratic explanations are essential but not adequate (Oestrich, 2007). The idea of adoption of certain values such as diversity and equality seem to be removed from material wishes and incentives. However, there seems to be a link between achieving principled ideas and extending the company's influence. Bureaucratic explanations do not fully provide the reasons companies choose to take principled beliefs and how they achieve their principles. Therefore, according Oestrich (2007) there are several factors that seem to be widespread when companies pursue principled ideas. Firstly, there is a belief that a certain political stance of the company which is based on the principled ideas increases its effectiveness and improves its quality of work. Second common issue of principled ideas is a moral imperative of doing the right thing. Companies are taking political stance because they believe that it is morally right to do so. Employees within the companies who hold one view and try to spread their ideas are called "true believers" they band together and promote their ideas even in the face of resistance as they put novel ideas on the agenda. Therefore, fashion companies might endorse principled values of inclusivity, diversity and equality as they believe in ethical appropriateness of such ideas. This normative way of thought is also incorporated in theoretical framework.

Overall, increasing political participation of fashion companies might be explained by the theory of rational choice as well as the concept of interests based on principled beliefs and bureaucratic explanations. The idea of fashion companies pursuing only material benefits is not valid anymore, as companies are now manifesting political protests that might lead to negative economic consequences.

Theoretical limitations

The framework employed in this research, the analysis of rational choices and the interests of political actors, does not suffice to explain every aspect of this phenomena. There is a "known unknown", that relates to part of the motivations within every individual actor, or the groups that run fashion companies, as well as the people who work within the Trump administration, that cannot be fully explained by theory and documentary analysis. This "known unknown" is part of the decision-making process that is influenced by personal values,

ideas and beliefs of each actor and is almost certainly the most challenging to explain. This study limits itself to what the documentation, the public statements, the campaigns, and eventually the interviews will be able to attest.

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“Gendered Political Activism: from claims to actions, a comparison between Kazakhstan and Belarus”

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Abstract. Role of women in democratized arena play a vital role. Nevertheless, world communities are not ready to cope with gender discrimination at every level of society, such as inequality at the workplace, domestic violence, human trafficking. In view of this Kazakhstan is on its way of democratization and achieving an ambitious goal to enter the ranks of the top 30 most developed countries by reducing the gender gap. As of 2018, Kazakhstan was ranked 60 out of 149 countries on Global Index of Gender Gap. Whereas Belarus is positioned on 28 on the same report, which raised my interest in hosting a research to understand factors of socio-political success in dealing with inequality and remaining at the top positions in economic participation and political empowerment of women in comparison to Kazakhstan. This study aims to contribute to this growing area of research by exploring stages of development in different types of political activism: state-run organizations, NGO's, private organizations and activist groups, which guard an interests in domestic violence, mothers with many children, civic engagement of women in Kazakhstan and Belarus.

Key words: *gender, Kazakhstan, Belarus, political activism, women empowerment, equality*

Introduction: Historically women have by large been excluded from traditional political activity and discouraged from defining their activities as political. It has been more exclusively limited to men. Women were rendered invisible: “they are absent from the analysis of the labour market on the one hand, and their domestic work and its exploitation is taken as given on the other” (Delphy, 1984). The role of women in socio-political arena in world politics, nowadays, has been much developed in the last five decades, but women's representation in politics is still questionable. The existing economic, social, political, and cultural attributes and opportunities associated with being women and men refer to the concept of gender (Johns Hopkins University Affiliate, 2016). Here in the research I am focusing on women and their activist campaigns, demonstrations and organisations, they work in, that aim to bring socio-political changes in public.

As evidenced by various sociological surveys, the situation of gendered political activism in Kazakhstan is at the minimal level. Political activism is practically excluded from our daily lives, on the other hand the tendency of social activism is rising by raising up the questions of household, poor welfare system, security and other daily-lives matters of citizens. The co-founder of the Kazakhstan feminist initiative group “Feminita” Zhanar Sekerbayeva believes that gendered political activism has a “female manifestation, because women are more acutely aware of social injustice and are ready to respond to it” (Muminov, 2019) . Women act, trying to have a dialogue with the state authorities to address sensitive questions of civil society, but their confidence in laws, justice of the government decreases due to unresponsiveness and ignorance of the state. Zhanar Sekerbayeva's citations prove this very well: “I do not agree with the fact that women are more loyal than men on protests. On the contrary, feminists are persecuted by the police and they are constantly threatened.” (Muminov, 2019)

This study aims to contribute to the growing area of research by exploring stages of development in different types of political activism, particularly in NGO's and activist groups and individuals in social media (women bloggers and influencers), which guard a civic engagement of women in Almaty and Minsk. A comparative

case of Belarus to Kazakhstan is being undertaken to determine factors of socio-political success in dealing with inequality and remaining at the top positions in economic participation and political empowerment of women in comparison to Kazakhstan (Almaty) during the post-soviet years. Belarus is positioned 28th on Global Index of Gender Gap in 2018, whereas Kazakhstan was ranked 60 out of 149 countries in the same report. As Kazakhstan is on its way of democratization and achieving an ambitious goal to enter the ranks of the top 30 most developed countries, one of its main goals to accomplish is to reduce the gender gap, which proves the importance and significance of the research topic of women's activism in socio-political life of the country.

The following research questions will be used to guide this study:

Key question: What are the factors that explain the differences in gendered political activities in Kazakhstan and Belarus since 1991?

Sub-questions: What are the differences in gendered political agenda evolution in Kazakhstan and Belarus? What are the changes in agenda and activities of gendered organizations in Kazakhstan and Belarus?

Methodology: Main approaches used in the research are qualitative and quantitative. It was essential to clearly define the field of the research work to set the boundary in order to provide an in-depth exploration of a particular activist culture. For this reason, this research is mainly focused on women's activist groups, women NGOs and women in civil society in Almaty and Minsk. There were several campaigns of women with children protest against the government, peace marches to raise awareness of domestic violence, women trafficking, women's rights, protest against civil society issues, such as rise of costs for wholefood, land reforms and etc. in Almaty since 1991-2019, that were forcibly disposed by police representatives. To produce rich, in-depth data of activist experiences in Almaty, I utilized a combination of semi-structured interviews and secondary sources for the surveys conducted. Required primary data were collected through conducting semi-structured interviews with 5 women activist representatives of NGOs in Almaty: UN Women in Central Asia, local activist groups: NeMolchi - Dina Smailova, Feminita - Zhanar Sekerbayeva, women associations: League of women of creative initiative - Aliya Khairullina, Program "Human Rights" of Almaty branch of Soros-Kazakhstan Fund - Aizhan Oshakbayeva. Social media is increasingly becoming more influential among the society at the present time, thus I lead 10 interviews with activist women in social media: Facebook and Instagram, as those are the most popular and commonly used media platforms. This helped me to form the image of the current situation of activism in Almaty. All above-mentioned organisations and groups are focusing on various women problems, such as sexual harassment, discrimination, domestic violence, raising the minimum work age, low salary, right to maternity leave, mothers with many children, that needs attention of the society and the government. For the comparative case of Belarus, mainly secondary sources were scrutinized. Additionally, I conducted Skype interviews with representatives of women NGOs and activist women in social media in Minsk. My task was to investigate and define the main, mostly known women organisations in Belarus, using various reports and policies, in order to define women activities, their agenda. At the end of the research I was to answer my main research question, which is to define factors that explain the differences of gendered political activities in Kazakhstan and Belarus, which helped me to form a conclusion about the reasons for women's political low engagement. I believe that women's active participation in political life of the state can actually balance gender equality in civil society of Kazakhstan.

Literature Review: In order to conceptualise the notion of "political activism", one of the primary sources used was a book by Pippa Norris "*Democratic Phoenix: Reinventing Political Activism*". This book compares systematic evidence for electoral turnout, party membership, and civic activism in countries around the world and suggests good reasons to question assumptions of decline. "Demonstrations, signing petitions and consumer boycotts have become far more common since the mid-1970's in USA and Western Europe" (Norris,

2002). Chapters in this book demonstrate that increase in human capital (literacy, education and wealth) are strongly related to many dimensions of citizen activism. "It shapes the impact of social structure and cultural attitudes on civic engagement" (Norris, 2002). Mainly the author focuses on the decline and fall of political participation, reasons of changes in type of society, state and region in postwar era from 1945-2000 in postindustrial societies. The interesting finding in this work was that political systems offer citizens widely different structures of opportunity to become engaged in their own governance. "In pluralist societies such as the United States, for example, voluntary organizations, professional associations, and community groups commonly mobilize people into politics, with the church playing a particularly important role. In Western Europe, by contrast, mass-branch party organizations often play a stronger role. And in many developing societies, such as the Philippines and South Africa, grassroots social movements draw people into protest politics and direct action strategies. In short, patterns of activism in both Western Europe and the United States may prove atypical of the range of transnational and consolidating democracies in Latin America, Central and Eastern Europe, Asia and sub-Saharan Africa" (Norris, 2002, p. 10).

Another primary source that I used to define political activism was an article by Martin "*Activism, social and political*". Martin noted that "activism has been present throughout history, in every sort of political system. Activists are typically challengers to policies and practices, trying to achieve a social goal, not to obtain power themselves" (Martin, 2007). Similarly to Norris (2002), Martin (2007) concludes that "there are many varieties of activism, from face-to-face conversations to massive protests, from principled behavior to the unscrupulous, from polite requests to objectionable interference, and from peaceful protests to violent attacks." According to scholars the most common image of activism is a public protest, such as a rally, march, or public meeting.

Another scholar Gene Sharp in his book "*The Politics of Nonviolent Action*" suggests descriptive and historical examples of each out of 198 "nonviolent weapons" of activism, classified into three broad categories:

1. nonviolent protest and persuasion (speeches, picketing and marches),
2. social, economic and political noncooperation (wide variety of strikes),
3. non-violent intervention (sit-ins, nonviolent, setting up alternative economic and political institutions).

Unfortunately, Martin notes that activism, despite its historical importance and struggles every day, has received little attention from scholars.

To better understand the women's activism in Kazakhstan, I have taken articles by Khassanova (2000) and Shakirova (2008). These scholars have written various publications on women in democratic institutions in Kazakhstan. One of Khassanova's publications introduces the first domestic complex research of gender factor in representative power structures of RK, she overlooks at the reasons of low women's political representation. Khassanova has formulated women's movement in Kazakhstan developed in 3 stages:

1. Preparatory stage (1991-1995) is "characterised by the primary institutional formation of women's movement in Kazakhstan, fragmentary activity of women's NGO oriented at tackling social and economic problems in the first place, at business and protection of interests of family and children (Republican Council of Women, Union of Women of Kazakhstan, Feminist League of Almaty, "Zhanar" – foundation aimed to support women-entrepreneurs, "Taukemet-Misery" - Republican Association of Disabled Women With Dependent Children, a Union of Soldier's and Sailor's Mothers, League of Muslim Women, Association of Mothers With Many Children and etc.)" (Khassanova, 2000)

2. Second stage (1995-1998), is "the time of real development of women's movement in Kazakhstan. In the space of a three-year period the number of women's NGOs in the Republic has increased by threefold. The beginning of this stage in our view was linked with the IV World Conference on Women in Beijing that took place in September 1995. It is since that time that strategy and priorities of the Government policy in relation to women started being developed. That very year the Council on Family, Women and Demographic Policy was set up. Despite certain achievements in this field women's issues were related to the problems of family,

childhood, youth and demography. The goals of democratic civil society and legal state eliminated traditional approaches (quota mechanisms in election bodies) to participation and involvement of women into the country social-political life. Leaders of women's NGO come to recognise that expression of social-political interests must be the responsibility of women themselves." (Khassanova, 2000)

3. Third stage (started in 1998 and is still going on), is "the period when on the one hand formation and implementation of the state policy in relation to women has got its further deepening alongside with the creation of motivation for women's political participation. On the other hand there was the dynamic development of women's NGOs, their political activity and institutional formation of women's political parties." (Khassanova, 2000)

Another scholar Shakirova identifies the women's movement in Kazakhstan as a non-feminist subject in her analysis. "Moreover, represented by urban educated middle class women it is often met with suspicions of male journalistic community. They question the legitimacy of the movement on behalf of a homogeneous community of women as if such a situation was possible in principle. In the media and in the public space, feminism continues to be associated primarily with radical feminism. Women's problems are shown mainly in the context of scarcity, deprivation, vulnerability. Feminism and women's movement are evaluated as a negative problem. The logical circle closes: feminism appeals to crucial areas of life. The vulnerable population is an object of social policy and justice, an issue that is difficult to deal with and is not consistent with the logic of competition and personal achievements. Women's movement should bracket economic success and social acceptance. Hence, feminist means marginal. Women who are successful in business, politics and the arts are not feminists by definition." (Shakirova, 2008).

"Post-Soviet women's activism in Belarus, which was formed mainly in large cities and with the support of international organizations, focused on the themes of violence, including sexual violence against women, trafficking, harassment, etc. This allowed introducing liberal ideas into public discussions, demanding reforms, equal opportunities, following international conventions, opening shelters and hotlines" (Gapova, 2005). Elena Gapova claims that civic organizations rarely define themselves as feminist, as some of them pursue feminist goals and engage in pro-women activism. She identified following women organisations in Belarus:

- Women's Independent Democratic Movement (which took over from the Belarusian Women's Christian-democratic movement) - organises workshops in women's rights and feminism, helps women's groups with social contacts, and supports entrepreneurship.
- Cooperation of Belarusian Association of Young Christian Women with La Strada-Belarus - aimed at stopping trafficking of women and children.
- Adliga: Women for Full Citizenship - support of women-leaders and curtailing militia (police) violence against politically active women.

The main challenge faced by Belarusian feminists is to find the wording, the goals and the forms of social activism which would be meaningful to the whole society, according to Gapova. The internet portal devoted to civil society sector ngo.by lists 42 women's NGO's. This list includes local branches of some organisations in the regions – hence their number is greater than shown by official statistics. The analysis of this database shows that the 'women's movement' is mainly present in Minsk and to a lesser degree in the regions. Many women's NGOs publicly distance themselves from being identified as feminist organisations, they treat narrowly the notion of gender equality as the equality between a man and a woman without doubting those categories (Schurko, 2000-2015).

A scholar Lapa concludes that there is enough problems in the Belarusian women's movement and internal disagreements that hinder its development. Those are the main struggles of women's movements in Belarus: the persistence of traditional gender stereotypes in society, tough competition for receiving grants, political passivity of women, low representation of women in government, scattering activities of women's NGOs on various issues - the exclusion of women from leadership and politicians, violence against women, the spread

of sexism, female unemployment and poverty, environmental problems, ambitious leaders of women's NGOs, limited access to the media information (Lapa, 2018).

Conclusion: Significant problems that stand behind accomplishment of those goals are domestic and hidden discrimination. Domestic discrimination is characterised by our cultural expectations about women, who is expected to take care of household issues and family members, as well as children. Hidden discrimination restricts and discriminates women's rights and freedom at admission to work, progress in career and mansplation on the basis of sex. Women and men shouldn't be differentiated on the basis of sex, but should be considered as individuals, human resource, possessed to have a potential in political, economic and socio-cultural life of Kazakhstan. As I am comparing gendered political activism in Kazakhstan with its situation in Belarus, I had to understand the current political agenda of Belarus. The norms of the Belarusian legislation are generally gender neutral, they do not contain discriminatory provisions against women and their labor rights.

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“E-government and its Implications for Effective Public Service Delivery in Kazakhstan”

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Abstract. In recent years, the development of information and communication technologies (ICTs) has become one of the main discourses of public policy innovation in almost every country. With the digital revolution seeping across everywhere, many countries worldwide take advantage of e-government. To a large extent, this happens because governments started to re-imagine public service delivery from the point of view of service users, as it is much more convenient, it minimizes wait times, as well as reduce bureaucracy and corruption. On top of that, the continuous development of the information technologies along the years has naturally enabled societies to transform physical interactions between the government and citizens into digital framework. In this sense, re-designing the traditional mechanism of delivering public services was inevitable in Kazakhstan too.

Introduction. In December 2012, in the annual state of the nation address, the President of Kazakhstan Mr. Nursultan Nazarbayev announced the Kazakhstan 2050 Strategy. This strategic document calls for comprehensive economic, social and political reforms to position Kazakhstan among the top 30 developed countries and to join the Organization for Economic Co-operation and Development (OECD) by 2050. In this regard, among one of the key priorities of this strategy was mentioned re-designing and re-shaping the professional public apparatus, which should have aspired to "serve the people and the state above all" (Nazarbayev, 2012).

Even though Kazakhstan is obviously one of the most developed countries of the Central Asian region due to its relatively stable political and economic situation, yet it had faced certain amount of challenges in incorporating e-government initiatives into existing public sector. Those challenges stem from such factors as overall design of public sector culture, including existence or absence of a political will, digital divide due to big territory and relatively low computer literacy among rural area populations. The fact that many communities are separated by great distances, and the population density is so low, add certain obstacles too (Bhuiyan, 2010).

Starting from 2006, when the e-government system started to being actively developed, Kazakhstani government had put a lot of emphasis on ICTs development, viewing it as a panacea for the corrupt system and large-scale bureaucracy at all levels of public sector. However, one can now easily notice that little has changed from that time and those high expectations have not been completely met. However, considerable progress has been achieved too – for instance, nowadays Kazakhstani citizens can obtain over 570 services through e-government system. On the egov portal, over 2.6 million users have been registered, which amounts to almost 30% of Kazakhstan's economically active population. Annually, the portal is accessed 47 thousand times in average (Kassen, 2010).

The Kazakhstani government seems to perceive ICT development more as setting and administering the regulatory framework, while in reality it should more focused on incorporating ICT into a daily routine work and communication scheme with citizens and businesses. It is necessary to investigate this problem, to study how far is the Kazakhstani rural citizens benefit from government's goal of “making the government information available to the public. There might be a need of additional strategies to enhance the e-government services more effectively.

One of the biggest challenges of the Kazakhstani e-government system is the digital divide in terms of income, services and infrastructure between rural and urban areas, which in turn leads to the low computer literacy level of the rural population. Besides that, there are disparities in the quality of distribution of basic services such as electricity. In mainly rural areas there are frequent power cuts. Therefore, e-government operation requires strong technological infrastructure which is still underdeveloped in Kazakhstan due to its vastness and geographical structure. In addition, like in many other developing countries e-government programs in Kazakhstan suffer from the lack of quality human resources. To overcome this challenge, the government is providing training and education to develop professionals in the ICT field.

Among other obstacles faced by Kazakhstani government while implementing e-government initiatives, one cannot avoid mentioning the privatization of institutions providing communication services. This is a general problem existing in transition countries. Thus, Kazakhstan has already started privatizing key service provider - National Operator. It needs to sell half (49%) of shares to foreign telecom provider in order to increase competitiveness and quality of communication market. Kazakhstan should further expand private sector, enforce competitiveness, and create environment for entering of another national operator by opening up segments of communication market (Janenova, 2009).

Today's Kazakhstani society witnesses drastic developments in the government policy direction towards promoting information and communication technologies and adjusting them to the process of public services delivery. The objective of this study is then to analyze e-government policies carried out in Kazakhstan in complex through an in-depth research of the current and prospective practices used in e-government development in Kazakhstan, its main challenges and opportunities, legal framework and public regulation.

Literature review. When it comes to e-government, there is no single, generally-accepted definition, however one of the most usable definitions is provided by the World Bank: “E-government refers to the use by government agencies of information technologies like wide area network, the internet and mobile computing that have the ability to transform relations with citizens, businesses, and other arms of government” (World Bank, 2002).

If early attempts to conceptualize e-government have largely focused on electronic service delivery as its core element – a closer look suggests to have the more complex set of factors to this phenomenon. E-government is obviously more than a mere technological tool or an ICT application – it has rather transformative effect to the management of human, technological, and organizational resources and processes (Grant and Chau, 2006). It envisages transformation of the entire public administration framework by convenient, transparent and effective management of inputs, processes, and outputs of public administration organization, thus covering a broader set of institutional reforms (Kraemer, Kenneth and King, John Leslie, 2008) such as increased efficiency in government-citizen interactions, decentralization of services and administration; increased accountability and improved resource management. The three main target groups that can be distinguished in governance concepts are government, citizens and businesses. Lee and Tan (2005) suggest that different patterns (asymmetric and symmetric) of development exist, depending on the particular economic and administrative situation of the nations in question. In some nations e-government development has a market and efficiencies emphasis (OMB, 2009). In others, increasing citizen awareness and access to services are given priority. In this regard,

Kazakhstan, especially in the early stage of public administration reforms, has been experiencing quite one-sided ICT development effect, addressing development of e-commerce after gaining independence and this was largely associated with necessary interactions with foreign investors in oil and gas sector. However, since adoption in 2013 of the State program “Information Kazakhstan-2020” the country started diversifying the e-government dimensions and established the clear vision on Kazakhstan’s transition to the information society. A lot of work has been done to bring regulatory framework into right shape: amendments and changes to Kazakhstan’s information laws have been successfully passed. Besides, special departments within Communication and Information Agency have been created at municipal and republican levels. They are in charge of monitoring current situation of and process of enacting goals set in programs and action plans.

When analyzing the key program documents for e-government reforms in both countries, it should be noted that Kazakhstan developed a complex approach by taking into account various components of the reform, including the general role of ICTs. Probably the first official statement in which e-government phenomenon was mentioned was a Presidential Address to the Nation 1997, most commonly known for the announcement of a new strategy “Kazakhstan – 2030: Prosperity, security and the improvement of well-being of all Kazakhstanis” In his speech President Nazarbayev declared modernization of the state apparatus as a strategic objective. The proposed reform agenda was structured around rather traditional at that time managerial values and views on public administration (Peters, 2001) which among others included shrinking government, deregulation, enhanced horizontal (inter-departmental cooperation, performance-based budgeting, merit-based human resources management, as well as, rather traditional for transition countries, anticorruption measures (Kassymova et al., 2008: 160). However, the real progress in the reform implementation began in 2004, when, after careful study of success stories of Singapore and Estonia, the Kazakhstani leadership introduced an e-government modernization initiative (Kassen, 2010), thus becoming “the first pioneer country in the CIS region” (Janenova, 2010).

Thanks to the integral and gradual approach in adopting e-government initiatives, Kazakhstan had demonstrated a huge progress by advancing its positions in the UN Global E-government Development Index (EGDI) by 42 positions from the 81st in 2008 to the 39th place in 2018 with the composite high-EGDI index of 0.7250. This index is usually comprised of human capital index, telecommunication infrastructure index and online services index. We assume that despite of the relatively weak ICT infrastructure, Kazakhstan was able to obtain such high positions thanks to the e-government portal (online services index) launched in 2006, as the portal gained certain amount of popularity among Kazakhstani citizens. Currently, over 900 services are being rendered via the e-gov infrastructure in the country. More than 5.3 million persons or 50% of economically-active population country-wide use the Portal with the total of 130 million e-services having been delivered by this time (Report on Key Indicators of ICT Development in Kazakhstan, 2010).

During the implementation of envisaged public administration reforms, Kazakhstan consulted the best experience of the most advanced countries in this field. The entire reform process was divided into four stages. The first, informational stage was scheduled to be implemented between 2004 and 2006. Measures to establish proper ICT infrastructure of the government, which included the state e-portal, the national system of identification of citizens and business enterprises, and the system of financial transactions. The first stage also included measures to improve interdepartmental coordination in order for the e-government to be able to provide quality and timely services to stakeholders. Therefore, in two years the country was expected to ensure the state Internet presence and move further to the next - interactive stage. The second stage of the reform was scheduled for 2007-2009 and included measures of “reengineering” of administrative processes and further complex development of the e-government components. It was expected that advanced integration of public (administrative) and private (financial) institutions through the so-called “payment gateways” would result in the transition of the e-government architecture to the next transactional stage (2010-2011).

Generally, e-government concept largely varies in both scope and form in each given case around the world, but one thing is unquestionable – up to now it remains the best mean of providing public services online. Often many people think that the very term ‘One Stop Shop’ is solely related to online delivery of public services through e-government portal, while one should not forget other types of open source software too, such as for example, citizen service centres, information services, single window services, and others. While world’s developed countries handles more classic e-government system by putting all public services online (which is quite easy considering its small population), in Kazakhstan it takes a form of a combination of various citizen-state interactions, being largely dominated by physical centres. As some studies suggest, negative factors such as the disparity of the population across the country, low level of computer literacy and limited Internet access, customer service through physical Customer Service Centers rather than online service delivery still remains the most popular access point to the public services among the population, especially this is true for rural inhabitants, elderly people and vulnerable social groups (Janenova, 2009a, 2009b). In line with the national e-government modernization agenda, Citizen Service Centers were established across the country to facilitate government service delivery and seamless interaction to citizens. When taken in the context of public services, these offices are acting as intermediaries; they also help increase accessibility of e-services, by offering more points of availability of services for the public. Secondly, the use of a CSC supports the training and education needs of citizens by facilitating the assisted use of technology; this enables the gradual transition of citizens to ‘self-using’ new technology (Griffin D., 2004). Furthermore, it can be technology-driven and is scalable, as public adoption rates are supposed to increase step by step. This way Kazakhstan is making steps forward to electronic age, bridging digital divide and encouraging its citizens to participate and use e-services (Griffin D, and Halpin E., 2004).

Talking about accessibility, it is possible to consider two sides of it: social inclusion and geographical inclusion. If the latter one strives to establish ways for ICTs to reach remote rural areas, – social inclusion ensures engagement of older population to get the idea of new technologies and get their input or offering door-to-door service for disabled. That is why it is crucial to organise front-office reforms effectively using change management tools and redesigning services to make them more user-friendly.

Besides the population size, we assume that there are a few other factors that determine the format of the government-citizen interaction in this regard. One of them is based on the assumption that both government staff and the general population tend to resist to change and innovation. In a wider context the resistance to innovation changes can be reinterpreted as a defense mechanism against the possible chaotic consequences of disruptions in the structure of a traditional society (Linders, 2012). Social or behavioural reasons that might influence citizens not to choose to access and use e-services have been ignored. However, Jaeger and Thompson (2004) went further on this issue and demonstrates that e-government should be carefully examined at both the theoretical level and practical level. They discuss aspects of social behaviour which may offer means for greater understanding of the usage of e-government information and services and they believe that the concepts of normative behaviour and information poverty can be applied to research that has been conducted and could serve as a framework for future studies in the field. An organizational culture plays a significant role in innovation changes. In innovation settings the culture is represented by the social and cognitive environment, shared views of reality, collective belief and value system reflected in the consistent behavioral patterns of the participants of the innovation process. According to Stowers and Genie (2004), success in delivering electronic services depends upon the capability and self-confidence of citizens in performing e-transactions, as well as their trust and confidence in the protection of their personal data within an open and accountable government.

Moreover, e-government means transparency in delivering public services and it makes carrying out fraud difficult. It is clear that in low-income and developing countries, corrupt government officials make extra money from bribes, that is why most likely that these people will resist and possibly sabotage attempts to put

in e-government systems. While having the system in place may reduce the likelihood of corruption, there are other mechanisms that corrupt officials would use to elicit bribes from citizens. E-government shouldn't be thought of as the "silver bullet" that will eradicate corruption, however it would make carrying out corrupt activities more difficult.

Generally, the overall research and practice of e-government has until recently been mainly focused on supply-side factors, i.e. on the governments and service providers. However, current interest is largely shifting towards the demand-side, i.e. the individual citizen. This is why the user-related issues such as access to ICTs, usability of technologies and user willingness to use it come to the first place. However, few studies have investigated the primary factors that influence citizens' acceptance of e-services. This is a crucial issue, because the success and adoption of e-government initiatives are dependent on people's willingness to adopt and utilise these services. Higher levels of perceived ease of use are not significantly associated with intentions of increased use of e-services. Carter and Bélanger (2004) have tried to explore this gap and have investigated the effects of relative advantage, compatibility, ease of use and image with regards to the citizens intention to use e-services. Their results show that perceived ease of use, compatibility, and trustworthiness are significant predictors of population's intention to use e-services and that perceived reactive advantage, perceived image, perceived compatibility, perceived usefulness, and relative advantage are significant elements of e-government adoption. Carter and Bélanger (2004) have also developed another model of citizen adoption of e-services. Since the success and acceptance of e-government initiatives are dependent on citizens' willingness to utilise the public services, there should be more research into this factor; e.g., more elaborate models and methods should be developed. There is also a need to identify and explain the advantages of using e-services to citizens as opposed to their current means of retrieving information from and completing transactions with government agencies.

With reference to the lack of e-government usage, the main emphasis also concerns the level of access to ICTs which can represent another challenge in the term of the 'digital divide'. This includes aspects such as an economic gap, a generational gap, a geographic gap, and a disability gap, which have all been considered as reasons for citizens not using e-government information and services. Promoting e-services that are accessible to various segments of the population such as the poor, illiterate and elderly (even if affluent) is of crucial importance.

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“Relations between China and Kazakhstan in the oil sector between 2014 and 2018”

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Abstract. In my proposal I will discuss the relations between Kazakhstan and China from both a political and economic point of view in the oil sector. I will base my research on the following concepts: “Demand of Oil”, “Policies of Demand” and “Consolidation of Power”. The dependent variable is “Acquisition of Power”. This concept is strictly connected the idea of power. The independent variable is “Demand of Energy”. By analyzing relations between these variables I will answer the following: “Can a country consolidate its power position from a situation of need and lack of resources?”.

Introduction. Conceptual Framework and statement of the research question. One of the most famous definitions of power is given by John Mearsheimer who defines power “the currency of great-power politics, and states compete for it among themselves” (Mearsheimer, 2012, p. 12). From a sociological point of view another crucial definition of power is given by Max Weber, who defines power as “the probability that one actor within a social relationship will be in a position to carry out his own will” (Weber, cited in Heiskala, 2001, p.2). In my prospectus, the dependent variable considers the political aspect of Mearsheimer and it linked with that idea of power given by Keohane and Nye that mean it as “term of control over outcomes” (Keohane and Nye, 1989, p. 11). The two authors relate the concept of power with the idea of “Interdependence”,

according to which two or more countries gain from a “state of mutual dependence” (Keohane and Nye, 1989, p. 8). Even if apparently this is a win-win game, the “Interdependence” does not always lead to a mutual economic advantage (Keohane and Nye, 1989). To sum up, the proper definition for my variable would be the growth of the control over economic outcomes. In my dissertation, I will explain that China will take the political control of the Kazakh outcome in this sector despite a favorable situation in term of economic collaboration for both the states.

The independent variable is “Demand of Energy”. Demand can be defined as the share of energy consumption of a country not covered by internal production. It is also defined as “the need for [energy in those] countries with limited reserve” (Bridge and Le Billon, 2013, p. 17), or “for consumer countries [...] a question of gaining sufficient and uninterrupted supplies of energy” (Sengupta and Chatterjee edited by, 2010, p. 248). For China this topic is essential: the country has a model of energy driven economic growth and its annual economic growth rate is one of the highest in the world (Sengupta and Chatterjee edited by, 2010, p. 249), it means that in the future it will need “to raise the level of [energetic] imports and to diversify them” (Andrew-Speed and Dannreuther, 2011, p. 67).

The third variable is “Policies of Demand”. It is an intervening variable. It is defined as “the tools that importing countries may pursue in order to strength economic and political interests against an exporting country” (Grigas, 2017, p. 17). In the case, the main instruments used by China are oil firms - controlled by Chinese government (Andrews-Speed, 2011, p. 3)- and policies to manage them.

The kind of contribution I want to give to this field is to analyze a topic in expansion. The Chinese foreign policy has both political and economic aspects that need to be studied because of their long-term implications (Andrew-Speed and Dannreuther, 2011, p. 3). Moreover, by analyzing how China interacts with Kazakhstan in a field so important for its economy, I will touch also the relations between China and other super powers with past, present and future interests in Central Asia -like Russia, USA and Iran. Ergo is an optimal example also to understand the way China act in its foreign policy.

The question to be asked in my dissertation is the following: “Can a country consolidate its power position from a situation of need and lack of resources?”. My answer corresponds to the hypothesis: a country can use a situation of economic need to strength is power on the export country through the application of related and aimed policies.

The theoretical background for this prospectus is the Hegemonic Stability Theory (HST), an approach theorized in the 70s based on the experience of the US as world power after the Second World War but never applied in a regional context to China, considered by many scholars and analysts as the next economic and political superpower. As I explained above, this theory is based on the idea that two countries create a situation of interdependence that can create a situation, both either political or economic, favorable for them. The main scholar I will base my work on is Robert Gilpin.

His theory belongs to the neorealist paradigm and he emphasizes the role of the state in International Relations (Gilpin, 2001, p. 17). But at the same time, he also emphasizes like two countries can have political and economic gains from a situation of interdependence. It is important to say that despite the interdependence could lead to the creation of international organizations, “the policies of states are still defined by the governing elites” (Gilpin, 1897, p. 18). This phrase is essential to understand why I will consider as intervening variable “policies of demands” and not geopolitical or contingencies factors: the role of the Chinese government in my case is to be considered. Thus, the diagram of my causal relation is extremely simple:

Demand of energy === Policies of Demand==> Acquisition of Power

Research Design. As I anticipated, I will study the relations of Kazakhstan and China in the oil sector. The oil exchange between this to countries is the best set of conditions to study my hypothesis. Central Asia has always had a strong Russian influence, but in the last years Russia has been focused more on Europe that Central Asia leaving China enough free to penetrate this sector of Kazakh economy; in this case both China and Russia saw this penetration a way to keep the US away from the region (Andrew-Speed, 2011, p. 124). Given these conditions, the best option for my research design is the single-case study, or process-tracing methods, also because I will be using both qualitative and quantitative data (Gerring and Thomas, 2005, p. 13).

Interpretative case study is the template that fits the most for my dissertation. The Hegemonic Stability Theory is one of the most important about the economic relations among countries. And its models were not applied to a new topic event the relations between China and Kazakhstan. In my dissertation, the interpretative case study template will help me to define the dependent variable a way to gain power and to demonstrate that the interdependence between two nations has drawbacks for one of them. This dissertation will be factor oriented because it will more focused on explain the reasons that bring to the growth of Chinese political power in Central Asia and to the growth of influence on Kazakhstan.

Data Sources and Methods. I will use different sources of data for each variable, according to their level on precision. The independent variable “Demand of oil”, will be measured with economic data about the level of exchange between Kazakhstan and China and it is classified as a numerical level of precision. The kinds of data I will need are those relate to the annual data (from 2014 until 2019) of import and export in the oil sector. These data are available in many websites and sectorial journals. The best source to start with are the data published by international organization in the energy sector like the International Energy Agency (IEA) that every year publishes an outlook, the World Energy Outlook (WEO), about the trends and projections in the energy field; the JODI Oil World Database, an energy index to which contributes many international organizations like IEA, the Shanghai Cooperation Organization (SCO) and the Organization of the Petroleum Exporting Countries (OPEC). Other useful sources would be the official data of the Chinese and Kazakh governments, but in that case there are some difficulties due to fact that the most important instruments in these two countries to manage the oil sector are not the governments themselves, but the agencies controlled by them, like in the case of the China National Offshore Oil Corporation (CNOOC) every year publish a report about their data and projects. For this variable I will simply compare the data gathered from my sources in order to understand how the exchange of oil has been modifying over the last few years and how it will be change in the next.

In the case of the supplementary variable, “Policies of Demand”, the level of precision is categorical. This variable might also have an ordinal level of precision, but in measurement I will elaborate the policies followed by the CNOOP in its projects, whose shares are mainly held by the Chinese government, that in my opinion does not have a fixed range of policies to be applied in all the regions the CNOOP invests or projects in. The analysis of this variable will be based on different sources: the reports by the companies participating in the oil projects and consortium in Kazakhstan, newspaper articles and interviews on the field with personalities directly involved in these projects due the fact that I will be probably be in Almaty next semester.

The third variable, as explained in the first section of this proposal, is linked with the idea of power. In case I will measure the variable “Acquisition of Power” is measured in a numerical way. It might be argued that the best level of precision for this variable is dichotomy, because if a state does not have power either it gains it or remains to the status quo. But in my case, I consider the term “Acquisition” in term of “Growth” because a country does not gain power in all the contexts it acts and in the same proportion. Thus the “Acquisition of Power” has different values and shades. I will create a numerical scale from 0 to 10, where 0 means no power gained -the status quo of a country against another has not changed- and 10 means the total control of a state over other countries’ economic outputs. In order to create this scale, I will count the number

of projects in the oil sector in Kazakhstan in which Chinese companies, especially CNOOC, have shares; I will consider how many shares the Chinese companies control of each single project and against which national companies and states are in a more favorable situation -it means which countries have less control than Chinese companies on that project- and I will relate what is the oil production of every project in comparison with the Kazakh total amount of oil product in one year, measured in barrels. The sources I will use are also in this case reports and newspaper articles, but in this case I will also consider academic articles. The reason is very simple: having not found any kind of dataset that can help me in relating all the aspects I have listed above, I must create my own dataset in order to have a tool I can consider reliable.

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“To what extent engagement of Uzbekistan with China and Russia contributes to structural economic transformation”.

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Abstract. The scope of this paper is concentrated on studying the contributions of external actors in the structural economic transition of Uzbekistan. To be more specific, it studies the contribution of Russia and China in the structural transformation of Uzbekistan’s economy.

Problem statement and objectives. In the early 1990s, the bulk of states acquired their independence from Soviet Union. Since then the destiny of newly formed states has been interesting to many economists and politicians (Wayne Nafziger, 2006). What path did they have chosen to pursue their economic transition policies and political position in international arena? Uzbekistan is the most populated state in Central Asia. As all newly independent states in Central Asia, Uzbekistan has faced range of challenges in attempt of

achieving economic growth and development. After the decades being under the administration of Soviet Union, the country inherited multiple features of Moscow in the way of managing political, economic, cultural and religious aspects. Moreover, sudden dissolution of Soviet Union led Uzbekistan to seek for economic independence from the previous center and required structural transition from the planned economy.

Significance of the issue and literature review

The core rationale behind selecting this topic is the fact there is a rather limited works in the specific research area, which looks at the role of Russia and China in structural transformation of Uzbekistan's economy. There have been works that have studied the economy of Uzbekistan, but majority of them study the country in the context of Central Asian regions (mainly compared to other four Central Asian states) ((Mariani, (2013); Kohli, (2018); Paramonov, (2004); Olcott, (1992); Spechler; (2012)). Similarly, relations with Russia and China are mainly studied within the context of Central Asian regions. Very few available up-to-date works have been specifically studying Uzbekistan's economic relations with Russia and China and their role on economic performance ((Kakharov, (2004); Koparkar, (2017); Madiyev, (2017); Paramonov, (2014); Yusufu, (2017); Ögütçü,(2017)). No study has been found that is aimed at evaluating the economic contribution of Russia and China to the economy of Uzbekistan in recent years.

Another reason of choosing this topic is to study more about the factors that hinder structural economic transition of Uzbekistan and explore whether the external actors really can play a role in the economic growth, in this case, whether two countries economic activity in Uzbekistan can help to bring structural transformation.

The reason why I have selected particularly China and Russia is that both countries have historical ties with Uzbekistan, and they are the closest powerful economic neighbors in Eurasian continent. Once being under Soviet system, Russia and Uzbekistan share range of common features, while China had even earlier ties with Uzbekistan, once connected by ancient trade road – the Great Silk Road (Oybek Madiyev, 2016; Vladimir Paromanov, 2014). Even though the relations of Uzbekistan with these two countries have gone through changes, the economic cooperation have not ceased. Moreover, during domestic social instabilities in mid-2000s, these two countries were not very critical of Uzbekistan, which strengthened their collaboration. Since then the multilateral ties of Uzbekistan with Russia and China has been growing (Economic Intelligence Unit, country report, 2000-2006). For the last 10 years they have become main trade partners and biggest investors in the Uzbekistan's market. Previously Russia was the main partner, in the main industrial sector of Uzbekistan, whereas China have taken over leading position for the last several years. Moreover, the investment inflows structure highly differ between two countries, giving China higher advantage than to Russia. Because Chinese investment are spread across different sectors (Madiyev, 2017; Rashmini Koparkar, 2018)

The aim of this paper is to answer the research question *'To what extend do inputs of Russia and China contribute to the structural economic transformation of Uzbekistan's economy?'*

For us to be able to track the contributions of China and Russia into Uzbekistan's economy, three measures have been selected, they are:

Foreign direct investments

Trade

Remittances

To conduct such analysis thoroughly the main question will be studied as four following sub-questions:

- What are Uzbekistan's economic challenges?
- What are the Russia's economic inputs in Uzbekistan?

- What are the China's economic inputs in Uzbekistan?
- To what extent inputs of Russia and China contribute to the structural change of Uzbekistan's economy?
- What is the relative importance of Russia and China's economic engagement with Uzbekistan and is there any geopolitical underlying interest?

The first three questions will help us to carry out an empirical study on Uzbekistan's economy, to picture the size of economy, the main industries, indicators of economic growth, economic shortfalls and its symptoms; Further empirical study will be on economic inputs of Russia and China, their trade indicators, investments volumes and remittances. In the analysis part, thorough comparison of each country's relative importance in Uzbekistan as well as the implications of economic inputs will be critically analyzed. In other words, we will be comparing the findings, figures and statements to critically analyze whether Russia and China's inputs have positively contributed to the structural transition of Uzbekistan's economy.

Theoretical framework

In order to analyze the economic development and structural transition based on selected patterns, the structuralist approach of economic development has been chosen. The approach was initiated by the economist Raul Prebisch. He defined that

“Structuralist approach attempts to identify specific rigidities, lags, and other characteristics of the structure of developing economies that affect economic adjustments and the choice of development policy ... and characterized the international economy as a set of relations between an industrialized Center and a Periphery exporting foodstuffs and raw materials. Focusing on the problems of the Periphery, the school emphasized structural unemployment, owing to the inability of traditional export industries to grow and therefore to absorb excess rural population; external disequilibrium, because of higher propensities to import industrial goods than to export traditional agricultural and mineral goods; and deteriorating terms of trade—all of which a properly implemented policy of industrialization could help eliminate”.

This approach describes the case of Uzbekistan in their path of economic growth and development and the relationship of Uzbekistan with Russia and China as core and periphery and the specific lags that hinders the economic progress in the country.

Research methodology

To collect data on the above indicators, the method of the secondary statistical data analysis has been used. The data has been derived from official national and international statistical sources (like The State Committee of Republic Uzbekistan on statistic (stat.uz), World Bank Open data, UNCTADstat, ILOSTAT, Economic Intelligence Unit, Thompson Reuters DataStream) as well as academic (World Bank Country snapshots, articles, research studies, journals, country briefs) and non-academic sources (news articles mainly Uzdaily, Azernews, Chinadaily, Moscowtimes). Further by compiled these data we have created a platform to evaluate the pattern of the contribution by two countries and to track the progress over the last 10 years period.

Even though the paper will include range of figures and numbers, the study does not represent mere quantitative study, because we are not using specific formula or statistical software to calculate or formulate complete data from raw materials, but it also involves qualitative data from secondary sources. Thus, I have chosen the *mixed method* of research for collecting data. The findings of this study will be based on the thorough analysis of documents. During the process of conducting study I have been studying the qualitative data from secondary sources like academic articles, country briefs and reports by international organization. Then in order to confirm

the validity of information, further data from primary sources were collected. The data will be collected on the main three patterns that will help us to track the economic engagement of Russia and China with Uzbekistan. They are:

- Foreign trade indicators;
- Foreign direct investment inflows;
- Remittances;

To collect data on above listed indicators we will be referring to source as organizational or institutional annual reports; official reports; survey data; data from official webpages of government institutions; and various public records, books, journals, news articles, press releases. The sources that we intent to use are follows: country reports by Economic Intelligence Unit Country reports, World Bank Country Snapshots, Country Briefs from various international organizations, European Parliament briefs, FOA data, trade data from OEC (Observatory of Economic Complexity), Asian Development Bank, International Monetary Fund, International Labor Organization (ILO), Foreign Trade Russia, fDImarkets; Uzbekistan Statistic Committee, Hong Kong Trade Development Council, Central Bank of Russia. Furthermore, we will be using official state statistical databases and international databases like World Bank Open Data; UNCTADstat, Thomson Reuters DataStream; IMF DataMapper; Central Banks of each relevant country.

After the collection, the data will be organized into graphs and tables to illustrate the picture of changes, progress and declines in economic indicators of selected country over the given time span. Further we will evaluate, compare and synthesize collected patterns and indicators to interpret and generate critical conclusion out of created comparison.

Yet, the biggest constraint in data collection during the study was lack of certain data on public domain, access to certain indicator was limited. Like for instance, it was quite difficult to find data on the poverty rate of Uzbekistan, the data was provided for only limited time span, which beyond the timeframe that we were focused on. Moreover, the data on bilateral foreign direct investment which is usually processed by UNCTAD was not available for Uzbekistan, neither data available from IMF. In order to track the inflow of direct investments from specific country, I referred to the Russia and Chinese outward investment by country. Thus, there was no chance to verify the one-side registered data for FDI. The rationale behind these challenges of data transparency is that Uzbekistan has been closed country for several decades. This inaccuracy of official data had been one of the issues that has been raised by international organizations as IMF, World Bank and IBRD towards Uzbekistan (EBRD, 2018; World Bank, 2013). Yet we are not claiming that the data the official sources provide are totally useless, but there are some indicators that they have been distorting by exaggeration or diminishing of the real figure. That probably was done either to hide or emphasize some aspects of its economy. There have been some discrepancies in data provided by official sources and even international organizations. For example, for unemployment and poverty rate, even the material imported from official database of international institution were little far from truth, no data on poverty and unemployment rate in official government sources. If you see the graph for unemployment it shows almost the same rate over the last ten years, though the population rate of Uzbekistan is constantly rising.

The rationale behind these challenges is that Uzbekistan has been closed country for several decades. This inaccuracy of official data had been one of the issues that have been raised by international organizations as IMF, World Bank and EBRD towards Uzbekistan (EBRD, 2018; World Bank, 2013). Yet we are not claiming that the data the official sources provide are totally useless, but there are some indicators that they have been distorting by exaggeration or diminishing of the real figure. That probably was done either to hide or emphasize some aspects of its economy. There have been some discrepancies in data provided by official sources and even international organizations.

We have now discussed about mainly social development indicators, yet the economic indicators have been rather reliable, since trade indicators, FDI and residences are usually registered by two countries, which provides chance to cross-check the data from various sources.

Moreover, starting from 2016, with the new administration there have been big changes in domestic policies, which relatively improved the data accuracy by the high recommendation of international institutions.

Thus, taking into consideration all above shortfalls, we had to be rather selective and extra careful while collecting data. Under such setting, we found that data from UNCTAD, World bank Open Data and Economic Intelligence Unit as most reliable and credible sources. Thompson Reuters data collection tool was used to search for various time series and the tool gave us opportunity to import data from various sources, including international and national sources (Chinese authorities, Russian and Uzbekistan national sources).

At the same time using mixed method, using both quantitative and qualitative analysis of analyzing secondary and primary data gave us opportunity to bring bigger picture of economic engagement of Uzbekistan with two great power.

Findings

Uzbekistan is considered as one of the most populous state of Central Asia, making up one third of total Central Asia. It is believed to be favorable market in the Central Asia, located in the middle of the region and bordering with all Central Asian States, having access to all regional neighbors.

China and Russia have been Uzbekistan's main trade partners over decades. Initially Russia's trade share has been considerably high than Chinese, yet later China took over the leadership in the trade cooperation with Uzbekistan. This scenario has also been observed in the indicators of foreign direct investments, where Russia had rather big share until 2013-2014, however Chinese investments greatly increased.

The content of the investments demonstrated impressive difference between two countries, China spreading investments across different sectors and Russia being in the energy sector.

However, relatively high importance of Russia is in employing huge number of populations of Uzbekistan in its labor market.

The purpose of study was to explore *'To what extent does the economic engagement of Russia and China in Uzbekistan spur structural economic transition?'*

The process of analysis helped to draw conclusion that the economic engagement of Russia and China in Uzbekistan has been highly significant. How far does it spur structural transition of the economy?

It was revealed that Chinese economic inputs have been disseminated in multiple sectors of economy. China mainly invested small amounts, but in sectors, like manufacture and SMEs that have potential to encourage structural transition from resource centered or agriculture centered economy to more manufacture-based economic development (Kuznets, 1966; UNCTAD, 2017).

While Russia's engagement has been centered mainly at one large sector, which is development of gas and oil production. Certainly, one cannot neglect the fact that Russia hugely invested in this sector, further contributing to the development of this sector and enabling Uzbekistan to become competitive exporter of natural gas to other markets.

At the same time, the symptoms of main issues have been addressed via the economic engagement of Uzbekistan with Russia and China.

Russia was a provider of employment for large population of Uzbekistan citizens as well as the gas production sites are mainly situated in the rural areas, providing more jobs and reducing regional disparity in the country. Similarly, Chinese investments were found to be spread in various distant regions, like textile production sites and support for SMEs in various regions of the country.

Thus, the answer of this study to main question is ‘yes’, the economic engagement of Uzbekistan with China and Russia can encourage structural economic transition. Yet, only Chinese investments are in the right position to help to bring economic development so far.

Currently the economic relations of Uzbekistan with Russia are rather prosperous. Yet it was not the same before 2014. The previous administration of Uzbekistan has had cooler relations with Russia. The rationale behind was the concern on Russia’s intentions on restoring its hegemony in the Central Asian region. Thus, the authority of Uzbekistan has been rather cautious in relationship with Russia, limiting only with economic relations (Pomfret , 2000). Yet, with new administration the economic and foreign relations have dramatically changed. The new president opened up the market to new investments, improved relations with regional countries of Central Asia, reviving trade relations. Greatly increased bilateral cooperation with Russia and China, but also with Europe and US. (Richard Weitz, 2018; Tsareteli, 2016)

But then the question arises is the future economic development will be the outcome of new administration’s policy changes or do external actors have been contributing more? This question could be answered 10 years later to compare the growth results and make conclusion on the source of economic development.

So far, I can only assume that the investments and economic engagement of Uzbekistan with Russia and China may bring structural changes, particularly with China.

This research work could be further studied, with expanding the questions of Industrial diversification and Uzbekistan potential as export-led economy.

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“Securitization of Islam and Internet censorship in Kazakhstan and Kyrgyzstan”.

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Abstract. With the rapid development of online domain, the recent trend of Internet censorship appeared in authoritarian and partly-free countries. The governments of these countries claim that Internet censorship is a counter-extremism measure. However, the blockage of websites is not only directed at the Islamic extremism but also at the opposition forces, which raises questions about the government’s genuine motives. This paper looks into the situation with the heavy Internet censorship in Kyrgyzstan and securitization of Islam and attempts to establish the connection between the two variables. By applying the securitization theoretical framework, this paper assesses the extent of securitization of Islam in Kyrgyzstan. Furthermore, this scholarly work will provide the data on the Internet censorship and status of Internet freedom.

Introduction. In June 2016, the United Nations Human Rights Council adopted a landmark “Internet Resolution” that confirmed the right to internet access as a fundamental human right and condemned the governments for restricting access to the internet in their respective countries.³ The right to internet access falls under many categories of fundamental human rights. These rights, comprising the right to freedom of speech, expression, media and right to access information, were recognized in 1948 with the Universal Declaration of Human Rights. However, as the Internet domain is becoming widely accessible and more and more people use it, it turns into an easily-accessible tool for the citizens to raise their voices and political opinions. Central Asian states, which are all characterized as authoritarian regimes, to a lesser or greater degree, are looking for ways to restrict access to the Internet, violating the international human rights law standards. One of such attempts is the securitization of Islamization to legitimize the legal provisions that violate the freedom of media. This paper presents discusses the case of Kyrgyzstan, and attempts to answer the question of how relevant is the securitization of Islamic as a factor which influences the government in adoption policies aiming at the Internet censorship. For this paper, the hypothesis is - Kyrgyzstan securitizes Islam for having a justification for censoring the Internet and block/filter content.

These legal provisions were adopted in the name of preventing terrorism and Islamic extremism. However, several problems arise from such a practice. Firstly, the government violates its international

³ . United Nations General Assembly. "A/HRC/32/L.20 - E - A/HRC/32/L.20." Official Document System (ODS) - Documents | United Nations. Last modified June 27, 2016. <https://undocs.org/A/HRC/32/L.20>.

obligations under Art. 19 of the International Covenant on Civil and Political Rights. In the Resolution A/HRC/32/L.20, the United Nations General Assembly reaffirmed that “human rights must be respected both online and offline”. Restricting access to the internet is a violation of the freedom of expression and freedom of media. Such violations have been rarely observed in countries with democratic regimes as they would have more effective counter-terrorism measures. Secondly, many scholars assert that authoritarian states employ the tactics of “window dressing”, that is, hiding the *de facto* actions behind the mask of democracy or making it appear legitimate. And finally, restricting internet access does not fight the root of the problem but merely its consequence. For instance, many terrorist and extremist groups use online social media to recruit more people into their ranks. In this case, the root of the problem is a terrorist group’s actions themselves, and the internet is a mere tool for them to achieve their aims. Therefore, by blocking the internet in the name of terrorism prevention, the governments do not remove the problem but only fight its consequence. The radical terrorist groups are incredibly persistent and will either find a way to bypass government restrictions on the internet by using proxy servers or VPN or resort to other cunning measures. Kyrgyzstan has scored a relatively higher level of political freedom among all Central Asian countries, however, the country still resorts to the same measures concerning the restrictions and blocking of online content. Moreover, as political Islam appears to be a new form of political opposition, it is, therefore, perceived as an existential threat, according to the security analysis framework (Buzan et al, 1998). Securitization of Islam is a technique for Kyrgyzstan to legitimize their actions that violate universal human rights standards. Indeed, freedom of expression and the right to Internet access, as international human rights, are endangered by these specific legal provisions adopted by Central Asian governments.

Methodology

The main factor which makes Kyrgyzstan a significant case study is the absence of the first-hand experience with extremism Islamic opposition parties, such as Islamic Movement of Uzbekistan and Islamic Revival Party of Tajikistan (hereinafter - IMU and IRP), and secondly, the difference in the political regime. The dissertation is based on the following methods: Securitization analysis, analysis of blocked websites, and quantitative data analysis.

Firstly, the dissertation will include the analysis of speech acts of the Kyrgyzstan president. The analysis is performed according to the securitization framework, a theory in the International Relations, described by Barry Buzan, Ole Wæver and Jaap de Wilde in “Security: A New Framework for Analysis”(1998). For this paper, several public speech acts have been selected in order to find the presence of securitization of Islam in the official political discourse. The preceding chapters will also discuss the units of security analysis chapter. This method will help to support the hypothesis.

Secondly, the paper will include an analysis of websites blocked in Kyrgyzstan and Kazakhstan starting from 2010-present. However, due to the unavailability of information or restriction to the public access of blocked sites, only specific years of blockage will be analyzed. Originally, Herdict Project (herdict.org), a similar online platform developed by the Berkman Center for Internet and Society at Harvard University, was also planned to be used, however, for technical reasons, it is currently unavailable.(Berkman Klein Center, 2019) .

Furthermore, the study will employ quantitative data analysis, with a two-fold aim: on the one hand, to evaluate the pattern of rising digital authoritarianism, and, on the other, to validate how the same pattern deals with the securitization of Islam. It will consist of three main steps. Firstly, the list of banned terrorist and extremist organizations in Kyrgyzstan will be assessed (as demonstrated in Table 1 and Table 2), by using three variables: the organization name, the year of its ban, and its ideology, according to the official government sources. Secondly, within the list of blocked websites in Kyrgyzstan in 2016 and 2017, those which can be

allegedly considered Islamic jihadist will be selected, by looking up the URLs or directly accessing them. The data for the case study of Kyrgyzstan is provided by the Ministry of Justice of Kyrgyzstan. Thirdly, the same selection and evaluation are conducted in Kazakhstan, by testing a random sample of 120 websites blocked in Kyrgyzstan in 2017 on Kazakhstani IP by through Kaz Blocking Tracker. As for the theoretical framework, the study is based on the theory of Securitization of the Copenhagen School, developed by B. Buzan, O. Wæver and J. de Wilde. The reason for this theory is the apparent overestimation of the threat of Islamization by Central Asian governments, in order to have a legitimate claim for restricting access to the Internet. Securitization theory is the closest approach to analyse the situation in Central Asia concerning Islamization and the Internet.

Literature Review

The literature review section analyses the *literature on Islamization in Central Asia*, namely in Kyrgyzstan and *scrutinizes the restrictions of access to the Internet and legal provisions corresponding to Internet censorship*. The purpose of combining the two literature strands is to find out the correlation between the threat of Islamization and violations of media freedom in Central Asia.

The threat of extremism and radicalization does exist in Central Asia to a lesser degree. NGOs' reports, as International Crisis Group, have been criticized for exaggerating the extent to which extremism is a threat in Central Asia, however, it does not prove that the threat is non-existent. For instance, Rumer, Sokolski and Stronski argue that remote areas with poor governance present an opportunity for Islamist military groups to move in and take over (Rumer et al, 2016). Central Asian region, often being mired by corruption and weak political institutions, represents a perfect opportunity for the radicalization. While extremists have not been noted to pose a threat in the region, some of the civilians are accused of having cooperated with the Taliban and Al-Qaeda. However, the authors themselves acknowledge that it appears to be only an assumption. Furthermore, researchers cite the correlation between proximity to Afghanistan and a potential transfer of radicalization to Central Asia. It is argued that, along with other reasons, such as poor governance and a threat of radicalized Central Asian migrants, Afghanistan is one of the causes of radicalization in Central Asia (Rumer et al, 2016).

Foroughi and Bekmurzaev, while talking mostly about Kyrgyzstan and Tajikistan, argue that during the Soviet Union, Central Asia possessed a certain "religious-ideological vacuum" as a result of the Communist ideology (Foroughi and Bekmurzayev 2017). However, after the collapse of the Soviet Union, Central Asian states had to fill this vacuum with some nationalistic or religious ideology. The rise of Islamism, as Montgomery and Heathershaw have highlighted, was a response to weak governance and poor social conditions in Central Asia (Montgomery and Heathershaw, 2016). However, it would be wrong to assert that radicalization was a severe threat of the region because Central Asia had a relatively lower percentage of terrorist attacks than other countries. (Foroughi and Bekmurzayev, 2017). Foroughi and Bekmurzayev particularly express this view. Furthermore, it has been previously noted by scholars that counter-terrorism programs have been widely used as a means to suppress political opposition (Rumer et al, 2016). For instance, after the collapse of the Soviet Union, Tajikistan banned the only Islamist political party, which was representing a threat to regime sustainability. The early counter-terrorism provisions were indeed adopted for the purpose of combating terrorism and radicalization (Foroughi and Bekmurzayev, 2017). However, as the regime power became a more critical issue, the initial purpose of such legal provisions have shifted towards being a means of suppressing political opposition.

Sageman argues against the passive view of such factors as weak governance and economic opportunities, to be the leading causes of radicalization leading to the Islamic extremism (Matveeva, 2018). It is argued that these factors are indeed present in Muslim countries, particularly in the Middle East, but in fact, many of the recruits to the Islamic terrorist and extremist groups are coming from highly politically and

economically developed countries, that is, countries with developed political institutions, observance of human rights standards and greater economic opportunities. For instance, it was found out by E. Benmelech and E. F. Klor (2016) that the Human Development Index (HDI) in a country positively correlates with the flow of ISIS foreign terrorist fighters. In this sense, according to the HDI report 2018, Kyrgyzstan takes 122nd place out of 189 countries. However, while countries with high HDI have the highest number of ISIS foreign fighters, Kyrgyzstan still had approximately 500 ISIS foreign fighters. Authors point out that this is unofficial data, and it can be argued that such high numbers might be a result of securitization of Islam in the country. Later on, Sageman further rejects the “weak governance” factor in radicalization.(Sageman, 2011). He found out that mostly skilled individuals from the middle-income group joined the radical jihadi groups, and this represents 85% of recruits. These findings are contrary to the claims that the recruits from countries suffering from weak governance are joining out of desperation or in a search for a better life. Matveeva (2013) claims that the recruits from Kyrgyzstan are mostly religious Uzbek ethnics which has nothing to do with the “weak governance” argument. Although the research showed that there is a “masculinity” factor in many young individuals who join radical jihadi groups, meaning that people from ethnic minorities, feeling underprivileged are attracted by the opportunity to prove that they are “worth something”. However, this argument is still not consistent with the International Crisis Group (2015) stating that radicalization and extremism are the results of the inability of security forces to deal with such threats or economic hardships.

Speaking about the restrictions to access to the internet, Central Asia has been widely known to limit the freedom of speech, particularly in the digital domain. Bowe, Freedman and Blom argue that for a long time, the Internet has been a tool for Central Asia to achieve its political goals(Bowe et al,2012). In Kyrgyzstan, Internet freedom is a somewhat positive case as the government does not constantly block the websites and filter online content. Popular social media platforms are freely available and accessible to the netizens of Kyrgyzstan. Internet and media have been the means for the population to exercise freedom of expression in such situations as organizing protests that turned out to be successful in their initial aim (McGlinchey and Johnson, 2007). However, there were isolated cases of blocking and filtering of the webpages on the grounds of extremism as well as removal of political content. Moreover, surveillance has also been increased in recent years (Freedom House, 2019). There are serious implications in considering that the legal provisions aimed at Internet censorship in authoritarian and semi-authoritarian states, which are adopted in the name of terrorism and extremism prevention, are a mere tool for the political manipulation and regime security. It is a common practice of authoritarian states to adopt the laws that can be interpreted from different angles (DeMesquita and Smith, 2011). For instance, in Kazakhstan, the adoption of laws with purposefully vague definitions, such as “vital interests”, can be used to eliminate the political opposition. In this sense, the study will look at the current legislation on the counter-terrorism and the known cases of blocking and filtering of online content.

Securitization of Islam in Kyrgyzstan

Extraordinary measures, such as jailing individuals for posting online “extremist” comments and blocking access to “extremist” websites, would be a logical conclusion of securitization. In order to investigate the process of securitization, I will first examine a few acts the speech acts of political leaders.

First, several presidents of Kyrgyzstan have been making public statements regarding the threat of terrorism and extremism during the conferences and official visits. For instance, in 2019, at a ceremony dedicated to the 20th anniversary of the Border Guard Service and the 27th anniversary of the Armed Forces of the Kyrgyz Republic, President Sooronbai Jeenbekov made the following statement:

“[...] These days, when the threat of terrorism and extremism looms over the whole world, there is no more honourable and sacred duty than the obligation to protect and guard the state border [...]”(President.kg,

2019) Furthermore, while speaking at the meeting of the Fifth Summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA) in Dushanbe, Tajikistan, Zheenbekov stated:

“[...] The Kyrgyz Republic strongly condemns terrorism and extremism in all its forms and manifestations. [...] we have defined a clear algorithm for joint actions by government bodies and the whole society to counter extremism and terrorism. [...]” (President.kg, 2019a)

Ex-President Almazbek Atambayev similarly expressed concerns over the threat of extremism and terrorism. For example, at the conference “Islam in a modern secular state” in 2017, he said:

“[...] The current wave of extremism and terrorism, hiding behind religious slogans, can be overcome through the strengthening of national states, the preservation of their own culture, language and identity [...] Moreover, the lifestyle, customs, clothing and culture of Muslims of other countries should not be imposed under the guise of Islam [...] Such attempts can lead to a split in society, increased tension and conflict. [...]” ((President.kg, 2019)

Undoubtedly, he refers to the groups that have been recognized as radical or jihadist groups, which, as the government claims, use religion for their own ends. In the same speech, he did confirm that he was referring specifically to these groups:

“[...] These ideological differences are used by radical and extremist groups, which, hiding behind religious rhetoric, sow confusion, commit terrorist acts, and provoke conflicts, including armed ones. [...]” (President.kg, 2019c)

Then, at the 72nd session of the UN General Assembly, Atambayev addressed the audience once again with the topic of terrorism and extremism:

“[...] Touching upon issues of peace and security, sustainable development of all countries on the planet, I would like to touch upon the topic of terrorism. The international community must actively fight terrorism and extremism and related phenomena [...] Unfortunately, the measures taken remain insufficient and sometimes cause confrontation between states. Only together can we effectively counter the threat of terrorism and extremism [...]” (UN News, 2016)

Regarding the domestic and regional political discourse, the topic of extremism is as popular as in the international political discourse. For example, while accepting a new head of the State Committee for National Security of Kyrgyzstan in 2017, Zheenbekov made the following statement:

“[...] Terrorism and extremism remain the most pressing threats to Kyrgyzstan [...] But since these threats are long-term in their nature, it is necessary to strengthen work in this sphere [...]”(Radio Azzatyk, 2017)

At the meeting with representatives member states of the CSTO, Zheenbekov underlined a threat coming from extremist groups, saying that “various challenges and collective security threats to the CSTO are emerging”, and that “first of all, it is terrorism and extremism. It is well known about the powerful resource feeding of terrorism by certain forces”.(President.kg, 2019d)

There are numerous other examples of terrorism and extremism, particularly religious extremism, being discussed in the political discourse of the leaders. While they are indeed cases of securitization of Islam and labelling most Islamic movements as Jihadist, many extremist groups were involved in violent attacks.

These examples show that religious extremism is perceived as a threat in official internal and external political discourse, and is actively discussed during conferences and meetings. The speech acts give the opportunity for convincing actors of the need to adopt extraordinary measures. For the purpose of this

dissertation, I consider blocking/filtering of content deemed extremist, as well as imprisoning individuals for posting extremist materials, as an extraordinary measure to protect the government's authoritarian regime. According to the list published by the State Commission for Religious Affairs of Kyrgyzstan, 21 terrorist and extremist groups and organizations are currently banned in Kyrgyzstan.(State Commission for RA KR) . Table 2, at the end of the dissertation, shows further details. 85% of banned organizations are considered Islamist Jihadist. Out of these groups, 72% were prohibited in the post-Arab spring period. Such high numbers both in Kyrgyzstan reflect the current trends in the securitization of Islam, however, it might also be linked to the emergence of various terrorist and extremist groups precisely in the same period of time.

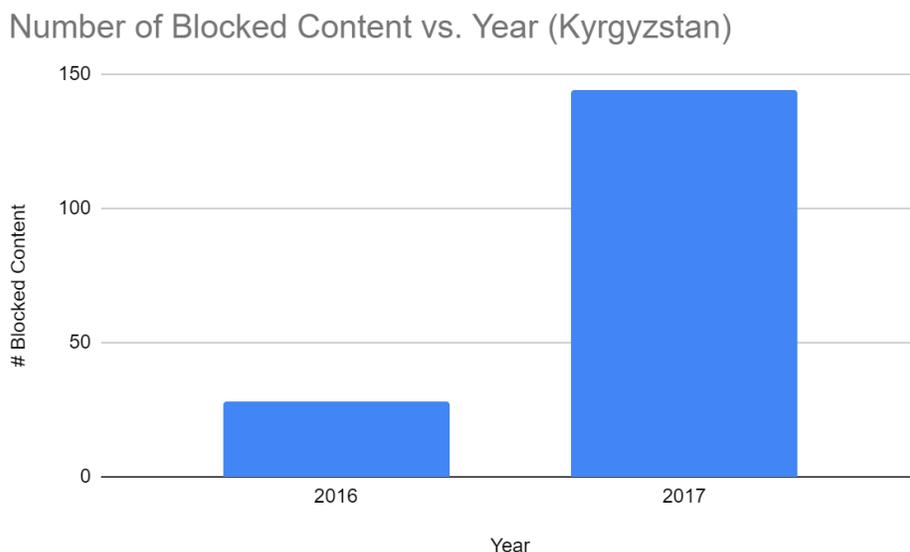
Terrorism, Islam and Securitization: Analysis of Internet Censorship Policies in Kazakhstan and Kyrgyzstan

This section provides a quantitative analysis of blocked and filtered content from 2016 till 2019 in Kazakhstan and Kyrgyzstan. Due to the limitations of this study, it is impossible to provide a full quantitative analysis of the case study of Kazakhstan. Later on, the data must be tested against the “adherence to international law”, a criterion which examines whether the decision to block/filter content violated human rights and freedoms. More specifically, it should not violate the freedom of speech, freedom of expression, and freedom of belief.

Data for the case study of Kyrgyzstan is taken from the list of blocked online content published by the Ministry of Justice of Kyrgyzstan. However, these lists are poorly made. First of all, it does not post the websites that were blocked without the court decision. Moreover, there are typos and mistakes in many URLs, and IP addresses as most of the documentation were firstly written by hand. On the case study of Kazakhstan, it is impossible to find the list of blocked/filtered online content; therefore, in the comparison between the number of blocked websites in 2016 and 2017, it is impossible to find out which websites were explicitly blocked on the grounds of Islamic extremism.

According to the information on Kaz Blocking Tracker (2017), the practice of Internet censorship started in 2016. Moreover, the official information on blocked websites is mostly available from 2016. In Kazakhstan, since the amendments to the Law “On Communications” in 2016, the websites can be blocked without a court decision. This significantly complicates the analysis of blocked websites.

Figure 3. Number of blocked/filtered content in years in Kyrgyzstan



Source: Ministry of Justice of Kyrgyzstan

According to the data provided by the Ministry of Justice of Kyrgyzstan, most of the online content was blocked/filtered in 2016 and 2017. This graph represents a comparison between 2016 and 2017. I was able to assess only the official data; however, it is possible that there are websites that were blocked but not included in the list, as often happens in Kazakhstan. However, this is the same data used in the Freedom on the Net Index; therefore, I consider it to be reliable. Figure 3 demonstrates that there is a big difference in the number of blocked/filtered content between the two years. While in 2016, the number is low, in 2017, the growth rate of Internet censorship has increased by 400% (28 vs 144). Moreover, 100% of the content was blocked on Islamic terrorist/extremist grounds in 2016, and 98,6% in 2017.

A sample of 120 websites blocked in 2017 in Kyrgyzstan was chosen for the analysis. These websites were allegedly Islamic extremist, and therefore, blocked by the decision of a respected court in Kyrgyzstan (followed by a court decision number). This analysis produced peculiar results (see Figure 4). It was found out that only 37,5% of the websites blocked in Kyrgyzstan. This includes websites of Hizb ut-Tahrir primarily directed at the Central Asian population. There were a few websites of the organizations deemed terrorist, such as IS, that was also accessible. These are the so-called “broken links” or “dead links”, meaning that a web page is longer functional. For the purpose of this analysis, I considered those URLs as “temporarily unavailable” which had the following features:

1. “Service temporarily unavailable.”
2. “Cannot find the IP address of the server.”
3. “404 not found.”
4. URLs with mistakes (which were unable to correct)

It is also important to mention that “temporarily unavailable” does not always mean that the website will become available in the future. Usually in this case, there is no longer access to website because it was replaced by a new one, or has been moved to another host. In the case of blocked website, the browser responds with “403 Forbidden” or “Connection Timed Out” errors. However, if in this random sample of websites not all of them were blocked, then what are these over 9,000 blocked websites?

This paper looked into the nexus between Islamic extremism and Internet censorship. Previous studies on the Islamic extremism had only mentioned the Internet censorship in the context of Islamic extremism and mainly focused on the cases of individuals being prosecuted on Islamic extremism charges. This dissertation was able to provide an in-depth analysis of blocked websites and their connection to the counter-extremism measures. Moreover, it successfully managed to apply securitization analysis to the case studies of Kyrgyzstan by using speech acts. However, because of some limitations, the research could be expanded once the list of blocked websites in Kazakhstan becomes available. This paper looked at the current data, and it is possible that the data changes over time, hence, new results can be discovered. Future research could possibly look into the specific tools for blocking/filtering content in Central Asia and how it evolved over time.

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УДК 60/36

“Preliminary findings of the state of PR industry in Mongolia”

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Abstract: Given the fact that there is a gap on the structured and systematic literature of public relations (PR) in Mongolia, the paper explores the state of development of PR, setting the following research questions: (1) What is the level of development of PR in Mongolia viewed through the theoretical framework for global public relations? (2) What are the key areas of development of business PR practices in Mongolia? (3) What are the PR models present in the PR practices of Mongolia? The research implemented mixed methods research including, comprehensive literature review and document analysis for exploring the theoretical framework of global PR; survey and an interview to identify and analyze the current PR practices in Mongolia. Hofstede 5-D model is applied in the scope of this research to examine the cultural dimensions of Mongolia. Preliminary results and analysis show that there is a number of both positive and negative factors of the political system, level of economic development, culture, and media environment influencing PR practices in Mongolia, which

determine their level of development. Questionnaire preliminary results demonstrate that the two-way asymmetrical model is the prevailing PR model among PR practitioners in Mongolia.

Keywords: *Mongolia, public relations, theoretical framework of PR, public relations models.*

1. Introduction

Depending on various factors, public relations (PR) are differently defined and practiced in different parts of the world and, although a significant theoretical foundation focuses on PR practices in the USA and Western Europe, globalization, as a factor, fosters the development of the industry itself globally. As a consequence, various studies that address public relations as an international notion emerge widely, either considering PR in specific countries or carrying out cross-national and cross-cultural research of public relations based on «a unified framework of variables» (Sriramesh & Vercic, 2001). In this way, the theoretical framework of international relations developed by Sriramesh and Vercic provides an approach for exploring PR practices that are influenced by some organizational environments within a particular country. These environments imply infrastructure, media environment, and societal culture of the given country and include such variables as a political ideology, economic system, degree of activism, culture and media system.

Another globally applied approach to examine public relations in a given country involves four models of public relations developed by Grunig and Hunt (1984) that categorize PR practices according to their management and organizational activities. While there is a sufficient and growing number of research done on the state of development of public relations in the USA, Western Europe and several regions of Asia, such as China, Vietnam, South Korea there are still gaps in that regard in other countries. The present research paper applies the theoretical framework of international public relations as well as Grunig's models of PR to explore the current practices of public relations in one particular country - Mongolia.

Moreover, since the concept of PR is generally perceived as a Western (Anglo-Saxon cultural cluster) phenomenon, academic research on the topic of PR is primarily focused on Western practice and Western-style as well. However, globalization, as a force, leads to the necessity of exploring other cultural contexts that practice Western-style PR, which, naturally, is being modified under the influence of cultural peculiarities of the corporate culture of one or another country. In other words, the understanding of how cultural, as well as political, economic, and other aspects influence the PR practices is essential for filling the gap and having a vision of intercultural PR practice (Duhring & Zerfass, 2015).

Compared to the sufficient informational sources and literature on the development of public relations in culturally defined Confucian or geographically defined East Asian countries, such as China, South Korea, Japan, there is a gap on the structured information about public relations (PR) in others such as Mongolia.

There is some research on advertising (Sanduijav, 2008; Chen, Su, & Yen, 2004), branding (Ochirkhuyag, 2018), and social media marketing in Mongolia (Borker, 2014), as well as the reports on the effectiveness of marketing and branding initiatives in tourism industry of Mongolia (World Economic Forum, 2011). However, there is still a necessity to fill the gap in the systematic knowledge about public relations in Mongolia.

This research paper explores the state of PR development in Mongolia. Specifically, the research examined the political system, level of economic development, activism, the legal system, culture, and media system, and their relation to PR practices in Mongolia (Sriramesh & Vercic, 2009), as well as the PR business practices themselves in Mongolia. While the studies of international public relations primarily focus on cultural aspects and cultural impact on PR practices, the current research considers examination of PR in Mongolia particularly within the perspective of Grunig and Hunt's models of PR. Second, the study implemented the

theoretical framework of international public relations developed by Sriramesh and Vercic, which includes culture as one of the variables.

Problem statement

The lack of research on public relations in Mongolia motivated the need to find what role and place PR holds within the broader organisational communication framework in Mongolia. Consequently, the goal of the research were as follows: to explore the state and level of development of PR in Mongolia based on the review of the literature related to the Sriramesh & Vercic theoretical frameworks in the context of Mongolia and based on the exploration of PR models and business practices in Mongolia.

Based on the goal of the study, the research questions put in the framework of this research paper are the following:

RQ1. What is the level of development of PR in Mongolia viewed through the theoretical framework for global public relations?

RQ2. What are the key areas of development of business PR practices in Mongolia?

RQ3. What are the PR models present in the PR practices of Mongolia?

Significance of the study manifests in its theoretical contribution by generating the missing in PR academic literature systematic and structured knowledge in terms of the development of the PR industry in Mongolia. The current study is the first academic research on PR in Mongolia. Based on the investigation of secondary research of political system, level of economic development, activism, legal system, culture, and media system, and their relation to PR practices in Mongolia, as well as on the primary research of Mongolian PR models and business practices evaluated by its industry representatives, the current research paper fills the gap in the academic PR literature.

2. Methodology

The current research is considered in the framework of pragmatic paradigm, which is characterized as a problem-centred, pluralistic and oriented to real-world practice. Based on its nature, the pragmatic paradigm is generally applied to mixed methods research, which implies the use of both quantitative and qualitative data to explore the research problem. In this way, the study involves the use of mixed methods, in particular, exploratory sequential mixed methods, which implies that quantitative research is build on the analysis of qualitative research findings (Creswell, 2014).

To explore the infrastructural, media and cultural aspects affecting the PR development in Mongolia, the qualitative (secondary) research involved the use of a **comprehensive literature review** method. That is, the research integrates the findings of relevant academic studies that address research questions.

Additionally, the 5-D model of Hofstede is applied as a part of comprehensive literature review for analyzing the cultural characteristics of Mongolia and how they affect the corporate culture and, at a later date, the way public relations in Mongolia are practised. The framework developed by Hofstede helps in understanding the primary ways people of different nations view and solve problems. Generally, the model includes five cultural dimensions – power distance (high vs low), group attachment (individualism vs collectivism), gender association (masculinity vs femininity), uncertainty avoidance (strong vs weak) and time orientation (long-term vs short-term).

Quantitative research of the current study involved the use of **document analysis** method, which is, likewise, used to identify several indicators of country's state of development in the framework of exploring

infrastructural and media system aspects affecting the PR development in Mongolia. The primary quantitative research involved the use of the method of survey (questionnaire) to analyze and identify predominant business PR practices in Mongolia.

The analysis of public records (research reports, annual reports, etc.) is used to gather information on such areas as the political system, level of economic development, activism, media control and media access in Mongolia. The process of document analysis follows similar to comprehensive literature review process – “finding, selecting, appraising (making sense of), and synthesizing data contained in documents” (Bowen, 2009). Table 3.1 summarizes the documents selected and information selected from materials to analyze:

Table 3.1 – Document analysis methodology

Documents selected	Information analyzed
CIVICUS State of Civil Society Report	Social movements records
Freedom House Report	Social movements records
Media Freedom Report	Censorship and media access
Mongolia Economic Update	Economic vulnerabilities
The World Factbook	Poverty rate, literacy rate, Internet users
In Focus (Mongolia)	Political system, international partners, gross national income per capita, economic sectors

To explore the models of PR practised in Mongolia, the research employed the method of cross-sectional **survey** with the use of structured questionnaire tool. As a research method, a survey was used for exploring and describing the quantitative features of the population. Advantages of the survey include the capability to gather information from large samples of the population (including demographic data), a small investment to manage the survey, and simplified means of generalization. On the other hand, the possibility of bias and the accuracy of the survey response are considered as the disadvantages of the method (Glasgow, 2005).

In addition to the survey, the research employed the method of a structured **interview** to obtain data for analyzing the nature and key areas of development of PR business practices in Mongolia, as well as to explore the infrastructural, media and cultural aspects affecting the PR development in the country. According to Lambert and Loiselle (2008, as cited in Ryan, Coughlan, & Cronin, 2009), in research practice interviews are generally used as a method in order to obtain data that is related to interviewees’ knowledge, experience, opinions, beliefs, etc. with regard to a particular research aspect or question. Interviews are traditionally conducted one-to-one and face-to-face. However, depending on the interviewer’s approach and with the help of technologies, interviews can be conducted over the phone, email or any other online tools.

Population and sample

The population of survey and interview comprised PR experts from companies and PR departments of various organizations in Mongolia, including marketing and communications departments. In particular, respondents of the survey (questionnaire) and interview were selected according to the criteria, which include:

- present or past experience of working as a PR specialist and/or in departments closely related to PR,
- working experience within the PR industry in Mongolia,
- English fluency.

Narrowing down to sampling, the research employed the random sampling method; that is, each representative of the population was selected randomly with equal chances. Participants were found and selected with the help of an online professional social network LinkedIn. Using the filters and searching tools of the network, potential questionnaire and interview participants were selected and contacted.

Based on the search, there are around 300 people in Mongolia with «public relations» as an industry skill and «English» as a profile language skill. Two hundred eighteen (218) of them were contacted in the scope of current research. In the final stage, 15 people responded to the invitation to participate in the survey, 7 of which agreed to participate in the interview as well.

The interview is designed using the online tool, that is, respondents access and answer the questions via sending responses online in text or audio format. The interview consists of 19 questions, including 12 closed-ended sub-questions.

Table 3.2 below presents the summary of the design of the study and methods to be used to address and answer the research questions.

Table 3.2 An overview of the research methods to address the research questions of the study

Research question	Method to be applied
RQ1. What is the level of development of PR in Mongolia viewed through the theoretical framework for global public relations?	1. Comprehensive literature review 2. Document analysis 3. Interview
RQ2. What are the key areas of development of business PR practices in Mongolia?	1. Interview 2. Survey (questionnaire)
RQ3. What are the PR models present in the PR practices of Mongolia?	1. Survey (questionnaire)

Procedure

The study followed the following process:

Stage 1. Comprehensive literature review and document analysis of the academic literature and reports to obtain data corresponding to the theoretical framework of global PR and Hofstede's 5-D model analysis.

Stage 2. Preparation of the survey questions adapted from the study by Sriramesh, Kim and Takasaki (1999).

Stage 3. Preparation of the interview questions and the platform for receiving text or audio-responses.

Stage 4. Contacting survey and interview participants via LinkedIn and distributing the form setting out the survey and interview questions.

Stage 4. Analysis of the survey and interview responses and drawing conclusions.

3. Findings and discussion

The preliminary analysis of the data obtained using the methods of comprehensive literature review, document analysis and interview suggests several assumptions about PR in Mongolia viewed through the theoretical framework of global public relations developed by developed by Sriramesh and Vercic (2001), that is, the influence of such variables as political system, level of economic development, culture, and media system on PR practices in Mongolia. In particular, the preliminary analysis suggests:

- Political system: preliminary analysis of Mongolian infrastructure demonstrates that democratic regime (ideally, but not practically) and active social movements act as an opportunity for public relations practitioners to apply their knowledge and skills that would facilitate social movements' intentions. On the other hand, due to the influence of widespread state ownership, "necessary" (or "unnecessary") messages can be cultivated or blocked through communication channels.
- Economic system: such unfavourable factors as vulnerabilities of the economy to external factors and indecisive privatization processes create obstacles for the development of in-country and international PR. On the other hand, growing economy and an economic partnership with such countries as the USA, Russia, China, Japan and South Korea positively influence the variety of corporate relationships and PR practices in Mongolia.
- Culture: the cultural portrait of Mongolia based on Hofstede 5-D model has shown that in Mongolian culture prevail: low power distance, high individualism, very high masculinity, strong uncertainty avoidance and short-term time orientation. These characteristics create a mixture of cultural traits that are similar to different cultural clusters, which creates both challenges and opportunities for international and domestic PR practitioners.
- Media: preliminary analysis does not demonstrate excellent facilitation of PR with media outlets in Mongolia. While state media control, censorship as well as low level of Internet users and high rate of poverty hinder the competition and development of media organizations, some perspectives with media development and literacy rate leave promising factors for media outreach and its influence on public relations in Mongolia.

The preliminary analysis of the data obtained using the methods of interview and survey suggests several assumptions about the key areas of development of business PR practices in Mongolia. In particular, they indicate that there has been considerable development of the PR market in Mongolia over the last five years. However, some of the areas, such as education, governments relations and professionalism still need to be improved. The economic system is likely to influence the PR market. However, the primary external influence is on the part of politics, which is indicated to have both positive and negative impact.

At the same time, media system and culture have considerable impacts as well. The rapidly growing media market creates both possibilities and challenges, where social media market takes a substantial role. Some cultural specifics, such as traditions, national pride, religion, ethnic aspects, and nomadic lifestyle were indicated as necessary in terms of cultural elements that might affect PR and should be considered when carrying out a PR campaign.

Finally, based on the preliminary analysis of responses given to questionnaire aimed to identify the PR models present in PR practices in Mongolia, it is suggested that two-way asymmetrical model is the prevailing public relations model among PR practitioners in Mongolia. At the same time, based on the responses of PR practitioners, there is a presence of public information and two-way symmetric models as well, while press agency/publicity is identified as the least practised PR model in Mongolia.

4. Further research

Based on the preliminary results and current limitations of the study, it is recommended to expand the sampling of the participants of both the interview and questionnaire parts. Given the time and language limits, it is recommended to reach more participants by translating the interview and questionnaire forms from English to Mongolian and vice versa. Moreover, education as a factor is recommended to be considered in further research, that is, the study PR education in Mongolia will provide more useful and valuable information for making conclusions on the level of development of PR industry in Mongolia.

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УДК 82

“The vital link between Kazakh Poetry and Identity; a historical perspective”

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Abstract: Kazakh literature, and in particular poetry, have been historically very heavily linked to the subject of Kazakh identity and the ideas surrounding Kazakh-ness. This strong link is traceable in the development of written Kazakh, the themes touched upon within the poetry and the active intention of the poets to discuss the subject. The importance of examining Kazakh poetry, in particular at the end of the Tsarist Era and the start of the Soviet Union, as it is an incredibly rich and complex subject which is very valuable in understanding the Kazakh identity process and its changes and formations.

Keywords: *Kazakh poetry, Kazakh identity, Literacy campaign, Nomadic oral and written language*

Introduction. Modern day Kazakhstan is on the search of its national identity and more and more people are seeking an answer to the question: what does it mean to be Kazakh? This crucial question has not only been on the minds of current Kazakhs but has also been on the minds of poets and political activists in the 1920s and 1930s. Kazakh literature and poetry in the 1920s and 1930s was vitally important in the discussions surrounding Kazakh identity due to three factors in particular: the active intention of the Kazakh intelligentsia to use Kazakh literature as a medium to discuss identity, the literacy campaign to spread Kazakh language and thereby strengthened Kazakh identity and the shift away from oral culture to a written culture. The central role that literature and especially poetry played, lasted until the Stalinist repressions of the second half of the 1930s. During this period, poetry became a means of expression of Kazakh culture. Using poetry as a tool for expression opened up a multitude of variations in poetry and relationships with other forms of art, in particular music. Poetry became highly complex and multidisciplinary, being at times a song and at other times an epic poem on Kazakh history. This multidisciplinary nature of poetry in Kazakhstan must be kept in mind in the following section as the word song and poem will be used interchangeably during the discussion of the ways in which poetry became a means of expression of identity. In a way, poetry in Kazakhstan during the 1920s and 1930s has very much in common with cultural studies in the West, and was very much ahead of its time.

The Kazakh Intelligentsia and Poetry. Muratbek Imangazinov, an expert on Iliyas Zhansugurov (A famous Kazakh poet and lyricist who lived between the years of 1894 and 1938, when he fell victim to Stalinist repressions.) and a Professor of Kazakh literature, referred to the early 20th Century as the “renaissance of

Kazakh poetry (One of the best known and influential Kazakh poets and lyricists of his time (late 19th Century to early 20th Century). He was also repressed under Stalin's regime). He explained that during the development of Kazakh literature, poetry and written culture went hand in hand with the development of Kazakh national consciousness (Imangazinov, personal communication; May 10, 2019). There are a multitude of reasons, one of which is the active political consciousness and intent of the poets who were writing. During my interview with Marat Adibaev, an expert on Kazakh literature of the early 20th Century and one of the official translators of Magzhan Zhumabaev (One of the best known and influential Kazakh poets and lyricists of his time's (late 19th Century to early 20th Century). He was also repressed under Stalin's regime.) poetry from Kazakh to Russian, he strongly emphasized that poets and authors of the time period actively engaged in the creation of works as "they felt when it started, that Kazakhs could lose their identity under a strong influence (...) of the Russian language" and that "we didn't lose ourselves because of what they have done, they saved our culture and created incredible literary works" (personal communication; May 21, 2019). A large group of the Kazakh intelligentsia, in the early 20th century, was interested in creating a strong literary body of work in Kazakh. This motivation came collectively with a multitude of political developments, changes and tragedies. Historically a series of important and tragic events occurred in this time period starting from the Stolypin reforms which brought a large number of Slavs to Kazakhstan, the Revolution of 1905, the Russian Revolution, the establishment and disestablishment of a Kazakh autonomous Republic, a multitude of famines which followed one after another, the civil war and Stalin's repressions.

All of these events influenced a movement in Kazakhstan amongst the intelligentsia which firstly questioned some of the Tsarist reforms, in particular towards religion, and another group which wanted to enlighten the Kazakh people together with the help of Russia. These two groups were known as the Islamic oriented writers or the "Zar Zaman" (Times of Trouble) and the Russian-oriented and secular group. The Islamic "Zar Zaman" blamed all the miseries of the Kazakh people on the Russian colonizers, they believed that Islam was the only way for Kazakhs to survive and romanticized and idealized nomadism. Some of the most prominent figures in this group included Shortanbai Kanaiuly, Dulat Babataiuly and Murat Monkeuly. The second, secular group was concerned with the rejection of the proposed views of the first group. They believed that the only way to overcome Kazakh nomadic "backwardness" and staying on track with European ideas of enlightenment and development, was in the creation of a secular Kazakhstan and advocated in favor of the Russian language and the Russian and Western culture and secular orientation. Some of the most prominent propagators of this view were Shoqan Valikhanov, Ibrahim Altynsarin and Abai Qunabaev (Kendirbay, 1997). Abai, being the most influential poet in Kazakh literary history, played a major role in the development of modern Kazakh literature. As Adibaev claims, "Abai caused a Literary Revolution" (personal communication; May 21, 2019). According to Adibaev, Abai occupies a role as important as Shakespeare in Kazakh literature. Hence, Abai, as one of the fathers of modern Kazakh literature and an active participant in political discussions on the future of Kazakhstan, left an immense mark in Kazakh literature and its development, especially in terms of ideological and political expression. Adibaev emphasized that the poetry and literature that followed Abai was never the same as it was before. It was his beautiful and innovative writing together with his enlightened ideology which left a lasting mark that can be visibly traced in Kazakh poetry to follow (Abazov, 2007). Although, some of the ideas which Abai proposed were not taken over by the following generation of poets but were changed, since his political views and propositions were largely impacted and shaped by the context of the Tsarist regime and the arising problems and ideas from this time. Yet, the ideas which he proposes cannot be dismissed as they were important and largely relevant to the Kazakh elite of the early 20th Century in particular as a catalyst for further discussion in Kazakh literature. The political and social developments together with Tsarist reforms started a snowball effect in Kazakh literature and poetry, largely due to the prominence of the poet Abai and his work which bound politics and literature together.

Kazakh written language and literacy. Poetry and Kazakh identity discourse were fused together through the literacy campaign that demanded a reformation and standardization of the Kazakh written language. The standardization of the Kazakh written language using the Arabic script became a key element in Kazakh identity discourse and was a subject of debate within poetry and literature of the time. Poetry, as a means of expression and a medium of discussion, strongly influenced the debate surrounding the position of the Kazakh language and Kazakh national identity. The literary campaign among the Kazakh population was initiated by the Soviet regime as part of its Cultural Revolution campaign. Yet, it was well before the Soviet Union started to exist that the standardization of the Kazakh language and literacy were on the Tsarist agenda. During the Tsarist era, the Islamic group and the secular Russian-oriented group played a considerable role in placing the entire issue of the Kazakh language into the center of Kazakh-ness and identity. The Islamic group advocated an increased use of Tatar. Since at the time, the religious authority was based in Tatarstan and Islam in Kazakhstan was linked to Kazan. Another strong link was formed by the Arabic alphabet, which the Kazakhs shared with the Tatars, as well as the education available in Kazakhstan. The enlightened pro-Russian group, on the other hand, opposed the suggestions of the Islamic group and advocated for a development of a written Kazakh language. The idea of developing a written Kazakh language was supported by Tsarist Russia. Standing on two opposing sides, both the Tatar missionaries and the Russian Ministry of Education became active in the debate and opened up schools both to accomplish their competing goals. While this educational clash was occurring, the Kazakh intelligentsia was doing their best to produce written sources in the Kazakh vernacular, in order to influence the development of the Kazakh written language (Grenoble, 2011). The Kazakh intelligentsia was writing with the intent of saving the Kazakh language and culture for the future. This is both seen in their writing but also in the simple fact that the majority of Kazakhs were illiterate and would not be able to access their works until a major change would happen to combat this problem.

With the creation of the Soviet Union, the issue of illiteracy became incredibly important to combat. The emphasis on literacy and the insistence of this by the Soviet regime became an important theme in the overall discussion on Kazakh identity (Grenoble, 2011). The Soviet Union found the state of literacy appalling, especially in Central Asia where the literacy rate was particularly low. In order to combat this, a literacy campaign was launched. The Kazakh population in 1919 had a literacy rate of 2% but by 1926 there was a large increase in literacy to 22.5% (Grenoble, 2011). This increase, although substantial, was not sufficient for the Soviet government and a second and later, a third literacy campaign was launched. By the end of the third phase, which started in 1933 and ended in 1939, 83,6% of the Kazakh population were literate (Dickens, 1988). The motivation guiding this immense force to combat illiteracy was driven by political ambitions which was expressed in the words of Lenin: "It is impossible to build a Communist society in a country where people are illiterate" (McLeish cited in Dickens, 1988). The words of Lenin demonstrate that the motivation for the literacy campaign of the Soviet government primarily served as a tool for ideological indoctrination to create a Communist society rather than to educate the Kazakh population to spread knowledge about Kazakh culture and history.

Kazakhstan serves as one of the strongest examples of the motivation of the Soviet Union since a large number of reforms were targeting in particular Kazakhstan and the Kazakh written language. The Soviet involvement in the development of the Kazakh language was very substantial. This is clearly visible in the multiple changes of the script for writing in Kazakh. The Soviet Union, as the inheritor of the Tsarist colonial lands, had more ideologically driven motivation, while the Tsarist motivation was driven by the wish of Kazakh loyalty to the crown and over all power and control. Kazakh, which was written in the Arabic script, would switch into first the latin alphabet in 1929, and then later into a modified cyrillic script in 1940 (Sherwin, 2019). The first switch to the latin script would be justified by the fear of an increasing influence of Islam, which was seen as anti-Russian during the Tsarist regime. While the second shift into to the cyrillic script was largely motivated by the wish to integrate the Central Asian Republics in the Soviet Union. Officially the reason was

explained as follows in the newspaper Pravda in 1939: “the transition to the Russian script will contribute to an even greater unification of the peoples of the USSR, to an even greater strengthening of the friendship of the peoples of the USSR” (Winner in Sebba, 2006). In fact, the standardization of the Kazakh language, which had started during the Tsarist era and continued under the USSR, was deemed to have failed to attain a codified norm in 1920 and 1930. The Soviet regime was not satisfied, and it was argued that there was too high of an influence of Tatar and Kazakh vernacular in the written language which should be replaced with Russian (Grenoble, 2011). The influence of this decision is visible in the Kazakh language today. The influence of foreign languages in the development of the Kazakh written language was seen by some as problematic, while by others it was seen as positive. This led to a politicization of the Kazakh language, which was visibly expressed in poetry and literature. The influential intelligentsia of the time actively discussed this issue, as did both Magzhan Zhumabev and Iliyas Zhansugurov.

Kazakh oral culture and the emergence of Kazakh written culture. The development of a written Kazakh language and literacy in Kazakhstan was part of the Kazakh cultural transition away from a predominantly nomadic oral culture to a sedentary written culture. This transition played a key role in connecting Kazakh poetry to the national consciousness. This can be seen by the interdependence of Kazakh songs and poetry as well as the use of written culture as a means to remember Kazakh history.

Kazakhs, as an originally nomadic society, expressed their culture and history through music. It is therefore important to note that often poets were also musicians, such as Abai who is also recognized as one of the most influential and greatest musicians of Kazakhstan. Often works referring to Abai’s repertoire use the word song and poem interchangeably, blurring the lines between music and poetry. It was through song that Kazakhs would present epic poetry, which frequently dealt with Kazakh history, legends, myths and Kazakh traditions and customs. Often times music was used as a backdrop for lyrical improvisation and as an accompaniment (Sahadeo & Zanca, 2007). The interdependence of music and poetry had a strong influence on Kazakh written poetry, which is recognized by Iliyas Zhansugurov in his countless poems in which he uses both song and music interchangeably such as in the poem Певец (*Singer*), Походная Песнь (*Hiking Song*), Степная мелодия (*Stepp Melody*) and Моя Домбра (*My Dombra*). As a feature of Kazakh nomadism, the oral tradition of song and music was not abandoned but it was clear that there would be a transition or addition to a written oral tradition. This transition away from oral culture to a written culture was seen by the Kazakh intelligentsia as a means to put aspects of Kazakh culture and identity on to paper and to lead an active discussion about Kazakh identity. Hence, the nature of oral culture was not simply replicated on paper, but rather, there was an active engagement with the subjects that were covered, and the nature of the oral culture and a new written culture was created, distinct from the oral culture. This transition was also characterized by a change in the emphasis of themes and topics which were written about. Dave notes that, the incredibly rich and strong Kazakh oral tradition of epic poems, literature and *aqyn* was not concerned with political matters or any matters concerning Kazakh consciousness before the mid-19th century, and that most of the works dealt with family relations. He also notes that a particular emphasis was placed on creating a Kazakh one-ness in the early 20th century in Kazakh poetry and literature, something which was not common for the literary history prior (Dave, 2008). While, there were many differences between the oral and written poetry and literature, there were also many similarities which were consciously saved. One of these features is the melodic nature of Kazakh written poetry. There was also the conscious acquisition of topics, themes and symbols which were central to oral poetry in to written poetry, such as the surrounding nature of the steppe and Kazakh customs and traditions. It was the effective transition from the oral musical tradition of poetry towards a written form of poetry with a clear role as both a guardian of Kazakh oral culture and as an active participant in its discussion which made the connection between poetry and identity much stronger.

A reoccurring theme in Kazakh songs and poems was the role of the past and history of the Kazakh people. According to Kudaibergenova, Kazakh literature and poetry is incredibly important in wanting to understand the development of a Kazakh nation and national narratives. It is exactly Kazakh literature and poetry which engaged in an active exploration of the history of the Kazakhs and the constructing and re-construction of the Kazakh national narratives. It is also, in close connection to the development of 'print capitalism' and the Literary Revolution that Kazakh literature and identity formation become incredibly closely intertwined (Kudaibergenova, 2017). This claim is based on the theory presented in the book by Benedict Anderson, "*Imagined Communities*", in which he argues that nation states, and nations in general are constructed and "imagined" and hence are created and do not simply exist. They gain validity through the belief of the people. *Print Capitalism* fits into this theory by highlighting the role of literacy and the creation of the printing press in Europe. The ability to distribute printed material for the masses made literature more accessible. While there were a multitude of different languages and dialects, these were not present in the literature but rather an overarching, or one dominant language was used which helped create a feeling of 'one-ness' amongst the people (Muscato). This was not particularly the case for Kazakhstan as literacy was very low, yet the campaigns to combat the problem of illiteracy were in full steam and the Kazakh intelligentsia was aware of this and supported firmly the need for the Kazakh people to learn how to read and write. Especially in their own language. It seems that the Kazakh elite and intelligentsia was consciously writing and theorizing about the future, the past and the one-ness of the Kazakh people in their writing in a time when their work could easily be printed and distributed to a growing Kazakh audience. And thus, the active imagination of the Kazakh nation could be discussed.

Kazakh poetry and literature played a vital role in the discussion around Kazakh identity which was due to its already uniquely important role in Kazakh society as a means of expressing Kazakh culture and more, as well as the solidification of its position in Kazakh written culture which made poetry an important source for thought, discussion and political discourse in Kazakhstan of the 1920s and 1930s. This together with the attentiveness, sensitivity and understanding of political and historical changes which were contributors to the active intent of poets to discuss Kazakh identity made poetry one of the most important mediums in understanding Kazakh identity and its development.

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“R & D, cognitive skills and economic growth”

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Abstract. Because of technology, the speed of information today is growing rapidly. A modern paradigm presents man as a creature with an evolving skill in solving puzzles. Even kindergarteners decode information from the environment that surrounds them, like prime-time television shows. Additionally attentiveness towards new ideas can create such communities as Silicon Valley that will increase spillovers of knowledge. Because cognitive skills are common in daily life and work, we may ask: Could education supply skills that lead to higher productivity and income? This thesis discusses the economic effects of cognitive skills, which are part of human capital. We measure these skills with student scores on a cognitive test, Pisa, for 5 years. This test shows how students absorb and analyze information. We regress national rates of economic growth on the nations' Pisa scores as well as on other factors like the Economic Complexity Index, foreign direct investment, and factors related to human capital, such as research and development (R&D). The idea of my paper is to find any correlations between economic growth, innovation, cognitive skills and investment flows.

Introduction. At the beginning of the XXI century, the world economy is trying to form a paradigm of scientific and technological development, emphasizing urbanization and creativity. Education and upbringing, professional and personal growth are mainly important for cities, despite well-publicized drawbacks such as congestion. They contribute to the efficient production of knowledge in the new economy, where the main core was a man in solving puzzles. Thus, in the knowledge ecosystem, entities interact to improve decision-making and innovation. This is complex adaptive systems theory. (Bray, 2007, p. 458)

In conventional macroeconomics, output per unit of effective labor depends on capital per unit of effective labor. Recently, macroeconomists have focused on human capital. They view an employee as an intellectual unit of a company, bringing to it connections between knowledge, experience, skills and abilities. Thus, we get more high quality output when we have more knowledge and work experience. By analyzing human capital, we can solve the puzzle of why some nations are wealthier than others.

The aim of the study

This work analyzes the impact of human capital on national income through innovation, which responds to such factors as knowledge, creative thinking, cognitive skills, intelligence and geographical location. We assume that human capital increases through education and experience and is important for the success of cities and regions. We want to analyze how cognitive skills and R&D activities of educational institutions relate to human capital.

Research question: Can human capital increase national income through cognitive skills and innovation?

If we believe that human capital can increase productive capacity, then we can accept that GDP responds to difficult-to-measure indicators, such as collective knowledge and personal skills. (Hidalgo, 2015, pp. 9.10, 11) Technical progress often arises from the creation of complex products, which provides knowledge about how to produce. “By human capital we mean an intangible asset, best thought of as a stock of embodied and disembodied knowledge comprising education, information, entrepreneurship, and productive and innovative skills, which is formed through investments in schooling, job training, and health as well as through research and development projects and informal knowledge transfers” (Cook & Ehrlich, 2018, p.8).

The New Economic Growth Theory analyzes positive externalities and spillover effects of a knowledge-based economy that will lead to economic development. Thus, the long-run growth of an economy depends on policy. For example, subsidies for research and development or education increase the growth rate in some endogenous growth models by increasing the incentive for innovation.

Literature review. The usage of information in production has grown rapidly in the past twenty years. Due to the change in the nature of labor and productive forces, the term "information economy" signals a transition to social relations built on information. Spillover effects influence how we reveal information.

“The information revolution has expanded networks and provided new opportunities for access to information. It has also created new opportunities for generating and transferring information. Knowledge networks and sharing of information have expedited innovation and adaptation capacity.

Education is a major part of this process—a recent perspective in macroeconomics. “In the 1950s, Gary Becker examined links between education and incomes, little thought was given to how such abilities fit with economic theory or public policy. His simplified assumptions about people being purposeful and rational in their decisions laid the groundwork for an elegant theory of human capital, which he expounded in several seminal articles and a book in the early 1960s.” (*The Economist*, 2017, para 1,2,7)

But agents cannot appropriate all benefits from their own research and development. R&D spillovers are “involuntary leakage[s]” that the analyst should consider “as well as the voluntary exchange of useful technological information.” The quantity of cooperative nexus between firms is a proxy for the underlying knowledge flows. (Dumont & Meeusen, 2000, pp.1,2,5) By “cooperative nexus” we mean inter- and intra-team exchanges in specific needs to create a new product that coordinates the specialized contributions of independent producers along the value chain. An example: A computer platform. Developers can use the same platform, perhaps using Java, to design various products, such as a translation program or a game. “Such systematic conditions correspond to a complex architecture of specific public goods. The results of a locally well-organized and evolving division of labor are external economies, i.e. external to the single enterprises and internal to the district. Such external economies are the bases for the different processes (including specialization, learning and creativity) that drive the competitive advantage.” (Collinge, et. al, 2013, p. 93)

“In this view, although the role of human capital in the production process may be quite complex, there is a sense in which we can think of it as represented (representable) by a unidimensional object, such as the stock of knowledge or skills, and this stock is directly part of the production function.” (Acemoglu, n.d., p.4) Intelligence, innovation, geography and economic growth—all of these can influence human capital.

Innovative clusters as a local phenomenon

States, nations and regions are attracting foreign investment and creating "clusters of innovations." These are ecosystems that stimulate and nurture the best ideas and attract the brightest talents through synergy. The most

famous example is Silicon Valley, but there are others, such as Singapore which transformed itself from an agrarian society into an innovative world-leader in high tech sectors like electronics and life sciences.

Venture capital

Generally, knowledge spillovers can induce R&D spillovers. (Carlin, 2001, p. 17) Probably “the increasing role of knowledge and small firms in the modern economy motivates the investigation of the effect of knowledge spillovers, as small firms usually depend more on spillovers than large firms do.” (Nieuwenhuijsen & van Stel, 2002, p.4) “Technological or R&D spillovers are most often defined as externalities, with agents unable to fully appropriate all benefits from their own R&D activities. By technological spillovers, we mean that (1) firms can acquire information created by others without paying for that information in a market transaction, and (2) the creators (or current owners) of the information have no effective recourse, under prevailing laws, if other firms utilize information so acquired.” (Grossman & Helpman, 1992, p.16)

Role of foreign direct investment

Developing and transition economies are gaining in the world economy.

Transnational companies can cultivate innovation. The cross-border flows of knowledge are becoming more important and involve acquiring new skills and managerial expertise. In the short run, immediate recipients of technologies experience higher productivity, new products, and lower costs. In the long run, benefits depend on how much the recipients are able to deepen their own capabilities.

A closer look at exports

Recently economic complexity has been related to income inequality. Some articles contend that complex products are produced by a relatively few knowledge-intensive countries, so these can support higher wages. (Hartmann, et al. 2017, p.2)

Human capital is at the heart of complexity theory—especially human capital in the production of exports, which promote diversification and growth. To succeed, can a country just imitate some products, or must it develop its own style? Take into account the fact that clusters of innovation do not always require complexity. Indeed, world experience in the exchange of patents and technologies shows that the key technologies are expensive or not sold at all.

This “capabilities approach,” developed by Hidalgo and Hausmann, compares economic complexity across countries in terms of international trade. “If a product occupies a greater share in a country's exports than the same product occupies in all world trade, it is assumed that the country has a revealed comparative advantage in the goods in question.” An area has a comparative advantage in a traded product if it can produce it at a lower opportunity cost, in terms of making another product, than its trading partner can.

We used the Hidalgo and Hausmann study of economic complexity in our econometric work. The study answers two questions:

1. In how many exported goods does the country have an advantage (diversification of the economy)?
2. How many countries have an advantage in a given product (the prevalence of goods)?

According to Utkovski et al. (2018), “endowments describing the productive structure of an economy are at the roots of the economic complexity theory, which leverages tools from network science and econometrics to

reflect the amount of knowledge that is embedded in the productive structure of an economy.” (p.24) Thus “in developing economies, technological progress may play a huge role.”

Methodology. To test our hypotheses, we estimate a Cobb–Douglas production function where the dependent variable will be national income, measured as either gross national income or gross domestic product. Our independent variables will include domestic investment, the Economic Complexity Index, and thinking skills as a measure of technological advance.

The basic model is

$$Y = F[K, AL]$$

where Y is output or income, K is physical capital, A is technology, and L is labor.

Following David Romer, we assume constant returns to scale, so⁴

$$F[cK, cAL] = cF.$$

That is, if we increase inputs K and AL by the proportion c, then output will increase by the same proportion.

Set $c = 1/AL$. Then

$$F[K/AL, AL/AL] = F[k, 1] = F[k] = F/AL = y$$

where $k = K/AL$ is the capital per effective unit of labor (the capital-labor ratio), and y is output per effective unit of labor. More succinctly,

$$y = F[k].$$

For example, consider a Cobb-Douglas function with constant returns to scale:

$$Y = K^\alpha(AL)^{1-\alpha}$$

Applying the general model above gives us

$$y = k^\alpha.$$

where y is output per capita and k is the capital-labor ratio. If we set A equal to 1, then output per worker equals capital per worker raised to the power α , which is also the elasticity of labor productivity relative to the capital-labor ratio.

Taking natural logs,

$$\ln y = (1-\alpha) \ln A + \alpha \ln k \tag{1}$$

where we can use regression to estimate α .

The modeling so far has assumed constant returns to scale. A more general Cobb-Douglas model drops this assumption:

$$Y = A(T) K^\alpha L^\beta$$

where

⁴David Romer, *Advanced macroeconomics*, third edition, McGraw-Hill Irwin, 2006.

- Y = income or output
- A = human capital (total factor productivity)
 - T = thinking capability (PISA scores)
 - L = labor (the total number of person-hours worked in a year)
 - K = capital (the monetary worth of all machinery, equipment, and buildings)
- α and β = output elasticities of labor and capital, which do not necessarily sum to 1. These values are constants determined by technology.

Dividing both sides by L gives us

$$y = A(T)K^\alpha L^{\beta-1}$$

Taking logs,

$$\ln y = \ln A(T) + \alpha \ln K + (\beta - 1) \ln L$$

With regression we can estimate:

$$\ln y = a \ln K + b \ln L + c \text{ECI} + d \ln \text{R\&D} + u \quad (2)$$

where u is the disturbance term. In this model, the Economic Complexity Index and Research and Development are aspects of technology T . We do not take a log of ECI because it can be negative. But the log of ECI is a strictly positive transformation of ECI, so substituting the latter for the former should not affect the sign of the coefficient.

The null and alternative hypotheses for this model are

$$H_0: a \leq 0, b \leq 0, c \leq 0, d \leq 0$$

$$H_1: a > 0, b > 0, c > 0; d > 0$$

The alternative hypotheses express our expectation that technology, physical capital and labor can each increase production, holding the other factors constant. The size of the coefficients is also of interest. We can determine, for example, whether relatively small improvements in the skills of a young generation can have very large impacts on future country welfare. Also, we can determine whether countries with good school systems have good economies. Underestimating the importance of educational investment can be a fatal error for any country. Finally, we can ask whether a country can develop faster if its labor market performs well.

Dataset

To test our model, we took test scores from the PISA 2015 survey that assessed skills in reading, mathematics, and science. By estimating separately the impact of each skill measured by PISA, we can measure R&D skills. PISA 2015 also assessed young people's financial literacy, which was optional for countries to report.

The study uses PISA data from the Organization of Economic Co-Operation and Development. All other data, such as for gross domestic product, came from the World Bank for the years 2000, 2009, 2012, and 2015.

In our dataset we have 71 countries, but we do not have values for the independent variables for every country.

Results, statistical significance and practical significance

We use simple Ordinary Least Squares to regress the model. We estimated the effects on income of such variables as ECI, educational attainment, gross domestic investment, the mortality index, exports, and Pisa scores separately. We observe through t and P values the statistical significance of the effect of each variable on GDP per capita in certain models.

To test the model, we generate the variable $KLratio = \text{investment} / \text{population}$ – which is a useful proxy for the capital-labor ratio, since the change in capital (investment) is easier to observe than the stock of capital. Overall, the estimates suggest that national industrial policies seeking to create more capital per worker are not unreasonable.

The regression results also suggest limitations of the workhorse of economic growth theory, the Old Growth Theory, which considers physical capital alone.

We also consider a New Growth model, in which we can consciously create human capital and consequently economic growth, that had more explanatory power than the Old Growth Theory.

Conclusions and Reflections. Economic development and innovation can stem from science-based technological progress, or from the acquisition, adaptation, and diffusion of existing technology. They can also result from entrepreneurial activity leading to new, more efficient combinations of productive resources. Whatever its channels, the knowledge economy is a powerful impetus for socioeconomic development, increasing the competitiveness of products and services, and contributing to the diversification of activities. On the other hand, decline in human capital may increase unemployment and decrease real wages.

“Knowledge breeds greater knowledge. Some new knowledge translates into higher productivity of existing resources (process innovations) or skills (embodied human capital), and some emerges through new goods and machines (product innovation) or new ideas, patents, and manuscripts that account for what we may call disembodied human capital. Human capital is ultimately the source of both types of technology and we can therefore consider it as the engine of growth” (Cook & Ehrlich, 2018, p.11).

In addition to the analysis of urbanization, one goal of our continuing research is to consider decision making as a function of technological advance. The early work on human capital did not always emphasize how individuals decide. “The conventional view among economists is that education adds to an individual’s productivity and therefore increases the market value of his labor,” wrote Arrow (1973). “From the viewpoint of formal theory, it does not matter how the student’s productivity is increased, but implicitly it is assumed that the student receives cognitive skills through his education. Thus the stock of knowledge can produce economic values as ideas and create human capital that can shape economic growth” (p.1)

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“Conceptualization of relations between the regime change and identity transformation in Uzbekistan before and after 1917”

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Abstract. The goal of the paper will be to show how and under what circumstances identity transformation happened. The hypothesis of this paper is “If regime change brings religious persecution, then identity transformation is more likely to happen”. Russia’s colonization shows that it incorporated the Muslim regions and formatted the Islam of different regions. Research design: Single-country case will be applied in this paper to illustrate the process of identity transformation and trajectory of Islam. Descriptive case study that employs process-tracing method should help us understand that identity transformation was not a sole product of colonial conduct. Data will Level of involvement and change in governance before and after 1917 through data on administrative structure, socioeconomic situation in the region. Data on number of mosques, (Russian) schools, literacy and border delineation before and after 1917. Data will be collected from State Archive in Tashkent, Uzbekistan

Central concepts and research question. This research proposal will focus on how regime change in 1917 Russia led to identity transformation in Turkestan. In order to understand the reasons behind the particular phenomenon and how the process of identity transformation occurred before and after 1917, it is important to conceptualize independent and dependent variables for the sake of clarity and neatness.

Regime change. In scholarly literature sometimes it is difficult to understand the differences among ‘regime’, ‘state’ and ‘government’. However, in the hope to narrow down the conceptual part of the research and bearing in mind that we will be dealing with Russian and Soviet Empires, regime is where Tsar/Emperor or political elite/entity rules over certain territory and population employing the mechanisms of power. As obvious as it may seem, in this particular case both empires are treated as nondemocratic regimes relying on totalitarian or authoritarian force. A regime may be thought of as the formal and informal organization of the center of political power, and of its relations with the broader society (Fishman, 1990). It is the collapse of an existing political hierarchy or illegal replacement of ruling elite with other political entities through revolutionary violence. The study will be confined to the simplest understanding of regime change: the demise of the Tsarist ruling system with the abdication of Nicholas II and inception of Soviet rule. The very fact that the Provisional Government emerged in between is of less importance to comprehend the transformation of identity in the long-run. The main objective under regime change is to see the change in ‘governance’/’rule’ over a territory and population.

Identity (transformation). Literature on identity is abundant and involves several disciplines. In this research identity will be touched upon tribal, religious and ethnic domains within the specific context to avoid misunderstanding and possible confusion. Tribal and religious identities will be treated as collective sense of belongingness passing from generation to generation (primordialism) also known as ‘traditional identities’ (Giddens, 2013). Considering the period research aims at focusing, I will avoid using the concept of identity as a social construct of a particular group. To abstain from further conceptual inconsistencies *identity transformation* or *transformation of identity*, meaning a shift from tribal and religious to artificially created ethnic identities will be at the center of the work. While tribal divisions in Turkestan showed the division into groups due to different features such as class, lineage, primordial beliefs etc. religious identity acted as more encompassing and unifying aspect of everyday life. Hence, religious identity should not be understood the same

as religiosity and (level of) religiousness. Instead, it should be treated as a marker only. However, ethnic identity should be perceived as a social-communicative system portraying similarities and commonalities in physical complexion and overall values.

Research Question.

The goal of the paper will be to show how and under what circumstances identity transformation happened. The hypothesis of this paper is “If regime change brings religious persecution, then identity transformation is more likely to happen”.

Regime change --- religious persecution --- identity transformation

Theoretical background. We understand that both Tsarist Empire and the Soviet Empire were colonial powers if taken separately. Unsuccessful forced russification in the western parts of the Russian Empire did not really shake up the system in Central Asia because only a small minority of rich people could afford attending Russian schools in Tsarist Turkestan. That brings us to the idea that majority of the population lived by their faith and tribal identification. It is important to mention that religious identity is only treated as a marker rather than the level of religiousness. It should be obvious that in the region where you have little archival sources to explore, it is extremely hard to get a sense of social and cultural life for instance. In Tsarist Turkestan we still see the populace living by their religious and tribal identities. So what really happened afterwards is the phase that covers nation making. Historically, after Islam came to Central Asian region it mixed with diverse cultures and religion produced a complete culture. So at this point I concur with anthropological comprehension of religion where Islam had to acculturate (when it adapts to the mainstream culture) and then inculturate (when it tries to establish itself as the center of a given culture) itself. (Roy,2010). During the Soviet period religion excultured, when it thought of itself as standing back from a mainstream culture of which it was part, but which suddenly or gradually took on a negative, ‘pagan’ or irreligious –and therefore-destructive -aspect (Roy, 2010:33). The period until 1940/41 has been chosen as an end point to initial phase of soviet nation making in Central Asia. The comparison between tsarist and soviet colonial attitudes towards Central Asia should show us how new nations appeared and how successful it was to hybridize identities to create new ethnicities by oppressing existing Islam in the region. Involving Russian minds to change the infrastructure is one of the best and classic examples of image building in colonial times which changes the way of living. Russia’s colonization shows that it incorporated the Muslim regions and formatted the Islam of different regions. On one hand we have survival of religious belongingness under colonial rule while on the other hand we have attempts to eradicate Islam from public life.

There is enough historical research made on Central Asia under Tsarist and Soviet rules, however, comparative analysis of two empires employing anthropology to search for not only push but also pull factors (it is a two way process as in ‘duplex communication’) to understand Islam’s shape and it’s trajectory as a part of identity in one piece is new.

Research design

The master thesis should serve as a step stone to a bigger piece in the future where I will include the contemporary post-soviet period and focus more on religious and ethnic identities and the roots of nationalism in Uzbekistan. This paper will be single-country comparison to flesh out the differences and commonalities in order to illustrate the process of identity transformation and trajectory of Central Asian Islam (detachment from the culture is meant here) and the shape it formed over a certain period. For example, after the collapse of the USSR, significant number of people began reverting to their religion. We know that one does not become religious over a night. It is a long and hard process. The aim of this in depth single-country study should

eventually reveal that loss of tribal and religious identities were the result of different colonial policies and were also influenced by other time and space reasons. There will be only one case analyzed: Russian Turkestan before 1917 (the study will be narrowed down to Uzbek Soviet Socialist Republic afterwards). The main goal of this paper is to build up sources in a single-country analysis that can tell us more about ethnic identities and overall nation-making process rather than viewing these artificial identities and nations as a sole product of colonial rule. It means we will have to consider situational and socio economic factors to construct clearer sketch for identity transformation process.

As this study is a historical comparative analysis, it fits into the descriptive case study that employs process-tracing methods. It may entail some causal comparability as identity transformation is more likely to occur if regime change brings religious persecution. It means religious persecution (intervening variable) has to be present so that we can gather all the so called necessary conditions to see them and to expand on their importance. Process-tracing gives us a chance to understand identity transformation through the pieces of information and historical evidence that can contribute to the general discussion. Comparing and detecting relationship among those pieces should serve to illuminate other necessary conditions around identity transformation. Furthermore, application of 'why' can reveal more additional important evidence which may change our traditional understanding of the phenomenon. Treating Tsarist and Soviet Empires as *different things* (Gerring and Craig, 2005) will give a space for comparability of approaches regarding imperial structures in the periphery.

Data sources and method. Regime change in Turkestan will be measured through different indicators. This will be done through a mere comparison showing power transition through revolution and power struggle through civil war onset and how these all changed circumstances in Turkestan. Comparison should bring us to the level of involvement which is expected to differ before and after 1917. This in turn will show us how change in governance took place. Data on administrative structure, socio-economic situation in Turkestan and how population of Turkestan was managed under Tsarist rule by 1917 are available in State Archive in Tashkent, Uzbekistan. Additionally, it is possible to find the materials illustrating political situation and economic policies of Soviet Russia in Turkestan from 1917-1924. From 1924 to 1940 archival data will be confined to Uzbekistan only, and it is more detailed data compared to the Tsarist period. These documented sources should be enough to measure the regime change in this case. Therefore, the validity and reliability of data are high even if we face biased archival data written by the authorities, because it will be still valid, perhaps less reliable to show the change in governance.

Identity is a difficult concept to measure. As the main purpose is to understand what was causing identity transformation I chose to operationalize identity transformation through finding data on number of mosques, (Russian) schools, literacy and border delineation before and after 1917. Comparison in set of indicators should help us to operationalize the dependent variable. It is understandable that these indicators can be treated as solid from outside but fragile from inside because it captures the phenomenon from surface with little insight about people's inner beliefs. It should be sufficient to understand the phenomenon as we are not trying to analyze people's beliefs and persuasions. State Archive in Tashkent, Uzbekistan has archival data on number of mosques, schools (madrasas) and the documents on formation of Uzbekistan. Data on literacy is also available to understand how soviet image building was successful through school education especially among younger generations to mold their new identities with reforms in language. Number of mosques will give a sense how soviet authorities tried to stifle religion while propaganda in education and border delineation transformed existing identities. Additionally, we plan to collect the number of cases where people were persecuted because of their religious beliefs to contribute in measuring the dependent variable. It will show how soviet authorities decreased Islam in public life through religious oppression, and filled this gap with ethnic identities. We can

see that above mentioned indicators are interrelated and contain high validity within the scope of identity transformation where identity is analyzed as an overall marker.

To conclude, archival sources I want to collect will be reliable and is available in State Archive in Tashkent. I will not need translation services as the documents will be in Russian.

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“Inequality of opportunities:

Geographical opportunity inequality of education in Kazakhstan”

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Abstract. The topic of the research is opportunity inequalities and the research question is “How to decrease geographical opportunity inequality of education in Kazakhstan?” By this research, I want to show that opportunity inequality in education among different regions of Kazakhstan is an important issue that constrains economic development of the country. Therefore, the objectives of this paper are to identify what is opportunity inequality, how to measure its level; prove that spatial inaccessibility of education is an important constraints in economic development of a country; analyze this issue in the case of Kazakhstan; and define potential policies to eliminate spatial accessibility of education in the country. In the literature review part, I analyzed the works of other authors including econometric analysis and methods applied by other authors, while in the methodology part I introduced methods that will be used in this research.

Introduction and Literature Review. The research showed that inequality of opportunities occurs, when there is an inequality due to circumstances out of an individual’s control (Roemer, 1998). According to the literature reviewed, among other factors influencing to opportunity inequality, individual’s education is the most important factor, as education defines the range of opportunities available to a person including the chance to enter to high-income group of population (Roemer, 1998). In this project, I took spatial inaccessibility of high quality education as circumstances that cause inequality of opportunities. The paper assumes that the longer is the distance from a person’s location to high quality education; the lower is the chance to get high education, and in turn, the lower is the opportunity to enter to high-income group and have better living standards.

In the case of Kazakhstan, it is noted that high quality universities are mainly located in Almaty and Astana, where fee of such universities and cost of living is high. As a result, main decision of talented people

from small towns is to lower ambitions and stay in a small town causing deadweight loss of talents; or migrate to developed cities to enhance talents there, which in turn causes congestions costs in big cities as traffic jam, air pollution, etc. This means that individuals from rural areas and low-income regions in Kazakhstan do not have opportunity to get high quality education due to spatial inaccessibility of high-quality education and budget constraints (O'Hara and Gentile, 2009). Therefore, policy makers should define locations with low spatial accessibility to high quality education and introduce policies to eliminate inequality opportunity in getting high quality education due to geographical barriers.

For the purposes of this research, it is planned to conduct econometric analysis of a survey organized by The European Bank for Reconstruction and Development (EBRD) and the World Bank using STATA software in order to test the correlation between variables and to perform tests. The results of the econometric analysis will help to identify major factors influencing likelihood of getting high quality education in Kazakhstan. Then, the paper will analyze demand for and supply of high-quality education in the country. The research will compare allocation of youth in the regions of Kazakhstan to locations of high-quality universities in the country. Additionally, analysis of university fees and average salary of citizens of each region will be conducted to understand opportunity to enter to high quality university of people from different parts of the country. These methods will help to determine whether all citizens have equal spatial access to high education or not. Another method will be organizing interviews with students come from each region of the country. This method will help to understand life conditions and opportunity to enter to high quality university in each region.

Literature Review. Nowadays economists tend to pay more attention to inequality of opportunities claiming that for a country to become a developed economy, the country should ensure that all individuals have equal opportunity to “beings” and “doings” (Roemer, 1998). Before assessing whether there is inequality in opportunities or not in a country, it is necessary to define precisely what inequality of opportunity is and how to measure it. Most of recent literature on defining inequality of opportunity were based on the early work done by Roemer (1998).

According to Roemer (1998) equal-opportunity policy aims to “level the playing field”. The author states that in order to define that there is an equal or unequal opportunity, one should distinguish between individual's effort and external circumstances. If there is an inequality resulted from different level of efforts, the result is fair, as person, applying higher effort, should get higher reward. On the other hand, if two individuals, applying the same level of efforts, get different results due to pre-determined circumstances, the outcome is considered as an unfair one. In this case, a person gets lower result due to some circumstances beyond the individual's control, therefore this inequality should be removed by providing compensation to the person (Roemer, 1998). The author proposes the simplest model to define inequality of opportunity by the following equation:

$$y = f(c; e)$$

Here, desirable outcome of an individual (y) is defined as a function of circumstances out of individual's control (c) and effort (e). Roemer (1998) claims that all observable exogenous factors as parent's education, birth location, place of living, an individual's education, gender and race are included to the term “circumstances”. Effort part is defined residually, as inequality due to effort is mainly unobservable. The author states that in order to assess the level of opportunity inequality, total inequality (I(y)) should be decomposed to inequality due to circumstances (c) and inequality due to efforts (e).

Paolo (2015) agrees with the definition of inequality of opportunity provided by Roemer (1998) and develops the model further by dividing population into types (people affected by circumstances) and quantiles (people applying the same effort). This decomposition helps to define that inequality due to circumstances (IOp) can be measured by inequality between types, while inequality resulted from different efforts (IOe) can

be found by inequality between quantiles. The author interprets inequality based on efforts as reasonable case, while inequality caused by circumstances as inequality of opportunity. The literature modifies the initial equation of inequality of opportunity by dividing person's income by the average income of the quantile (μ^j) and multiplying by the average income of the population:

$$IOp = I \left(\frac{Y_{i,j}}{\mu^j} \mu \right)$$

Such modification of the equation leaves only inequality within quantiles by removing inequality between quantiles that aims in measuring inequality of opportunity due to circumstances beyond control.

In order to measure inequality of opportunities, one should first determine what is included to circumstances beyond an individual's control. Roemer (1998) included to external circumstances parent's education, individual's birth location, place of living, individual's education and other factors. Roemer (1998) states that among other factors influencing to opportunity inequality, individual's education is the most important factor in defining future opportunities. The author sees equality of opportunity in terms of education stating that the same level of educational resources should be provided to all people. He states that education is the important factor to have a good life in the future, as it defines range of opportunities available to a person including the chance to enter to high-income group of population. Milanovic (2015) emphasizes the importance of having high education by population on the economic growth of the country. Based on the conducted research, the author proves that if average years of schooling in a country is increased by one year, it leads to increase of individuals' income by more than 30%. According to Milanovic (2015) increase of citizen's income will lead to higher expenditures/spending by household, which in turn causes increase in income of small and middle businesses. In aggregate, it will lead to enhancement of economic growth of the country.

Dreze & Sen (2013) state that "lack of progress in education and health care limits the freedom that people have to enter and flourish in general manufacturing jobs". The authors claim that in the way of economic and social development of a country, education, knowledge and skills of citizens take a crucial role. As an example of effect of enhancing education of citizens, the authors provide case of Japan. The Fundamental Code of Education, issued in 1872, emphasized a public commitment to ensure that there must be "no community with an illiterate family, nor a family with an illiterate person". The authors claim that the nature and speed of economic and social progress of Japan is mostly resulted from the policies aimed at enhancing citizens' education. Later on, other East Asian countries as South Korea, Taiwan, Singapore, Hong Kong and China also started to concentrate on improving individual's education largely by the state funding. Dreze & Sen (2013) claim that the rapid economic progress of these countries can be largely explained by the achievements of these countries in public education.

As education defines the range of opportunities available to a person including the chance to enter to high-income group of population and chance to have a good life in the future (Roemer, 1998), individuals' opportunity of getting high quality education should be accurately assessed. Turk (2017) analyzes this factor in terms of spatial accessibility between location of an individual and high education. The author states that the longer is the distance to higher education, the lower is the likelihood of enrollment and completion of universities, and in turn, the lower is the chance to get a good job and to enter high-income group of population.

Turk (2017) used survey of individuals, who successfully graduated from high schools in 2007, conducted by THE National Institute for Statistics (ISTAT) in 2011. The main factors taken for the research is place of living before enrolment to university (parental residence) and the location of university enrolled. Distance between these places used to identify spatial accessibility of universities. The survey also includes information about family backgrounds as gender, age, parent's profession and education level of an individual at high school.

Turk (2017) measured spatial accessibility of high education from parent's residence using Hansen-like gravity index:

$$A_i = \sum_j \frac{C_j}{d_{ij}^{-\hat{\beta}} Pop_j}$$

where A_i is the accessibility of universities at location i , C_j is the number of available places offered by university j in a given year, d_{ij} is the distance between i and j , β is distance decay factor, Pop_j is the total population of 19 to 21 years-old in j . In this model, distribution of universities and youth are taken as determinants of accessibility. The important note is that model is applied to Italy, where university programmes are offered in an open access, meaning that number of places offered in university is the only limitation in enrolling to university. Turk (2017) defined regions with low spatial accessibility of high education in Italy. The author finds distribution of 19 to 21 years old youth per region and determines areas with higher concentration of the youth. Based on these results, the research suggests increasing supply of universities in these regions to ensure equal spatial access to high education. Spatial accessibility in the model preferred to be taken as a continuous variable than a dummy variable, as it takes into account preferences of an individual: there might be university in low distance but student may prefer to study in another university, which is far away from parental residence.

Turk (2017) conducted an econometric analysis applying Probit model to assess what are the factors that influence to likelihood of getting high education by an individual. The results of empirical analysis of Turk (2017) shows that level of high school of a student is important factor in enrollment to a university, as the less the quality of high school is, the less the student is prepared to be able to pass entrance test to universities. The result of the research also proves that type of parent's employment also defines the rate of enrollment to university and further choice of future employment by an individual. The author states that if father of an individual is "self-employed" or not educated, probability of completion of university by an individual decreases and likelihood of a child becoming "self-employed" increases. It means that low level of education of an individual might lead to intergenerational circle of poverty, where low level of parent's education lead to a low level of children's education.

According to Turk (2017) the most crucial factor that defines likelihood of an individual in getting high quality education is the spatial distance of a high-quality university along with other financial constraints of a household. It is explained by the fact that if there is no high-quality university in a short distance, the only way to get high education is to move to bigger cities, where such universities are available. As moving to another city is financially costly to a household, individuals, who can afford these costs, decide to get high education by migrating to a bigger city, while households, which are not able to deal with such costs, are forced to stay at small town and do not have opportunity to get high quality education. It suggests that the larger set of universities available from parent's residence increases likelihood and preference of student to pursue academic carrier. These factors as low quality of high school, non-educated parent's, spatial accessibility of high quality education and financial situation of an individual are all circumstances out of an individual control that limits the opportunity of an individual to get high quality education. Increasing availability of high quality high schools and universities would increase preferences of students to pursue academic carrier and increase likelihood of getting high quality education. The author suggests policy makers to define locations with low spatial accessibility of high quality education and introduce policies to eliminate geographical barriers in accessibility of education.

Lack of opportunities in a small town is an important issue that in turn causes other problems in development of small towns, cities and the country. Milanovic (2015) considers the case, when income of an individual depends only on development of the country of living. For example, a person, living in a poor country, cannot increase growth rate of the country alone, no matter how hard he works. Therefore, there is no incentive to work more, as there is no place for development. Person can migrate to another richer country as a solution. It can be also interpreted in terms of cities and education. For example, if there is a small town, where there is no possibility to enhance certain skills or knowledge, local people will have no incentive to develop their abilities. As a result, main decision of a talented person is to lower ambitions and stay in the small town with no opportunities to develop; or migrate to developed cities to enhance their talents there. Milanovic (2015) explains that staying in a town with no opportunities lead to underdevelopment of a person's skills and results in a deadweight loss of talented person, who could enhance skills and lead to economic growth.

Atkinson (2008) discusses issue of out-migration of individuals from rural areas and small towns towards big cities. The author explains that this out-migration is caused by desire to get access to better social services such as schools, health institutions with higher quality, aim to have a chance to get better jobs and other opportunities available in developed cities. Atkinson (2008) also states that mostly middle-class people are prone to such migrations. He claims that as these people are the ones, who are more likely to start small businesses, losing these strata of people inversely effects on economy of towns and rural areas. As a result, it causes such called "brain drain" from towns towards cities, which in turn lead to absence of ambitious people in towns, who could try to develop the town. Atkinson (2008) also defines that such migration leads to congestion costs in big cities as increase of unemployed people, traffic-jams and higher rate of crimes, as mostly cities are not able to handle rapid increase of population.

In the case of Kazakhstan in terms of equality of opportunities and circumstances out of individual's control, it is noted that due to external circumstances, as parent's income inequality, individuals from different regions do not have equal opportunity to get high quality education. O'Hara and Gentile (2009) assessed geographical inequality in Kazakhstan and defined that there is not only inequality of opportunities between urban and rural areas, but there is also inequality between different regions. The authors provide data about average salary in different regions of Kazakhstan in 2012 stating that average income in some regions as Atyrau (1209.89\$), Mangistau (1055.31\$), Astana (994.48\$) and Almaty (901.20\$) is almost three times higher than average income in less developed regions as North Kazakhstan (462.22\$) and Jambyl (484.85\$). Mukhamediyev, Kudasheva and Kunitsa (2017) provide data that 85.8% of poor household and 81.8% of the group "leaving poverty" in Kazakhstan live in rural regions. Taking into account that high quality universities are mainly located in Almaty and Astana, where fee of such universities and cost of living is high, individuals from rural areas and low-income regions do not have opportunity to get high quality education.

Mukhamediyev, Kudasheva and Kunitsa (2015) claim that there is a "vicious circle of poverty" in Kazakhstan that poor cannot get high education due to budget constraints and accessibility of education and as a result cannot enter to high-income group of population. As a result, they stay at small towns and engage in low-income jobs leading to intergenerational poverty and causing underdevelopment of such small towns. Therefore, education inequality affects income inequality, and vice versa. Citizens of small towns, who can afford high costs of studying in big cities, migrate there, causing "brain drain" from small towns and leading to congestion costs in big cities (Atkinson, 2008). Mukhamediyev, Kudasheva and Kunitsa (2017) claim that government should focus on improvement of spatial accessibility of high quality education for all regions of the country and create free access to high quality universities for vulnerable groups.

In conclusion, literature review showed that inequality of opportunities occurs, when there is inequality due to circumstances out of an individual's control (Roemer, 1998). The author states that among other factors influencing to opportunity inequality, individual's education is the most important factor, as education defines

the range of opportunities available to a person including the chance to enter to high-income group of population. Turk (2017) claims that opportunity of individuals to get high quality education should be assessed in terms of spatial accessibility between location of an individual and high education. The author states that the longer is the distance to higher education, the lower is the likelihood of enrollment and completion of universities, and in turn, the lower is the chance to get a good job.

In case of Kazakhstan, taking into account that high quality universities are mainly located in Almaty and Astana, where fee of such universities and cost of living is high, individuals from rural areas and low-income regions do not have opportunity to get high quality education (O'Hara and Gentile, 2009). As a result, main decision of talented people from small towns is to lower ambitions and stay in a small town causing deadweight loss of talents; or migrate to developed cities to enhance talents there, which in turn causes congestions costs in big cities as traffic jam, air pollution, etc. Therefore, policy makers should define locations with low spatial accessibility to high quality education and introduce policies to eliminate inequality opportunity in getting high quality education due to geographical barriers in education accessibility.

In this section, I analyzed works of other authors including econometric analysis and methods applied by other authors, while in the next section I will introduce methods that I will use in this research.

Methodology

The paper focuses on geographical opportunity inequality of education in Kazakhstan aims to show that opportunity inequality in education among different regions of Kazakhstan is an important issue that constrains economic development of the country. Therefore, the previous section explored other authors' works, while this section describes the methods that I will use. For the purposes of this research, it is planned to conduct econometric analysis of a survey conducted by The European Bank for Reconstruction and Development (EBRD) and the World Bank using STATA software in order to test the correlation between variables and to perform tests. Additionally, methods of this paper will include organizing interviews and analyzing demand for and supply of high quality education.

The literature review showed that main factors influencing opportunity of a citizen from Italy to get high quality education include level of high school of a student, type of parent's employment and spatial distance of a high quality university. In this project, I will conduct econometric analysis of households' survey to identify what are the factors that influence likelihood of getting high education by an individual in Kazakhstan. For the purposes of this research, it is planned to conduct econometric analysis of a survey organized by The European Bank for Reconstruction and Development (EBRD) and the World Bank.

The European Bank for Reconstruction and Development (EBRD) and the World Bank have carried out households' survey across the transition region since 2006. This survey is a large-scale and comprehensive survey focusing on beliefs, perceptions and attitudes of individuals and households across the transition region. For this project, I used "Life in Transition Survey III : A decade of measuring transition" (LiTS iii) survey conducted in 2016. It is the third wave of the survey that focuses on respondents' family history, demographic data, asset ownership, labor participation, corruption and other factors.

In this paper, only responses of individuals from Kazakhstan were chosen. I have filtered out and dropped all other countries manually using Microsoft Excel software. Therefore, this dataset includes 1160 observations of Kazakhstani citizens from LiTS iii survey conducted in 2016. The dataset will be downloaded to STATA software in order to test the correlation between variables and to perform tests.

Data Description:

Number of observations: 1160 (Kazakhstani citizens)

Country	Country
PSU_name	Location (city/village)
Region_name	Region
Dlcn	Urbanity status - Dummy variable (1 if urban, 0 if rural)
Dgender	Gender - Dummy variable (1 if Male, 0 if Female)
Age_pr	Age
MaritSt	Marital status
EDCN	Education level - Dummy variable (1 if high education, 0 otherwise)
FEDCN	Father's years of education
MEDCN	Mother's years of education
FWORK	Father's profession
MWORK	Mother's profession
NMInc	Net monthly income
HHSIZE	Household size
DBLCN	Birth location - Dummy variable (1 if urban, 0 if rural)
DSLNCN	School location - Dummy variable (1 if urban, 0 if rural)

As this paper focuses on determining factors that influence to education level of an individual, for the econometric analysis, as dependent variable I chose education level of an individual. The dependent variable will be a dummy variable, where 1 is if individual has high education, 0 is otherwise. $Y=0$ or $Y=1$, where Y is whether an individual has a high education or not, meaning that the outcome (response) variable is binary (0/1). Therefore, in this study Probit regression is used to model binary outcome variables in order to predict the probability of an individual having high education. Independent variables are numeric, categorical and dummy variables. Based on the literature review of the previous section and theoretical background, number of independent variables such as household size (hhsiz), age (age), fedcn (father's years of education), medcn (mother's years of education), fwork (father's profession), mwork (mother's profession) and net monthly income (NMI) will be selected.

Age of an individual, parent's years of education, net monthly income are assumed to have positive correlation to education level of an individual, while household size is assumed to have a negative correlation with the dependent variable. Additionally, it is assumed that if gender is male, urbanity status, birth location and school location are urban, the probability of having high education of an individual will increase.

In addition to econometric analysis, this paper will analyze demand for and supply of high-quality education. First, I will get ranked list of Kazakhstani universities and assess distribution of these universities within Kazakhstan. Based on these results, I will define distribution of high quality education supply in the country. Then, I will analyse distribution of 16 to 21 years old youth per region in Kazakhstan and determine areas with higher concentration of the youth to determine demand for high quality education. Then, the paper will assess supply and demand of high education by analysing distribution of high-quality universities and youth within the country to determine whether all citizens have equal spatial access to high education. Based

on the results of this analysis, the paper will propose possible solutions of spatial inaccessibility of high education within the country.

Additionally, I will conduct interview with students from different regions studying in universities in Almaty and Astana to identify situation in their home region. It is assumed that students, who have studied in small towns during school years and are studying in universities in big cities, will have useful experience on assessing difference of life conditions between small towns and big cities. At the same time, these students will have personal knowledge and experience to assess opportunity of a person from small town to enter to high quality education in big cities. For such interview, one student from each region of the country will be selected, so that the research covers whole country. Interview will focus on information about reasons of getting/not getting desired high education, difficulties and constraints that a person had in getting high quality education, university that individual dreamed to enrol and university that individual enrolled/will enrol, etc. This method will be useful to compensate limitations of not being able to go to each region to interview people.

This section provided information about methods that will be used to determine opportunity inequality of education in Kazakhstan. For the purposes of this research, it is planned to use three methods. First method will be conducting an econometric analysis of a survey organized by The European Bank for Reconstruction and Development (EBRD) and the World Bank using STATA software in order to test the correlation between variables and to perform tests. This econometric analysis will help to identify major factors influencing likelihood of getting high quality education in Kazakhstan. Second method will be conducting research by getting the distribution of high quality universities and 16 to 21 years old youth within the country. Then, the paper will assess supply and demand of high education by analysing distribution of high quality universities and youth within the country to determine whether all citizens have equal spatial access to high education or not. Another method will be organizing interviews with students come from each region of the country. This method will help to understand life conditions and opportunity to enter to high quality university in each region.

Conclusion

The topic of this research is opportunity inequalities and the research question is “How to decrease geographical opportunity inequality of education in Kazakhstan?” By this research, I want to show that opportunity inequality in education among different regions of Kazakhstan is an important issue that constrains economic development of the country. In the literature review part, I analyzed works of other authors including econometric analysis and methods applied by other authors, while in the methodology part I introduced methods that will be used in this research.

Literature review showed that inequality of opportunities occurs, when there is inequality due to circumstances out of an individual’s control (Roemer, 1998). The author states that among other factors influencing to opportunity inequality, individual’s education is the most important factor, as education defines the range of opportunities available to a person including the chance to enter to high-income group of population. Turk (2017) claims that opportunity of individuals to get high quality education should be assessed in terms of spatial accessibility between location of an individual and high education. The author states that the longer is the distance to higher education, the lower is the likelihood of enrollment and completion of universities, and in turn, the lower is the chance to get a good job.

In case of Kazakhstan, taking into account that high quality universities are mainly located in Almaty and Astana, where fee of such universities and cost of living is high, individuals from rural areas and low-income regions do not have opportunity to get high quality education (O’Hara and Gentile, 2009). As a result, main decision of talented people from small towns is to lower ambitions and stay in a small town causing deadweight loss of talents; or migrate to developed cities to enhance talents there, which in turn causes congestions costs in big cities as traffic jam, air pollution, etc. Therefore, policy makers should define locations

with low spatial accessibility to high quality education and introduce policies to eliminate inequality opportunity in getting high quality education due to geographical barriers in education accessibility.

For the purposes of this research, it is planned to conduct econometric analysis of a survey organized by The European Bank for Reconstruction and Development (EBRD) and the World Bank using STATA software in order to test the correlation between variables and to perform tests. The results of the econometric analysis will help to identify major factors influencing likelihood of getting high quality education in Kazakhstan. Additionally, methods of this paper will include organizing interviews and analyzing demand for and supply of high quality education. These methods will help to understand life conditions and opportunity to enter to high quality university in each region and to determine whether all citizens have equal spatial access to high education or not.

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“It’s not all about National Identity. Qualified Kazakhstani Migrants Questioning their Belonging and Constructing their Selves”

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Abstract. This paper addresses youth migration from Kazakhstan to Germany and particularly focuses on how transnational youngsters articulate the notions of “home” and “motherland” as well as on how they define their own identity. It was striking to observe that some of them face an identity crisis abroad while others ended up describing themselves as complex multi-layered selves. They categorically refused to be framed in homogenizing ethno-national terms. One of the most surprising results was to discover their quite strong attachment to a Soviet belonging, although they grew up and socialized in a post-independence reality and under the influence of nation-building (youth) politics. The paper presents preliminary insights connecting identity studies, migration studies and youth studies, picturing contemporary generations trying to navigate between their national or local Self, their global Self and their own Self.

Keywords: youth migration, national identity, belonging, home

1. Introduction and problem statement

The collapse of the Soviet Union and the formation of new independent states sparked a worldwide interest and caused a burst of research on ethno-national disputes, historical legacy and political processes in the previously neglected republics at the margins of the Soviet colossus. Since Rogers Brubaker (1995, 2011) characterized the new regimes as “nationalizing states”, there has been a growing interest in academia for Central Asian republics and, more particularly, the creation of “national mythology” and “politics of signification” (Akiner 1997, Smith et al. 1998, Cummings 2009, Fierman 2009).

By the end of the 2000s, further generations of scholars have gone deeper, further conceptualized these first and often resembling analyses and supplied them with empirical data. One of the distinguished academics of the field of nationalism and nation-building in Central Asia, Marlène Laruelle (2016, 2019), practically created her school of disciples within Central Asian Program at the G. Washington University. Finally, some potent local voices started to be heard, like those of Diana Kudaibergenova and Dina Sharipova. The former questions traditionality and presents alternative visions on national idea in Kazakhstan providing empirical data from literature, art and social media (Kudaibergenova 2016, 2019). Sharipova’s recent research (2018, 2019) is focused on informal institutions, state-society relations and youth related politics.

Taking off the hat to the efforts of these outstanding female scholars, we should also be aware that academic interest is still widely limited to the political science and questions of national identity, nationalism and nation-building (e.g. Aitymbetov et al. 2015). For Douglas Blum (2016, p. 219), “national identity has long since become a blanket term and default focus of research, despite the fact that it operates at a very high level of abstraction and social organization”. Rico Isaacs and Abel Polese (2015, p. 371) called it “statist and top-down approach”. Kristofer Rees and Aziz Burkhanov (2018) reacted and recently presented, “an ethnography of nation-building” based on the collected opinions of ordinary people. They show the “always complicated relationship between national-level meaning formation and local-level processes”. Unfortunately, this kind of studies is still rare in Kazakhstan.

Despite the fact that we live in and interact with an increasingly globalized world, few research projects on identity in the post-Soviet academia conceptualize it beyond national and ethnic terms. In the post-Soviet

countries and in Kazakhstan, in particular, the “nationalizing” and homogenizing understanding still prevails over conceptualizations of multi-faceted and hybrid identities.

Douglas Blum (2016) stresses the need to continue studying existing tensions between national and transnational cultural processes. In his book about return migration of young people from the United States of America to Kazakhstan, he underlines the relation between identity and reflexivity, trying to understand how structural, social and individual factors influence cultural change and (re)production in a context of globalization.

Following the mentioned academic initiatives, with the aim to broaden the scope and include the voices of those young people who left their country, I state the following research questions for the current research paper:

RQ 1. How do young qualified migrants from Kazakhstan articulate the notion of Home?

RQ 2. How do they articulate the notion of Motherland?

RQ 3. In which terms do they define themselves and how do they understand their identity(ies)?

2. Methodology

This paper forms part of a larger PhD project on the transformation of identity of migrating youth. It builds up on qualitative research, especially ethnographic methods, to formulate grounded theoretical statements. The analysis rests on a range of in-depth face-to-face interviews with young people born and raised in Kazakhstan who went to Germany in the context of academic mobility and later stayed there to work and live. The interviewees are from 25 to 30 years old, originate from big cities (Almaty, Astana – Nur-Sultan, Karaganda), and mainly define themselves as Russian language speakers (they use this language for everyday and family communication) or in some cases bilingual (Kazakh and Russian). Each interview was conducted in Russian, lasted between 1.5 and 2 hours and comprised approximately 70 open-ended questions.

In this paper, I provide preliminary findings derived from the bloc of questions dedicated to three core concepts: Home, Motherland and Identity in a wide perspective. The participants have been living in different German cities and towns for three to eight years and at the moment of the interview their lives were settled in Berlin. It is important to mention that migration was not their initial aim: they came to study in the first place, and the choice of the country was conditioned by their quite good/very good language command and the possibility to study for free/receive a grant. Higher education in Germany was considered as an investment into their future, usually they received financial support during the first one-two years, then found work in Germany and are now even sending remittances back to Kazakhstan.

3. Preliminary findings and discussion

As stated before, for this research paper I narrowed the scope towards three core concepts and analyzed how the interviewees perceive the notions of Home and Motherland, and how they articulate their own Identity.

First, I would like to highlight that almost all respondents clearly differentiate the sense they attribute to home (*dom*) and to motherland (*rodina*).

Regarding the notion of home, I would group respondents’ perceptions around three main ideas:

- *the place where one currently lives/stays/sleeps or where his or her clothes and personal belongings are;*

In this case, we can observe probably more precise awareness of oneself, his/her separation from the parental nest and the ability to understand that one day there should be one's own home. At the same time, it can be interpreted as a recognition of homelessness in a strict "physical", absolute sense of home as "house" and of their "nomadism" ("I see myself as a modern nomad, let's say").

- *the place where one's family or partner lives;*

In this case, the speaker accentuated the close ties to a beloved person or parents and siblings. Home is perceived as a place where you feel good, comfortable, supported or where you feel being yourself.

- *the place where one was born and grew up;*

Interestingly, in this narrative the affection was expressed towards rather concrete and localized place that awake childhood memories and make them feel nostalgic. In some cases, the native town, with an emphasis "that of my childhood", but more frequently the speaker referred towards smaller entity, e.g. a district or a flat.

In each case, it took some time for the interviewee to identify "home". They were hesitating because they were conscious that, after the migration experience, they found it particularly difficult to feel attached to a single place or to a concrete place. Many of them clearly stated their "in-betweenness" (Baas, 2013), a feeling of attachment to both places, from where they came and where they are now established. In some cases, the speakers declared their "homelessness" or, to be more exact, inability to define where their home is ("I *already* don't know"), as they already do not feel home "there" and still do not feel home "here".

Anyway, they had all been reflecting on it before, and they were conscious that in some moment of their lives "the home" shifted. Although for most of them it was a difficult question with no exact answer, they were particularly enthusiastic about it, reacted very emotionally and recognized that thinking about that was something very deep and touching inside, something very important as well as controversial.

Summing up, I can conclude that the observation of how Kazakhstani migrating youngsters reflect and formulate their thoughts on what is now home for them, reflects a complex process of their interaction and negotiation between traditional, modern and "svoi" (their own, related to their maturing selves) (Yurchak, 2014).

My questions on motherland also caused some controversies and doubts, though the reaction was not as warm as for the home-concept. In a couple of cases, I noted that speakers became tense, suspecting that these questions can have certain political connotations. They were cautious in their answers or stated that it was not an easy question. They often tried to avoid or directly reject the very notion ("There is no such concept in my head") and/or expressed a certain inconvenience with "big categories", declamatory meanings and the notion of debt attached to the motherland.

This may be explained by previous experiences or discourses that subconsciously remind them that those who left the country could be associated with traitors. That's why, I guess, they avoided to name Kazakhstan or said that it only could "partly" be considered their motherland, as it seemed too general/too big and not so close to them. However, that does not mean that the interviewees were indifferent towards Kazakhstan, its social and political realities. On the contrary, they were following the news from Kazakhstan and were preoccupied about it (some of the interview were undertaken in early summer of 2019 just after the political transition and civic response to it). Some of them were even dedicating their time and efforts to writing about Kazakhstan and Central Asia, organizing cultural events, taking part in civic activities while living in Germany. In some cases, their rejection of the idea of motherland may have expressed their disagreement regarding what is officially considered to be a patriot and to serve to your motherland, and a desire to stay apart from this official patriotism.

In some cases, they referred to their native towns as to their motherlands. In other cases, after some hesitation and trying to find an adequate answer, they stated that paradoxically it was probably still the Soviet Union, a place they could associate with a motherland (“Because technically I was born there”, “Because my parents were Soviet”). One female speaker mentioned: “The Soviet Union was my motherland and it disappeared”. Another young woman confusedly concluded after reflecting on her different ethno-cultural loyalties: “So, the most probable thing is that I just... don’t have *rodina*”.

Analyzing these answers, we have to take into account that many speakers were born in interethnic marriages and it could be even logical that they cannot define themselves in a simple way or feel weird naming motherland those places outside Kazakhstan where their relatives live. However, I consider this logic rather simplistic and legitimizing certain policies. These interviewees were absolutely conscious of the fact that if they had moved to Ukraine, Tatarstan or other parts of Russia, these places would not have become their motherlands either as they would not be recognized there as “normal” Russians. In addition, one of them said: “I cannot *completely* agree that Kazakhstan is my motherland because some Kazakhs do not think that it could be motherland for Russians. In general, I was lucky with people, but there were some echoes/repercussions (*otgoloski*) and I never could feel completely relaxed”.

The connection to the Russian language and its cultural products was stated frequently. Therefore, some of my informants recognized that they feel a certain solidarity with people from practically all post-Soviet countries where Russian language is still used and some of them defined this “space”, as far as I could perceive, as something close to the motherland in a wide sense.

As for the questions concerning their identity, there was practically a unanimous rejection to define themselves in ethno-national terms. Some declared that it was not important at all, for others that it was not their overriding identification, and others would never define themselves in ethnic terms if asked. I may assume that in some cases it could be a kind of counter-narrative to the everyday practices of asking them “Where are you from?” and related questions, quite stereotypical, sometimes just ignorant or racialized comments in the place where they currently live. In other cases, it can be something brought over from Kazakhstan, where, in case of their complex identities they felt like they were not fitting sometimes rather homogenizing or vaguely defined statements of Kazakhness/Kazakhstanness.

Many of them recognized to have this internal crisis of identity and questioning their own, who they are. There were some speakers, who, as it looks, coped with it and learnt to define themselves in complex and hybrid terms, being conscious of the variety of possible identifications, social roles and of their more or less mature Self. Multiculturalism, transnationality, in-betweenness, hybridity, juxtaposition, complexity was stated in this or that form in practically each interview. It is likely that many of them were already somehow “prepared” and “internationalized” selves before their mobility, but their migration experience served as a trigger for their self-definition. Those difficulties they faced during the process of adaptation, still ongoing process of integration and lived crises of identity pushed them to question and reformulate some of their thoughts and articulate themselves. In general, I observed one of the two phases of articulation of one’s identity(ies) that could be recapitulated as follows:

- I do not know who I am and I constantly ask myself;
- I know who I am: Me means Me in its complexity/many layers.

This also reflects a strong demand to continue cross-disciplinary research on identity shifts as well as on identity persistence as, in the words of Douglas Blum (2016, p. 223), “explaining cultural and identity change requires exploring more fully the linkages between individual psychology, group psychology, social dynamics and cultural context”.

4. Concluding remarks

Having analyzed eight in-depth interviews with young qualified migrants from Kazakhstan in Germany, I suggest that the collected data provides us with a very rich, quite solid and offbeat material. Of course, the sampling should be broadened; however, some of the results seem to be reflecting a reality shared by all interviewed youngsters.

I would emphasize that studying migrating youth not only contributes to such fields as migration, globalization and youth studies. It can also provide curious insights into the question of identity not least because young people question who they are in the process of becoming adult and, due to their mobility, this experience acquisition is conditioned by a change of socio-cultural environment. Moreover, this case could be an opportunity to test nation-building process and to observe the outcomes of national policies in a globalized world from the bottom-up perspective. It is very important to consider that identity formation is not only “structurally conditioned”, but also “creative” (Blum 2016, p. 219) and highly influenced by a human factor.

Eventually, the strong connections to the Soviet/post-Soviet space expressed by clearly post-independence qualified and critical minded youngsters with western international experience can have a range of practical applications and open new questions that need further scholar attention:

- realize a critical overview of national and specifically language policy in Kazakhstan with a particular attention to the quality of Kazakh language teaching;
- realize a critical assessment of the “nationalizing” policy in Kazakhstan;
- to what degree does the family and social background of respondents influence their migration experience;
- whether their self-understanding as Russophoneness/Sovietness was strengthened in response to their difficulty to integrate into German society and a certain “diasporization” of their close contacts;
- study the feeling of belonging to a “Soviet” reality that seems to be more alive than expected among those who did not live in the USSR and supposedly are a “product of national(izing) politics”.

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“Performance of small and medium businesses: role of public policy”

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Abstract. The process of formation and development of small and medium business in Kazakhstan still does not fully use the whole potential and benefits of these forms of production organization. It should be noted that the establishment and development of small and medium business in Kazakhstan takes place in a complicated and is conducted not always favorable conditions of transition into a market economy. Consequently, here is the need of balance the interests of the state and business, optimum business environment in order to enhance the competitiveness of small and medium-sized businesses in order to improve and develop economic.

Importance of the research

Problems referred to increasing the complete of economy strongly associated with improvement of organizational and economic mechanisms and forms of system functionality within national economy. In this term, the development of small and medium business has important role, which is major factor of economic and innovative development in world economy. Small and medium business mobilizes production and financial resources of business entity and society, also promotes diversity within the sectors of economy, solves unemployment problems and other social issues in market economies. Professor from the Harvard Business School professor Michael Porter claimed that today there is the tendency - companies were promoting philosophy of making impact on the social life of the country not just earn money as much as it is possible. Also he admitted that this direction could be the serious support and development within the negotiations of government and businesses and lead to the progress and be beneficial for both sides. (Porter, 2008)

Development of small and medium business is more rapidly going in other foreign countries and they earned advanced experience and practices. This knowledge of small and medium business in foreign states shows us, that this current subject of economy relationships plays an important role in state economy, which promotes increasing the competitiveness, implementing new technologies and improvement of economy and social effectiveness of production. According to Reagan Hales she found out that corporate businesses is like a foundation of the economic stability in a community. There are several reasons to claim it, she said that big businesses provide large numbers of job places which lead to increase of income small business depend on. And, in the same time corporate businesses has storing link with goods and services small businesses provide their employees. All in all, there is kind of circle that both require for their existence. (Reagan Hales, 2016)

The process of formation and development of small and medium business in Kazakhstan still does not fully use the whole potential and benefits of these forms of production organization. It should be noted that the establishment and development of small and medium business in Kazakhstan takes place in a complicated and is conducted not always favorable conditions of transition into a market economy. Consequently, here is the need of balance the interests of the state and business, optimum business environment in order to enhance the competitiveness of small and medium-sized businesses in order to improve and develop economic.

The importance of the results of this study, increases in the implementation of the Strategy of entering one of the thirty most developed countries in the world. Strategy of forced industrial-innovative development of Kazakhstan for 2010-2014, the concept of innovation development of Kazakhstan till 2020, the message the President of Kazakhstan "Kazakhstan's way in 2050": A single goal, common interests, common future.

Speaking about this strategy, its main aim is to increase the common wealth of society on the basis of a strong and competitive country on the world economy rank, Kazakhstan should have developed economy and give ability to provide with job places to its citizens and be among 30 developed countries in the world. In order to achieve those aims, the Strategy “Kazakhstan 2050” has 7 long-term projects. There are

1. The economic policy of the new direction - a comprehensive economic pragmatism based on the principles of profitability, return on investment and competitiveness.
2. Wide-ranging support for entrepreneurship - the key force of the national economy.
3. Fresh principles of social policy – sustainability and personal responsibility.
4. Knowledge, education and professional skills are key standards of the modern system of education, training and retraining of personnel.
5. Additional consolidation of statehood and development of democracy.
6. Reliable and forecasting foreign policy - promoting national interests and strengthening regional and global security.
7. Brand new Kazakhstani patriotism is the basis of the success of our multi-ethnic and multi-religious society

And in order to develop small and medium sized businesses in 2012 it was decided to be found JSC "Entrepreneurship Development Fund Damu", which is the governmental agency to divide the National fund's money to invest to small and medium businesses through banks of second level. Fund in support of SMEs, managers and specialists in the organization and improving the activities of small and medium-sized businesses. This fund created several governmental programs one of the “Business road map 2020”, which included the allocation of investments by subsidizing and guarantee instead of pledge; and also, one of the key points was to educate future entrepreneurial. This point is to be referred to only new start up businessmen, because they could have only basic education of leading and heading the business in the terms of business management and political/tax frameworks. The specialists of DAMU could even help to create investment plan, could advise whether the potential business is perspective according to the development of economy of the state. As DAMU divided money within banks, the banks decided to finance or not to finance business projects. Managers collect all financial statements and documents, then the project is analyzed and showed on the Credit Committee. The Head of Credit Committee decided to finance or reject the project. Actual the main criteria is the profitability of the business. Because Banks also take risks of return of investments in case of unsuccessful performance of businesses which receive loans.

An important tool in the implementation of economic policy is the rational use of methods of state support of small and medium-sized businesses. The need for public support is due to the solution of problems in order to achieve a high level of economic development, the stabilization of production, formation of an effective structure of the economy. Therefore, it is necessary to research the state support of small and medium-sized businesses under the industrial-innovative development of the economy of Kazakhstan considering its features. Hence, the relevance of the research topic due to the increasing role of the state support of small and medium-sized businesses.

Also, in introduction the author would like to observe the current situation on the small and medium sized business market. While analyzing the economic situation author looked up the statistical data, and it was rather positive. According to the Statistical agency in 2017 the amount of actual entrepreneurial was increased by 3,6% vs 2016. Thus, helped to increase the level of employment by 2,8% comparing the same period. And

the significant point here was that the production level was enlarged by 28,5%. (stat.kz/statement_ministry_of_economy)

Based on annual report of Ministry of Economy there was made huge impact from the state in order to develop small and medium size businesses. According to the results of the program Business Road map 2020 in 2017 it was invested nearly 10 billion tenge in order to support and develop small and medium sized businesses. And 172 projects of business for 967 million tenge and trained 15 thousand unemployed and self-employed population, of which over 3,300 start-ups were financed. Also it should be noted that, taking into account additional funds allocated by local regional executive bodies, the microcredit portfolio already amounted to KZT 14.2 billion. (stat.kz)

The aim of the thesis is to study proposals to improve the mechanism of state support for small and medium-sized businesses, enhance competitiveness of the economy. The purpose and logic of the study led into the formulation and subsequent solution of the following main objectives:

- research the theoretical foundations of business and methods of state support to the small and medium-sized businesses;
- investigate international experience of state support for small and medium-sized businesses;
- make an analysis of the current state situation and tendencies of development of small and medium-sized businesses;
- study of national experience of state support for small and medium-sized businesses;
- identify the main ways to improve the state support of small and medium business in Kazakhstan.

The object of research is the process of state support for small and medium businesses. The subject of the study is organizational and economic relations appearing in the process of using the tools and methods of state support of small and medium-sized businesses.

During the research following points should be examined:

1. Review the new paradigmatic foundation of governmental support for small and medium businesses.
2. To analyze the main worldwide trends of state support of the small and medium businesses:
 - Aggressive defense of the interests and promotion of small and medium-sized businesses;
 - To encourage and support innovative small and medium-sized enterprises.
3. Identify the systematic reasons of the imperfection of scientific bases and low efficiency of the governmental support of small and medium-sized businesses, to establish specific features of the state support for small and medium businesses
4. To establish that state support for small and medium businesses can be efficient, if the object of support will be considered differentiation of SMEs considering the regional peculiarities of their development.
 - to suggest tools and methods to stimulate the activity of small and medium-sized businesses;
 - to identify the ways to improve the system of financing the investment projects of SMEs taking into account the regional and functional characteristics of the business.

The results of the current research could be used in the process of improvement of the work of SMEs, improving the activities of small and medium business in Kazakhstan.

Particular results of the examination might generate interest to specialists of the Ministry of National Economy of Kazakhstan while preparing drafts of legislation, the prospective assessment of the prospects for development of small and medium-sized enterprises,

The results of a research on the program "Business Road Map - 2020" and the activities of JSC «Delta Bank» to support small and medium business in Kazakhstan might be used as a methodological basis for the development of government programs, commercial banks and other financial and credit institutions in the investment support small and medium-sized businesses.

Research questions #1:

What is the performance of small and medium sized businesses in Kazakhstan with the help of Government?

There is a straight link between the development of small and medium business and socio-economic situation in country. Development of small and medium businesses is supposed to consider not only as the process of formation of the competitive advantages of business entities, but also in the context of the modernization of social problems, especially in the agricultural sector. Therefore, the main goal of state support should not only be the creation of competitive SMEs, but also the creation of workplaces and other social conditions

Suitability of Researcher for the Research

A researcher has 3 years of experience in banking sphere. Also has a bachelor's degree in financial management. Currently she is working as Brand Manager – in international company Researcher had worked in two banks: Bank Center Credit and Delta Bank, as credit manager in the department of small and medium businesses.

Research Methodology. The proposal is written on descriptive form. Involving the theory of mix economy on the current situation in small and medium sized businesses. The theoretical basis of the study constitute the fundamental works of leading Kazakh and foreign experts, dedicated to the problems of state support for small and medium businesses. Also it was examined several studies in different countries which showed of developing small and medium businesses with the help of government. Information base of research presented by the legislative and regulatory, methodological and information-analytical materials, including:

- laws and regulations, government programs and other normative documents of the Republic of Kazakhstan on issues of regulation of the activity of small and medium-sized businesses;
- data of the Agency on Statistics of JSC "Entrepreneurship Development Fund" Damu ", and other industry-specific databases; Kazakh foreign materials and printing, scientific and practical conferences and forums, journals and electronic sources on the Internet;
- international experience of state regulation and support of small and medium-sized businesses;
- data from surveys dedicated to the study of small and medium-sized businesses in Kazakhstan.

Chronological scope of the study - the end of the 90s. XX century. -beginning of XXI century. - Can focus on the main stages of development of small and medium-sized businesses in Kazakhstan and reached the level of its development, as well as to analyze the latest trends of the state policy of support to identify the prospects of development of small and medium business in the medium term.

Delivered in research problems are solved on the basis of scientific methods: comparative, logical, complex analysis. The work will be based on the use of methods of social forecasting, modeling, software-oriented approach, economic and statistical analysis.

Among the methods for obtaining primary social information will be used as a quantitative (included "stimulating" the observation, analysis of documents, questionnaire) and qualitative methods of sociological analysis (case studies, individual in-depth interviews, "focus groups" content analysis, expert interview.

Technique data collection and analysis is based in a complex of four modern methods of "drizzling rain" (continuous accumulation and regular analysis of information), "The Storm" (a massive search for information across all channels when there is doubt), "cell" (in-depth study of the sources of the most important information), "path" (the creation of various hypotheses and test them). The study will also be used in a large array of data accumulated by the author during her work in the banking system.

Data Collection, Editing and Coding. Data collection and analysis of information, such as statistics, indicators of second-tier banks of Kazakhstan, the data for the implementation of Government programs are placed in the public domain: the official site of the National Bank of the Republic of Kazakhstan, the site of the Agency for Statistics of the Republic of Kazakhstan, the site of JSC SEDF «DAMU» (small Entrepreneurship Development Fund "Damu"). The sample will involve 36 second-tier banks of the Republic of Kazakhstan, participating and not participating in government programs to support SMEs.

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LAW SCHOOL

“Special Residence Permit For Entrepreneurs And Investors”

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Abstract. Developing states and states of the third world, nowadays, searching for both money and individuals which will help to improve the engine of the economical growth. At the first place, of course, they need investment in their industry, business and scientific-technological spheres, for instance, Kazakhstan tries to create prosperous conditions for foreign companies and individuals. Many schools and universities, as well as scientific institutions invite foreign high educated professional individuals; individual entrepreneurs, participants of small, medium and large businesses, attract foreign investments to make their position better and enter international commercial arena, as well as some international companies and legal entities of foreign developed states intend to open legal entities here, in Kazakhstan and to cooperate with the legal entities which are residences of the Republic of Kazakhstan (hereinafter – KZ). That is why this is crucial topic which needs investigation. This thesis is aimed at opening the importance and usefulness of the special residence permit for foreign entrepreneurs and investors and its advantages, the improvement of current law of the Republic of Kazakhstan, basing on the most developed states’ practice, avoiding some kind of shortcomings and consequences which may lead to the displeasure of residences of the state. In the modern world, globalization, despite the fact of the internal economic protection, is the thing which is developing really fast and many businessmen (entrepreneurs and investors) want not only to sponsor the foreign companies, but also to create them and to run their business in other states (probably, with more appropriate conditions). This also concerns the Republic of Kazakhstan in improving the service and manufacturing sectors. The Special Residence Permit will allow the country to attract the most successful people from around the world and develop those sectors in governmental level and influence on the private business sectors’ development.

CHAPTER I WHAT IS THE RESIDENCE PERMIT IN GENERAL AND WHAT FOR WE NEED SPECIAL RESIDENCE PERMIT

1.1. What is the Residence Permit?

Residence permit – a document for permanent residence in the Republic of Kazakhstan, which is given for foreign citizens and stateless persons. In some countries it can be used as the identification tool of the person instead of the passport⁵.

As the rule, residence permit is the document which gives its holder to drive in or out of the country without restraint where the residence permit is given (during the period of time of its validity)⁶. In some states, the residence permit is not enough to freely enter or leave the borders and need additional visas for entrance into the state, however, the Republic of Kazakhstan is not one of those countries.

Some countries can allow for famous or prosperous people to get their residence permit in easy way without the right to work (even though they can hold this right when they receive the working visa). Gradually, this scheme is developing and new designed residence permit types are appearing.

The next step after the residence permit is the permanent residence permit, and then, basing on it, the citizenship. Each country has its own regulations in this process of receiving of the documents. Nevertheless,

⁵ Electronic Government (22 April 2019), How to get the Residence Permit, Retrieved from https://egov.kz/cms/ru/articles/for_foreigners/vid_na_jitelstvo, accessed in 20 November 2019.

⁶ Wikipedia (23 November 2019), Residence Permit, Retrieved from https://ru.wikipedia.org/wiki/%D0%92%D0%B8%D0%B4_%D0%BD%D0%B0_%D0%B6%D0%B8%D1%82%D0%B5%D0%BB%D1%8C%D1%81%D1%82%D0%B2%D0%BE, accessed in 23 November 2019.

the topic is the special residence permit, and in addition, it will cover foreign entrepreneurs and investors, who can be not interested in receiving the citizenship of The Republic of Kazakhstan (perhaps they would think about this opportunity if The Republic had the dual citizenship system).

1.2. Advantages of the creation of special residence permit

First of all, The Republic of Kazakhstan is aimed to be engaged in the number of developed countries and to improve its manufacturing sector, at the same time, getting rid of the stigma of the supplier and earner of raw products⁷.

Secondly, it is trying to create comfortable environment for the investors and businessmen, to convince them to invest their money to our production and services sectors, simultaneously opening businesses, companies in The Republic of Kazakhstan.

Comfortable means easy to get into the country and freely travel within by getting the same rights the citizens have and to contact and work with appropriate authority organs without enormous paper work and submitting additional documents which are not necessary for ordinary citizens.

The special residence permit will give those rights and will include all necessary information in the chip card; consequently, all documents necessary to conduct businesses in the territory of Kazakhstan will be saved in the chip.

It will also give a lot of opportunities which are described in next sections of the thesis.

1.3. What sort of companies foreigners prefer to create?

Foreign citizens have the right to create Limited Liability Partnerships and Joint Stock Companies in Kazakhstan with a single participant, or with several participants (in which the memorandum of association is concluded) and to engage in commercial activities. They are not allowed to participate in entrepreneur activities without a creation of a legal entity⁸. In this case, foreign individuals or legal entities can manage the company: 1) being in their own country, without crossing the borders of the Republic; 2) Temporary trips to the territory of Kazakhstan to resolve certain issues, requesting permission from the migration services, thereby applying for visas to cross borders; 3) receiving a residence permit (hereinafter referred to as a residence permit) to increase its powers.

1.4. The creation of the company in a distance with electronic devices and its affection to the acceptance of the application for Special Residence Permit

It is good idea to use the practice of Estonia which created E-Residency which allows a person in electronic way to establish a company in Estonia, not actually being there and serve citizens from other states through the company. E-Residency of Kazakhstan would be the same - a digital identity and status, which is issued by the government through smart ID card with special chip that allows entrepreneurs to enter the digital business environment of Kazakhstan. This regime would allow entrepreneurs to establish a company in Kazakhstan, which would run by a man from country A to serve clients from country B. This system would really comfortable for foreign users as it permits to apply for a digital residency even if the entrepreneur is not actually in Kazakhstan. It is seen, that it is directed to create worldwide virtual business environment without borders to work through many countries online not passing through the countries' border.

Through the card a person gets the access to private and public sectors' services, be presented in EAEZ and perhaps in EU market, access to international payment providers and bank accounts, encrypt files, sign documents distantly. Furthermore, it gives opportunity to sign all documents, contracts, tax return papers online

⁷ Nazarbaev, N.A. (17 January 2014), Послание Главы государства Нурсултана Назарбаева народу Казахстана, Retrieved from

http://www.akorda.kz/ru/special/speeches/internal_political_affairs/in_speeches_and_addresses/poslanie-glavy-gosudarstva-nursultana-nazarbaeva-narodu-kazahstana, accessed in 17 October 2019.

⁸ "About the legal status of foreigners" Law of the Republic of Kazakhstan, section II, article 6, 19 June 1995.

without going to the particular state or having the original, paper based document as well as receiving payments and doing services online without appointing an employee or executive director to do so.

According to the receiving policy of the card is to fill the online application. It is need to send documents such as a copy of entrepreneurs' citizen ID, digital photo and motivation statement (fingerprint also needed, but will be given in special organs such as embassies) and after paying state fee, it is possible to send the application⁹¹⁰. After authorized organs' checking, the entrepreneur will be notified about the final decision. If there is confirmation letter, it is possible to get the e-Residence card from any embassies and consulates of Kazakhstan.

Unfortunately, it has not physical appearance, so it cannot be used as the card-allowing passing through borders, to hold Residence Permit status or even temporary residence to live or be in Kazakhstan and in other EAEZ states. It does not give free moving in Estonia¹¹ as well as other civil rights.

But, as I think, there are a lot of advantages which will affect the business environment and develop it in the future by facilitating the performance of activities by businessmen and investors.

CONCLUSION

The project is aimed at attracting foreign entrepreneurs and investors in Kazakhstan, working in the manufacturing sector and providing services, thereby in the future increasing of the production potentiality of the country, as well as multiplying job places for the citizens of the Republic of Kazakhstan, including their mastering new skills and advanced production technologies. .

The purpose of the article is the need to draw attention to this issue from the Legislature and the Government of the Republic of Kazakhstan for the development and enactment of the draft law "Special residence permit for foreign businessmen investors".

"Does the UN need a reform?"

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Abstract. As many might see, the United Nations is the largest international organization that maintains peace and security in the world. Starting from its formation in 1945, the ultimate goal was to "save succeeding generations from the scourge of another catastrophic world war", which, frankly saying, seems to be successful. Despite carrying out successful agenda, the United Nations arguably has become irrelevant in many aspects due to the fact that it constantly fails to perform reforms as a mean of reaction to the changing world – since the World War II, composition of the UN membership has increased with the anticipation of what the UN should be and do. The need in the reforms was recently pointed out by the Secretary-General, Antonio Guterres, in 2017: "... United Nations focused more on people and less on the process, more on delivery and less on bureaucracy..."

⁹ Electronic Government (22 April 2019), How to get the Residence Permit, Retrieved from https://egov.kz/cms/ru/articles/for_foreigners/vid_na_jitelstvo, accessed in 20 November 2019.

¹⁰ The order of the Minister of Internal Affairs on "Rules on issuance the permission on temporary or permanent residence in RK, clause 10, from 24 December 2015.

¹¹ What is the Estonian e-Residency and how to take advantage of it, Retrieved from <https://www.xolo.io/articles/e-residency>, accessed in 20 November 2019.

The United Nations is an intergovernmental organization responsible for maintaining international peace and security, developing friendly relations among nations, achieving international cooperation, and being a center for harmonizing the actions of nations. It is the largest, most familiar, most internationally represented and most powerful intergovernmental organization in the world. The UN is headquartered on international territory in New York City; other main offices are in Geneva, Nairobi, Vienna and The Hague.

The UN was established after World War II with the aim of preventing future wars, succeeding the ineffective League of Nations. On 25 April 1945, 50 governments met in San Francisco for a conference and started drafting the UN Charter, which was adopted on 25 June 1945 and took effect on 24 October 1945, when the UN began operations. Pursuant to the Charter, the organization's objectives include maintaining international peace and security, protecting human rights, delivering humanitarian aid, promoting sustainable development, and upholding international law. At its founding, the UN had 51 member states; there are now 193, representing the vast majority of the world's sovereign states.

The organization's mission to preserve world peace was complicated in its early decades by the Cold War between the United States and Soviet Union and their respective allies. Its missions have consisted primarily of unarmed military observers and lightly armed troops with primarily monitoring, reporting and confidence-building roles. UN membership grew significantly following widespread decolonization beginning in the 1960s. Since then, 80 former colonies have gained independence, including 11 trust territories that had been monitored by the Trusteeship Council. By the 1970s, the UN's budget for economic and social development programmes far outstripped its spending on peacekeeping. After the end of the Cold War, the UN shifted and expanded its field operations, undertaking a wide variety of complex tasks. The UN has six principal organs: the General Assembly; the Security Council; the Economic and Social Council; the Trusteeship Council; the International Court of Justice; and the UN Secretariat. The UN System includes a multitude of specialized agencies, such as the World Bank Group, the World Health Organization, the World Food Programme, UNESCO, and UNICEF. Additionally, non-governmental organizations may be granted consultative status with ECOSOC and other agencies to participate in the UN's work. The UN's chief administrative officer is the Secretary-General, currently Portuguese politician and diplomat António Guterres since 1 January 2017. The organization is financed by assessed and voluntary contributions from its member states.

UN is an organization with 193 members. It is therefore a complex organization that must juggle with 193 balls at the same time.

Under chapter VII of the UN charter the United Nations Security council “determines the existence of any threat to the peace, breach of the peace, or act of aggression and shall make recommendations, or decide what measures shall be taken...to maintain or restore international peace and security.”

The problem of course is that the UNSC is not composed of independent wisemen on a mountain. It is composed of 15 sovereign states, of which 5 have a permanent priorities. The Western powers (UK, US and France) have used and abused their military power to intervene in the name of human rights and the “responsibility to protect”(whether these motives were invoked in good faith is another problem entirely). There is no world police. Peacekeeping operations are complicated, long and sometimes risky. They cost money. In western democracies, they carry significant political risk for the government if things turn bad. Most participants in UN peace keeping operations are cash-poor states which basically sell their manpower to the UN.

As far back as Article 55 of the UN Charter, the Security Council uses, where appropriate, such regional agreements or bodies for enforcement actions under its leadership for "enemy states". The term "enemy state", as used in paragraph 1 of this article, refers to any state that during the Second World War was the enemy of any of the states that signed this charter.

In this article, there is a concept as "enemy state". At the moment, it is not relevant as it relates to states that were hostile during the Second World War.

Also one important weakness of UN is the new contemporary global challenges are jeopardizing its solidity and effectiveness. An example comes from the spread of security threats, such as transnational terrorism and illicit arms trade. These phenomena have highlighted the limits of the Security Council's action, and in general, of the UN's security system to assure peace and international stability. When threats come from non-state actors (which are not linked to any specific territory and do not represent any political entity), it is tough for the UN to elaborate an effective plan to hinder them. To many observers, the main deficiency of the UN's security system consists in the lack of an international army. According to Article 43 and 45 of UN charter the founders planned to build a military structure under the direct control of the Security Council in order to successfully implement the common military actions to restore peace. Not only the UN military structure would have had an outstanding destructive capacity compared to the national armies but it would have also required a relevant financial commitment of its Member States.

The main deficiency of the UN system consists in the absence of a mechanism to empower the judgements of the International Court of Justice. When the ICJ was created, it was agreed that states would have had to accept the Court's jurisdiction in order to allow it to judge their controversies. This was the consequence of two circumstances. Firstly there was no world government that could force states to respect and enforce judgements of the ICJ. Secondly being states jealous of their independence and powers, they prevented any attempt to limit their sovereignty. In this way, no mechanism to assure the respect of the Court's decisions was provided and nowadays, the implementation of its judgements still rests on the will of the Member States.

I guess beyond other aspects mentioned here, I'd like to add that the charter is too idealistic in the sense that all states of the world supposedly are on the same level, thereby, there is no mentioning of inequalities and disparity of income and wealth between nations exist or ever existed, as if they lived in a metaphysical world, whose inequalities are non-existent, as if they were in a state of nature as the one mentioned in John Locke's treatise of two governments of John Rawls. This is was a huge problem because this created an organization that is completely faulty when it tries to bridge these immensely huge gaps (be that economic, or political, or geographical) that exist between nations, within this innate disparity, the efficacy of the organization is undermined, in single things, like for example: approving new resolutions, sanctions, in the General Assembly;

Obviously the richest and wealthiest nations of the world will have much more leverage when negotiating such proposals.

Like any other organization, the UN also needs reform and innovation, which will undoubtedly benefit the organization and strengthen its position in the world. The United Nations Organization has truly had a tangible effect on the world that we know today.

Being the "archaic" body (Parliament of Australia, n.d.), many seem a few areas to improve in. The most frequent and controversial issues will be listed below:

General Assembly reform

UN General Assembly in its state is a unique institution that holds a gathering of the world's representatives. Being a symbol of international solidarity, the General Assembly has been established as a platform where common solutions for the upcoming problems may be found. In an ideal world, the platform would have functioned efficiently and in a timely manner, but, as one may fairly articulate, having around 193 representatives will imply a lot of bureaucratic pressure. Thus, many, and the General Assembly itself expressed an opinion that reforms shall take place in order for it to function properly.

Some researchers (Claringbould, Denesova, Stantic, & Tetrev, 2015) indicate key problems within the General Assembly, which could be narrowed down to these: a great deal of power on all the states in

coordination with the Security Council, low influence on the Secretary-General's election, and low portion of action on the discussed resolutions.

So, the general recommendation in reforming the General Assembly are: to make elections of the Secretary-General more transparent with an increased number of candidates; to make legally binding resolutions in a sense that if the resolution is not adopted, punishment measures would take place.

Administrative reform in the Secretariat

It is a known fact that the UN administration has become unnecessarily complex, hiring process based on geographical distribution is limiting, management is questionable and some structures of the Secretariat imply ineffective double job; thus in order to bring the efficiency to the table, it is necessary to reorganize the Secretariat (and it would be a simpler task to accomplish in comparison to any politics related reform). The main area of focus would be: intensifying the process of HR planning (hiring, placement, promoting etc.), implementing measurement of performance (possibly, KPI with well and explicit procedures (Parliament of Australia, n.d.)).

Security Council reform

Even though the Security Council is still a power that shall be taken into account, it lacks efficiency, flexibility, transparency, fair regional distribution and representation. Many have called for a complete overhaul of the UNSC's composition, procedures and other aspects (Ogunnoiki, 2018) since in current condition UNSC fails to mirror and address today's global challenges effectively. However, even though the "overhaul" is widely desired, it is somewhat doubtful that the reform will take place since there are states in power that are protective of their controversial veto right (Ogunnoiki, 2018) ("winners" of World War II).

The general recommendation in order to avoid efficiency and legitimacy issues is to increase the representation of the UNSC – in its original state, there were 11 states out of 51, whereas the quantity of members of the UNSC is 15 out of 193 UN Members – this elaborates the fact that the seat distribution is not proportional and needs to be expanded.

Trusteeship Council

Being one of the six principal organs of the UN, it is curious that the Trusteeship Council has completed its mission, yet it is still officially effective with blurry future prospects (Egede, n.d.). Many do argue that it shall be dismissed since the "assignment of decolonization" was completed and the Council may be reinstated once there is an attempt to return to any form of colonialism. On the contrary, the majority of member States are not enthusiastic in revitalizing the Council, since it would imply "benign colonialism" (Egede, n.d.), thus the dismissal of the Trusteeship Council seems like a viable option.

Peace and Security Proposal

Lastly, but not least, some advocate for new formations within the UN bodies. For instance, UNDOF (United Nations, 2017) proposes to create new departments in order to maintain peace and security (Peacekeeping OPS and Political Affairs). Whilst, the effort would be undoubtedly appreciated and a number of issues would be resolved, it would imply more bureaucratic and organizational problems.

Conclusion

To conclude, it is somewhat problematic to amend and reform any of the UN bodies. The whole organization is well established for several decades and it would take enormous efforts to place any of the changes listed above. However, with gradual work, the reforms may significantly impact the UN and how it shapes the world.

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“Issues of the environmental legislation of Kazakhstan”

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Abstract. At the present day global environment endangered by the increasing number of greenhouse gas emissions and pollution from industrial activity as never before, whereas enforcement of legal instruments has direct relationship to the solution of this issue. According to the Report of Environmental Performance Index for 2018, Kazakhstan ranked 101. These numbers show the existing problems in environmental law of Kazakhstan. This study aims to identify legal issues that must be resolved in case to improve results in environmental performance of the country. Methods of study include the identification of main problems related to the issues of domestic environmental law and its enforcement not only in legal but also in technical and social fields. Research has shown that there are several issues such as improper process of drafting legislation, lack of the environmental restoration process and low degree of public consciousness in the environmental problems. Therefore, we recommend the creation and operation of the Ecological National Fund. It could take measures for ecology restoration on behalf of a state. In addition, including green topics in infant and elementary school curricula is necessary for implanting the ideas of the environment protection in the minds of future generations.

Keywords: environmental legislation, environmental law issues.

Issues of the environmental legislation of Kazakhstan

Every day people use natural resources, process it and, consequently, pollute the environment. Modern activity such as production is impossible without environmental impact. Specialists say that we already had passed the point of no return. However, even if we cannot return environment to its original state, we should bear in mind that we are responsible to preserve the environment and improve the ecological situation. Otherwise, irreversible and danger changes may occur that will affect present and future generations.

The main legislative act of many countries – Constitution considers protection of the environment as one of the main goals of the state and the Republic of Kazakhstan (hereinafter – the RK) is not an exception. Article 31 of the Constitution of the RK provides that the state aims to protect a healthy environment. Consequently, this provision means that every citizen of the RK has a right to live in a healthy environment. Despite the fact that the RK adopted new Environmental Code (hereinafter – EC) in 2007 and yet introduces changes and amendments to it, ratified more than 30 international environmental treaties, we still have as local as worldwide environmental problems. This fact is evidently from the Report of Environmental Performance Index for 2018. According to this report, Switzerland is the first and France is on the second place, whereas the RK ranked 101 (Yale Center for environmental law, 2018). These numbers show the existing problems in environmental law of the RK.

Despite the fact that there are many international environmental agreements and international organizations dealing with environmental issues, unresolved problems deprive certain countries from compliance with international norms. It leads to the inefficiency of international environmental law and taken worldwide actions towards the solution of environmental issues.

The main object of this paper is to identify legal issues that must be resolved in case to improve results in environmental performance of the country. This research analyzes domestic environmental legislation and its compliance with international rules. The paper identifies specific issues raised when attempting to enforce these regulatory acts with further recommendations. The development of the field of green ecology based on the experience of countries with high degree of environmental performance, a comparative analysis of legislative framework of our state and France is one of the features of this study. This research is based on the several methods including the comparative analysis.

Since the climate is shifting towards global warming not only because of climate changes but also under the influence of human beings activity, it is a responsibility of each country to protect the environment. We all know that everything in the environment is closely connected and what happened with one element of it may affect another one. This process is often called "domino effect". One of the local ecological problems - shrinking of the Aral Sea, can serve as striking instance of it. People intended to improve the situation with agriculture but their efforts resulted in a catastrophe. They diverted the flow from the Amu Darya and Syr Darya, which are the main contributors to the Aral Sea, to irrigated lands. Then, the Aral Sea started to dry up and with increasing of salinity tenfold, flora and fauna were eradicated. Pesticides, toxic substances and salts from the desiccated sea floor (which is an outcome of using chemical fertilizers) now is spreading by wind to hundreds of kilometers around. As a result, people living here are susceptible to the respiratory and other diseases (Freedman, Neuzil, 2015). It is important to mention that this situation concerns not only Kazakhstan but also Uzbekistan. However, this is only a little picture of "domino effect" process. In fact, global environmental issues are result of many local problems such as air pollution, greenhouse gas emissions, loss of biodiversity and so on. Therefore, in case to protect a healthy environment each state must make efforts to solve ecological problems through harmonization of domestic legislation with international environmental law and taking united measures.

Environmental law of the RK consists mainly of the EC and more than 50 legislative acts (such as Land Code, Water Code, Forest Code and so on). In addition, our country ratified more than 30 international environmental treaties and domestic law reflects it.

In 2006, Kazakhstan planned to adopt new EC with the purpose of reforming environmental legislation and harmonizing it with international legal norms and norms of European community ("The Environmental Code is planned to be adopted," 2006). On June 21, 2006, the draft EC was submitted by Government for consideration to Mazhilis and already on January 9, 2007, it was adopted ("Dossier for the draft environmental code of the Republic of Kazakhstan," 2007). Accordingly, elaboration of this EC in six month can explain why in twelve years seventy amendments was carried to it. For instance, the Law of the RK dated 04.04.16, No.

491-V inserted point 1-1 to paragraph 1, article 14 providing “Associations in carrying out its activities in the scope of environment protection have a right to apply to the court to protect the rights, freedoms and legitimate interests of individuals and legal entities”. This rule is based on the article 9 of Aarhus Convention. Supplementation of this article after almost 10 years since EC was adopted reflects the problem of improper process of framing the law. Moreover, Kazakhstan plans to adopt a new EC by the end of the current year (“A new environmental code is being developed in Kazakhstan,” 2019). The question arises: “How state could implement legal norms if law changes all the time?” This issue deprives the law from its main principle of stability and predictability. We can see the same situation with the state bodies. According to our estimates, over a period of almost 20 years relevant Ministry was reformed for five times. In 2014, Ministry of Environment and Water Resources of the RK was eliminated and its functions were transferred to the Ministry of Energy. This year, the president of Kazakhstan established Ministry of Ecology, Geology and Natural Resources. Consequently, frequent amendments of environmental legislation and reforms of the executive bodies lead to the ineffective legal regulation of activity in environmental field. Therefore, Kazakhstan still has problems of rational natural management, declining greenhouse gas emissions and so on.

EC reflects the fact that Kazakhstan implemented legal rules of main ratified international environmental agreements and principles into national legislation. Thus, point 2, article 2 of the EC establishes the priority of international treaties ratified by the RK over the provisions of the Code. In addition, paragraph 2-14, article 5 of the EC enshrined the principle of harmonization of the environmental legislation of the RK with the principles and norms of international law and principle of faithful fulfillment of international obligations (paragraph 1, article 189 of the EC). EC also represents many provisions of ratified international treaties:

- paragraph 4-1, article 239 provides a prohibition on the production and use of pesticides (toxic chemicals), which include persistent organic pollutants, as provided for by international treaties of the RK, in accordance with the Stockholm Convention on Persistent Organic Pollutants, 2001;

- article 262 provides a prohibition on incineration of waste on drilling platforms (barges), as well as other environmental requirements in the implementation of economic and other activities in the state protected zone in the northern part of the Caspian Sea, aimed at implementing the Tehran Convention on the Caspian Sea;

- paragraph 2, article 287 provides the establishment of three levels of hazardous waste, taking into account the Basel Convention on the Control of the Transboundary Movement of Hazardous Wastes and their Disposal, 1989.

Nevertheless, EC does not include other important provisions, which are significant for effective regulation of environmental activity within the state. EC does not provide a concrete process of ecology restoration by a state. Therefore, it seems that legislation aims to collect payments for the state budget without spending them for remediation of the environment. The legislation provides three types of payments: 1) pollution taxes (charges); 2) administrative penalties; 3) monetary damages. Thus, for 2013 payments for emissions reached thirty four billion tenge in Kazakhstan (OECD, 2017). However, citizens as holders of the right to a clean environment are not able to observe the process of the use of monetary funds for the benefit of environment.

Consequently, another problem arises in the social field – a degree of public consciousness of the pollution problem in Kazakhstan. Protection of the environment is the aim of not only a state but also must be the aim of its citizens. Without united actions, it is not possible to achieve a high level of environmental performance. Therefore, a state should provide measures to increase the population’s awareness in the issues of resource usage and environmental problems.

In this regard, it could be important to take into consideration the Environmental Code of France. Thus, the principles of prevention of environmental damage and its compensation are included in the Constitution of France. The EC of France has a comprehensive character and consists of seven books. Book I "General Provisions", Book II “Physical environments” which includes two sections: water and aquatic environments and air and atmosphere, Book III "Natural Spaces", Book IV "Fauna and Flora", Book V "Preventing Pollution, Hazards and Harm", Book VI is devoted to the provisions applicable in the overseas territories, Book VII is entirely devoted to environmental protection in Antarctica.

The drafting process of this code took years whereas our country adopted EC in a half of a year. In addition, this process in France involved not only state officials but also non-state environmental organizations, public, lawyers and professors of law at French universities. France tried to develop actions, the purpose of which was the constant reduction of polluting emissions into the atmosphere. State created legislative and regulatory mechanisms (modern and integrated) that simultaneously control and inform the public. It is necessary to comply with air quality standards and reduce pollution emissions. France was the first country to adopt, in 2000, a national program to combat climate change, providing about a hundred measures to reduce emissions of greenhouse gas emissions (Kalinichenko, 2010). As we can see, approach of this state in drafting law can be an example for other countries. However, the experience of France cannot be an absolute template.

Kazakhstan actively takes steps towards the modification of the environmental law and at present, there are discussions about the structure and content of new EC between state bodies and industrial enterprises. However, at the moment, there are many gaps in national legislation and in taken approach of drafting new law.

Taking into account facts given above, we can see that many issues needs to be solved in case to increase the environmental performance index of our country. Analyzing the national legislation and comparing it with legislation of France, we can conclude that the present process of drafting new EC should consider past gaps and should not replicate the same approach.

Conclusion

In the light facts, we can single out as the most important problems the following issues:

- the improper process of drafting legislation – laws are adopted in a short period of time and amendments and supplementations are constantly being made to the regulatory acts;
- the legislation of Kazakhstan does not provide for the creation and operation of the fund that would take actions for ecology restoration;
- low degree of public consciousness in the issues of resource usage and environmental problems.

Therefore, it is necessary to secure legally the principle of "stability of legislation". It can help to limit the unsystematic amendment of legislative acts. It is also important to create the Ecological National Fund. It could be formed at the expense of a part of the environmental mandatory payments, fines and sums recovered from the cause of damage for causing harm to the environment. This Fund could take measures for ecology restoration on behalf of a state. Its activity should be based on the principles of transparency and accountability and public should have access to its main documents.

Further, including green topics in infant and elementary school curricula is necessary for implanting the ideas of the environment protection in the minds of future generations. It is also important to conduct broad communication and education programs for increasing the citizen's awareness in the issues of resource usage and environmental problems. Such action should facilitate changes in the population's behavior with respect to the waste disposal and water usage.

Thus, above-mentioned issues impede Kazakhstan to effectively incorporate and enforce international legal norms within the country. Nevertheless, they can be solved by modification of the drafting law process and taking united actions towards the protection of the environment.

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“Constitutional Rights of Individuals as a Counterbalance to Total Financial Control. Presumption of innocence.”

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Abstract. The presumption of innocence - is one of the most important Constitutional principles. This is a fundamental provision of the Constitution of various countries, including the Constitution of the Republic of Kazakhstan, Article 77: "A person is presumed innocent of a crime until his guilt is found to have entered into force by the court's verdict."¹² Human rights must be a fundamental basis for the Constitution of any country, whose main purpose is to protect the freedom of its citizens and ensure their safety, especially from a tyranny of the State power. The creation of the international organization Financial Action Task Force in Money Laundering has served as a noticeable impetus and, an introduction of mechanisms to solve a complex and urgent problem of criminal money financial monitoring. The organization is working to develop the world standards to counter money laundering and terrorist financing. There is opinion, however, that Financial Action Task Force in Money Laundering employs some mechanisms of action that run counter to the fundamental human rights and freedoms.

Keywords: presumption of innocence, financial control

The presumption of innocence is one of the most fundamental of Constitutional rights of people. This the most important provision of the Constitution of various countries, including the Constitution of the Republic of Kazakhstan, Article 77: "A person is presumed innocent of a crime until his guilt is found to have entered into force by the court's verdict." The human rights have been seen as a fundamental basis for the Constitution of any country, the main purpose is to protect freedom and ensure the safety of citizens, especially from a tyranny of State power.

The Vienna Convention of 1988 was the first step of the European Union and the United States to introduce an approach to solve a complex and pressing issue as criminal money financial monitoring. From the legal point of view, "the legalization of shadow income consists in giving a legitimate form of ownership, use and disposal of the specified funds or other property through financial transactions or other transactions."¹³ However, the resulting "criminal money" definition of Vienna Convention got somehow limited, and finalised as outcome of proceeds "derived through the sale of psychotropic and narcotic substances".

¹² *Constitution of The Republic of Kazakhstan*. Retrieved from http://www.akorda.kz/en/official_documents/constitution

¹³ From "Money laundering and Constitutional rights," by A. V. Shashkova, 2007, *Pravo*, 190.

Fast-paced development of the world international financial structures has required a necessity for international cooperation in order to provide a relevant information on the placement of illicit funds into world's financial institutions, such as bank deposits, real estate, investments, offshores, trusts. G8 Summit (1989) became an excellent foundation for a creation of the independent international financial monitoring organization, FATF (Financial Action Task Force)¹⁴. FatF is thus working to develop world standards to counter shadow money laundering and terrorist financing. Currently, there are eight regional FATF-type groups; these are groups in Europe, Africa, the Middle East and the Asia-Pacific region. It's "policy making body" which works to generate necessary political and regulatory reforms.

The FATF monitors countries' progress in implementing the FATF Recommendations. Reviews money laundering and terrorist financing techniques and countermeasures and, promotes the adoption and implementation of the FATF Recommendations globally. In April 1990, less than one year after its creation, the FATF issued a report containing a set of *Forty Recommendations*, which were intended to provide a comprehensive plan of action needed to fight against money laundering. In October 2001 the FATF issued the *Eight Special Recommendations* to deal with the issue of terrorist financing. The continued evolution of money laundering techniques led the FATF to revise the FATF standards comprehensively in June 2003. In October 2004 the FATF published a Ninth Special Recommendations, further strengthening the agreed international standards for combating money laundering and terrorist financing - the *40+9 Recommendations*.

In February 2012, the FATF completed a thorough review of its standards and published the revised FATF Recommendations. This revision is intended to strengthen global safeguards and further protect the integrity of the financial system by providing governments with stronger tools to take action against financial crime. They have been expanded to deal with new threats such as the financing of proliferation of weapons of mass destruction, and to be clearer on transparency and tougher on corruption. The 9 Special Recommendations on terrorist financing have been fully integrated with the measures against money laundering. This has resulted in a stronger and clearer set of standards. In order to join efforts FATF addition to national legal systems of the member countries is one of the organization's main objectives.

Since lawyers were invited to a view of specific professions in the FATF Recommendations of 2003, "disputes and discussions about the availability of evidence of professional legal participation"¹⁵ in the FT/FT have continued. There is also a debate as to whether the application of the Recommendations to these professionals is consistent with the fundamental human rights and ethical obligations that professional lawyers must adhere to.

There is an opinion that lawyer's professional immunity or their rights to keep professional secrets may allow them to continue act legally on behalf of and in the interests of clients who are involved in criminal activities and therefore to prevent law enforcement officers from obtaining information that would enable them to initiate prosecution against the client. It should be mentioned, however, about significant differences in terms of the boundaries of professional immunity or professional secrecy among differen countries. The European Union, the United Kingdom and the United States are prime examples.

Research carried out by the Financial Action Group against Money Laundering (FATF) confirmed that, in process of money laundering, criminal elements in many countries use mechanisms related to services often provided professional lawyers.

Some of those services include: the acquisition of real estate, the creation of companies and trusts (in their own country, abroad or offshore) and the transfer of funds through the client accounts of professional lawyers.

¹⁴ FATF Organization. About. Retrieved from <https://www.fatf-gafi.org/about/>

¹⁵ From "On the Obligations of Lawyers in Case of Money-Laundering," by A. V. Agranovskij, 2004, *Pravo i Ekonomika*, 11, p. 69.

In the United States, there are Professional Ethics Rules for lawyers of the American Bar Association (ABA). Every person who wishes to practice the law in USA must obtain a license from the state where he is going to practice. Lawyers must belong to a "mandatory bar" and must be subject to the statutes and regulations governing professional conduct. Every state has a professional code of conduct, compiled by lawyers themselves and is a part of the legal self-government system. Compliance with those rules is based on voluntary acceptance and understanding, to control of fellow lawyers and public opinion, also forcing disciplinary measures. The rules include advisory and mandatory provisions. Advisory guidelines help lawyers to understand what actions or behaviors are considered acceptable from a professional point of view and, to prescribe the most correct actions in conflict situations.

Mandatory rules are the basis of the disciplinary system. Compliance with these rules is compulsory, and non-compliance may result in penalties such as suspension of a license or deprivation of the right to practice law (exclusion from the Bar). That set of rules states that they do not exhaust all moral and ethical standards of conduct of the lawyer, as the human activity can not be fully described by legal rules. The rules just give some canvas for ethical legal practice.

One of the basic rules is confidentiality of information. This rule states clearly that any lawyer must not disclose information pertaining to the client's submission if the client does not agree to it, or if the information is harmful to the client. The rule also points out to some possible exceptions that may be optional (information may be disclosed) or mandatory (information must be disclosed). Mandatory disclosure occurs in cases where non-disclosure will result in the deception of the court or the commission of criminal acts by the client.

The problem of money laundering and countering the financing of terrorism is extremely relevant in the United States. Given the size and complexity of the U.S. financial system, geographical proximity to countries producing drugs, including South America. The activities of many ethnic and transnational groups in the country require active and daily combat against terrorist and extremist organizations. Official U.S. statistics states that only 7-8% of transactions from the country's total GDP can be classified as "questionable," experts cite an excellent national legislative framework. The United States has developed and implemented a huge number of legislation and regulations to combat money laundering. The main ones are: Bank Secrecy Act, 1970, The Money Laundering Control Act, 1986, The Anti-Drug Abuse Act, 1988.

The above laws are aimed at developing and, improving supervisory procedures and, improving the skills of inspectors in order to strengthen the level of identification of money-laundering schemes in financial institutions. Additionally, to increase the powers and motivations of banks in the fight against the money laundering. It is clear that for United States the participation in FATF, while the importance of this organization to the world community, first of all is based on the primacy of the country's national interests, its position in the world economy and politics. Every country that got involved into implementing FATF recommendations has established its own organizational structures. For example, the Russian Federation, under the Russian Interior Ministry was set up a cross-ministerial center to counter the legalization of illegally obtained income. Centre employees are representatives of the executive branch of the Ministries of Economy, Finance, Taxes and Fees, Monetary and Economic Control and the Central Bank of Russia. Therefore, this example demonstrates a complexity of the organizational structures were set up and their comprehensive involvement in the country's financial activities and its constituent parts. It is hard to imagine that such highly ranked organizations that tasked with prevention of of business and financial institutions involvement into criminal transactions always organized and responds only to the really dubious operations. It is not difficult to imagine situations when the complexity of these structures and their pyramidal systemicity gives a "failure" and such a right of every citizen as a presumption of innocence fades into the background in the pursuit of "punishment of the guilty". For example, in Spanish legislative policy, processing criminal cases involving the legitimacy of

income, the legislation stipulates a possibility of deviation from presumption of innocence constitutional principles and, as a result, the human right of the presumption of innocence has left to the court's decision and, is no longer valid in cases discussing money laundering. As a result, the establishment of FATF was the first step in setting up a quite complex cascading system of financial monitoring for civil and legal entities around the world.

In accordance with the anti money laundering legislation, namely, recommendations 40-9, a total monitoring is implemented over all legal and natural persons involved in the financial activity. In other words, any adult citizen of membering country falls under its control. In countries, such as Australia, United Kingdom, and others, the legislation guarantees respect for rights and freedoms of a person and a citizen, along with the implementation of FATF recommendations that actively combat terrorist financing and dirty money laundering. For example, Australia has The Anti-Terrorism Act (2005) customer information, The Privacy Act (1988) namely Part 1A (National Privacy Principles) which is guaranteeing the privacy principles of financial transaction. That is to provide the personal right not to identify themselves when making a transaction. In UK, for example, in order to disclose a personal information the three necessary conditions should be obeyed, to have knowledge or suspicion of illegal financial activity, have information or materials which were disclosed in the course of the professional activities, as well as not providing this information or materials.

Conclusion

The lack of clear criteria to identify genuinely questionable transactions or financial manipulations leads to a major risk of over saturation with irrelevant data and, as a result, inability to find true illegal actions. By not providing financial information about a client, a certain responsibility entails on professionals involved as such as financial establishments. In relation to the fact that a subject of financial monitoring is not informed about such special attention of the financial control bodies, the appeal on the part of the client is not possible. Information is of a hidden assessment nature and, based on reasons of suspicious behaviour, person's race and appearance. All of which contradicts to fundamental human rights. Namely, it violates international laws of the Universal Declaration of Human Rights, 1948, the International Convention on the Elimination of All Forms of Racial Discrimination, 1966, the Draft Rules on the Responsibilities of Transnational Corporations and other 2003, the Convention on the Elimination of All Forms of Discrimination against Women, the European Convention on Human Rights and Fundamental Freedoms 1950.

In conclusion, it should be mentioned existence of certain "miss outs" based on 40-9 FATF recommendations which in turn contradicts the basic constitutional human rights, as well as the lack of a clear criteria to describe "dirty" money.

“Possible need for the United Nations reform”

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Abstract

“We the people of the United Nations determined to safeguard future generations from such war which has twice in our lifetime inflicted on Humanity untold suffering, have decided to unite our forces for the maintenance of peace and international security, to assure, through the acceptance of the methods of this Charter, that armed force will not be used except in the common interest.” With these words begins the Charter of the United Nations - a structure whose creation is called one of the main results of the Second World War.

The United Nations Organization has truly had a tangible effect on the world that we know today. The Second World War was the last terrific act of humankind’s madness, thanks to the UN it remains as a history. However, there are specific areas, where reform is required, and if delay with their decision, then the effectiveness of the organization, as a body protecting the world peace and security will decrease.

Like any other organization, the UN also needs reform and innovation, which will undoubtedly benefit the organization and strengthen its position in the world and the main areas for the possible future reform are: Outdated Structure of the Security Council, Structural and organizational problems of the UN, Unreliable funding system, Expansion of the Jurisdiction of the Court of Justice and the Problem of the national composition of the UN staff. And these are only five main issues that need to be improved or changed, throughout the reform.

Outdated structure of the security council

According to the Article 23, the Security Council shall consist of fifteen Members of the United Nations. China, France, Russia, the United Kingdom of Great Britain and the United States of America shall be permanent members of the Security Council¹. If a permanent member of the Council does not agree with the decision, he may vote against, and this act has the power of veto. This right has led to the delays of the decision at the council, in some major crises like Syria and Ukraine. Russia's U.N. Ambassador Vassily Nebenzia, whose country is an ally of Syria's Bashar Assad, told reporters that any council statement on Syria must address broader issues, including the presence of foreign forces in the country. U.S. Ambassador Kelly Craft told reporters that President Donald Trump "has made abundantly clear" that the United States "has not in any way" endorsed Turkey's decision to mount a military incursion in northeast Syria². “The latest surge in hostilities in north-east Syria compounds an already dire humanitarian situation,” said Ursula Mueller, Assistant Secretary-General for Humanitarian Affairs and Deputy Emergency Relief Coordinator, as she voiced concern about the rapidly unfolding situation on the ground. Calling for safe, rapid and unimpeded humanitarian access to all those in need, she said the military operation by the Turkish Armed Forces and allied non-State armed groups has led to a humanitarian emergency much larger than had been anticipated. Of the 3 million people living in north-east Syria, 1.8 million were already dependent on aid even before recent developments, she said. While humanitarian actors continue to deliver aid despite serious challenges on the ground, some groups have had to temporarily limit or suspend their operations due to the deteriorating security situation. “As the situation evolves, a critical challenge is the need to scale up operations from within Syria,” she said. Mohamed Khaled Khiari, Assistant Secretary-General for the Middle East, Asia and the Pacific, also voiced his concerns about the humanitarian impacts of Turkey’s “Operation Peace Spring”. While violence has now subsided, the situation remains in flux, with many civilians in the north-east fearing further displacement, disruption of humanitarian access or the return of Government forces. It is crucial that the

Council and Member States protect civilians, including captured fighters, and ensure full and unimpeded humanitarian access. He also called for decisive action to consolidate the ceasefires in the north-east and north-west, along with efforts to ensure that Syria's political negotiations track remains on course. Agnès Marcaillou, Director of the United Nations Mine Action Service, briefed Council members on the current state of explosive contamination in Syria, whose full extent is not yet known. Preliminary findings for 2019 indicate that over 2,500 communities and 11.5 million people are affected, a dramatic increase from the previous year's figures, she said, describing the impact on communities — and their already weakened and struggling health sector — as devastating. Outlining response efforts by the Mine Action Service, she said it has so far trained 70 risk education facilitators in 2019, who have been deployed to some 60 communities in rural Damascus.

Critics say the council simply doesn't represent the world today. At its inception, the U.N. had 51 member states. It now has 193, many of them clamoring for more clout. All countries are represented in the General Assembly, but that body can only pass nonbinding resolutions. Often mentioned as countries deserving of permanent Security Council seats are Germany, Japan, India, South Africa, Nigeria and Brazil. But there are no signs the big five intend to give up any power or share it with more countries.

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1. Article 23 of the UN Charter
 2. "EU stands alone against US and Russia on Syria" By ANDREW RETTMAN (BRUSSELS, 11. OCT).

My proposition for the formulation of the reform to the Article 23 of the UN Charter sounds like this "The Security Council shall consist of fifteen Members of the United Nations. The General Assembly shall elect all 15 Members of the United Nations to be members of the Security Council, due to being specially paid, in the first instance to the contribution of Members of the United Nations to the maintenance of international peace and security and to the other purposes of the Organization, and to equitable geographical distribution".

The victorious time of the current permanent members of the Security Council is long gone and now it is time to move aside and give the international community that consists of more than 200 states, decide the world politics.

Structural and organizational problem of the UN.

The initial message of the creation of the Organization is lost nowadays - the prevention of international conflicts, war. Now, the UN includes an excessive number of organizational structures. Because of this, the budget that is being dispersed and becomes irrational. Today, new threats and new risks come to the fore: terrorism, extremism, religious fundamentalism, etc. Under these conditions, the UN demonstrates poor control over the complex processes that are taking place in the world³. For example: Turkey's capture of northern Cyprus. Around 150,000 people (amounting to more than one-quarter of the total population of Cyprus, and to one-third of its Greek Cypriot population) were expelled from the occupied northern part of the island, where Greek Cypriots constituted 80% of the population⁴. The world's refugee population has soared amid a growing list of humanitarian crises. The U.N. refugee agency is trying to help over 51 million people forced from their homes and displaced inside or outside their country, the highest figure since the U.N. began collecting those data in the early 1950s. The U.N. humanitarian office is tackling a record of four top-level emergencies — in Africa and the Mideast — as well as Ebola.

Unreliable funding. Almost all the peacekeeping operations and agencies are funded by the voluntary contributions and even this is not enough. And considering that the UN has created that many separate offices (as it is mentioned in the previous part about Structural and organizational problem of the UN), the funding systems becomes blurred and confusing. Members also finance many of the UN's 30 affiliated specialized agencies, program and funds, like the UN Educational, Scientific and Cultural Organization (UNESCO), UN

Children's Fund (UNICEF), and the International Monetary Fund (IMF). Some of these agencies have assessed budgets. The World Health Organization (WHO) and the International Atomic Energy Agency (IAEA) for example, are funded in part by mandatory payments⁵. The problem is that in case of financial difficulties the UN has no right to take loans. Another problem is the working capital (financial reserves that can be used if the UN does not have enough money).

Also everything becomes worse, when the member states are being late with their contributions, considering that the financial year in the U.S. is always in the autumn (and that the U.S. is the biggest donors to the UN budget). Thus, the reform concerning the UN funding system must be implemented. I truly cannot come up with any serious suggestions, however in my opinion, the complicated system of various organs, especially duplicating each other, should be reformed in the direction of centralization.

3. Kvaratskhelia T. T. The main causes and problems in the reform of the UN // Young scientist. - 2016. - No. 12. - S. 732-734.
4. "Cyprus: Reunification Proving Elusive" By Vincent Morelli (5 JAN, 2011)
5. "Where does the UN get its money? A simple explanation of a complex system" Amanda Shendruk (22 SEP 2019)

Expansion of the jurisdiction of the International Court of Justice.

There is a contradiction between the expansion of the powers of International Court of Justice and the sovereignty of the member states. Unfortunately, public international law only recommends that states resort to the services of the International Court of Justice, however doesn't insist on a mandatory to use its powers, that would help strengthen international justice. Even if this idea comes true and even superpowers like U.S., Russia and China will often use the services of the court, another technical problem may appear - enforcement of its decisions by all the states. The court always depends on the inner domestic executive power of the certain state. My proposal for solving the weakness' issue of the International Court of Justice is creating an organ, that will have the legitimate and permissioned by the current state, where the Court's decision is in need to take place, for a role of the governmental executive (local prosecutors alike). Make it mandatory to obey, however be in action only as a last resort for the complicated cases that could involve the cross-border element.

"We will make every effort to turn the United Nations into a more effective instrument for addressing all these priority tasks: the struggle for development for all the peoples of the world, the fight against poverty, ignorance and disease; fight against injustice; the fight against violence, terror and crime; and combating the degradation and destruction of our common home."⁶

The ICC was established to remove the burden of requesting and overseeing the investigation and prosecution of international criminal law violations from the UN Security Council. However, the ICC is often criticized for being inefficient, excessively expensive, and ineffective, having secured only four convictions (Katanga, Lubanga, Bemba and Al Mahdi) in 15 years of work.

6. "Millennium declaration" Chapter VIII. Strengthening of the United Nations

Nonetheless, the ICC faces some challenges that are often overlooked. First, before a case is formulated against a particular individual, the Office of the Prosecutor must investigate the situation in the country to consider whether the ICC can act (based on the principle of subsidiarity), to identify the defendants and to build a case against them. Second, cases of genocide, war crimes, or crimes against humanity are very complex and involve dealing with large volumes of evidence from a foreign jurisdiction. Also, as it is evident from the ad-hoc tribunals that contrary to the ICC are focused on one situation only, the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, such cases take time and resources. Another criticism of the ICC refers to the fact that the ICC is predominately engaged with situations in African countries.

Out of 10 countries under investigation, nine are indeed in Africa. However, this does not mean that the ICC is predominately focused on Africa. Before looking specifically into how the ten investigations came about, it is crucial to explain how the ICC can exercise its jurisdiction or how the ICC can gain jurisdiction. For the ICC to have the jurisdiction to investigate and prosecute, the country in question must be a signatory to the Rome Statute, equipping the ICC with the so-called territorial jurisdiction. The Prosecutor can then trigger the investigations from her right, proprio motu, or a state can refer the situation to the ICC.

If the country in question is not a signatory, the ICC may still gain jurisdiction if the country voluntarily accepts the jurisdiction of the ICC or if the UN Security Council refers the situation to the ICC.

The problem of the national composition of its staff

Citizens of the U.S. and Western Europe are most often hired for various subsidiary bodies of the UN (almost all senior management personnel have European citizenship)⁷.

In such practice, there is a biased policy of the United Nations towards countries whose members are smaller in the United Nations, which are contrary to the interests of the respective states. A lot of the officials with perpetual contract of the Organization have immunities, however this does not guarantee their objectivity in the sense of solving the problems of far standing remote regions. My proposal is to widen the range and amount of chairs in the general assembly for the representatives of the states that is currently is struggling through humanitarian crisis (like Syria). However I do understand, that most of these vulnerable states are not able to make the voluntary contributions to the U.N. in the amount that could overcome their range of issues they are dealing with.

7. Basic Facts about the United Nations (Published by the United Nations Department of Public Information New York, New York 10017, United States of America)
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“The Legal Regulation of Construction Requires New Embodiment”

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Abstract. The construction sector in Kazakhstan remains one of the most important sectors of the economy and one of the most attractive areas of investment. This sector accounts for up to 6% of Kazakhstan's GDP, in terms of employment, the construction sector provides about 700 thousand jobs. (Shinkeeva, 2017) The construction sector is regulated by many laws, which are divided to three categories such as: The first scope of legal acts in construction regulates capacity of participants, which are called “the legislation of participant’s capacity”. The second set of acts which under article 28 (1) the Law of Republic of Kazakhstan “On Architectural, Town-planning and Construction Activity in the Republic of Kazakhstan” is the state system of regulatory documents in the field of architecture, town planning and construction. Thirdly, the private relationships between its participants such as client, projector, supplier, constructor, engineer, subcontractor and others are regulated by civil legislation of Kazakhstan. Many construction projects have often own approach to cover a private relationship which are arisen between participants of the project, but many construction projects in Kazakhstan use standards of contract from a best practice of the West countries, such

as FIDIC's standards, ICI contracts and others. It is obviously that the construction regulation includes many laws, approaches that scattered and it is difficult to assert construction regulation is clear and understandable structure in a unit spirit. It is obviously that construction sphere requires through codification to balance this absolutely the interesting area.

The construction sector in Kazakhstan remains one of the most important sectors of the economy and one of the most attractive areas of investment. This sector accounts for up to 6% of Kazakhstan's GDP, in terms of employment, the construction sector provides about 700 thousand jobs.

According to the General classification of economic activities (OKED) construction in Kazakhstan is divided into construction of buildings and structures, civil engineering and specialized construction work, provided that they are performed as part of the overall construction process, with further division by direction. (Shinkeeva, 2017)

The construction sector is regulated by many laws, which are divided to three categories, such as:

The first scope of legal acts in construction regulates capacity of participants, which is called "the legislation of participant's capacity".

According to the Article 32 the Law of Republic of Kazakhstan "On Architectural, Town-planning and Construction Activity in the Republic of Kazakhstan" (Construction Act) certain types of activities in the field of architecture, town planning and construction are subject to licensing in accordance with the legislation of the Republic of Kazakhstan on permits and notifications. The main act in this category is the Law of the Republic of Kazakhstan "On the Permits and Notifications" No. 202-V dated 16 May 2014 (Act of Permits and Notification).

The Law provides a comprehensive list of activities that must be licensed. Legislation on licensing is divided into spheres of activity, containing types of licensed activities, which the applicant chooses on the basis of activities it intends to conduct in the territory of the Republic of Kazakhstan. Licensed activities are divided into subtypes, which are specified in the annexes to the license. To obtain a license, an applicant company must meet qualification requirements established for this type of activity, as evidenced by findings of the authorized state bodies or peer evaluation. In addition, types of licenses, reports and other state control requirements are required after it has been received. Performance of activities without the obligatory license results in administrative or criminal liability with withdrawal of the income. Therefore, compliance with the licensing legislation is important and requires a professional approach.

Under the art 32-1 [the](#) Construction Act for some legal entities require accreditation, if they carry out: certification of engineering and technical personnel participating in the design and construction process; engineering services for technical supervision and expert works on technical investigation of reliability and stableness of buildings and structures at technically and technologically complex objects of the first and second levels of responsibility; project management in the field of architecture, town planning and construction.

Thus, legal capacity of construction's participants usually is reviewed by abovementioned permissions, which through certain processes is approving person's capability to participate in construction. However, the spirit of these acts is directed to prevent damages or infringements of Construction Act moreover to prevent damages to people life and health. Analyzing Construction Act and the Act of Permits and Notification in comparisons with facts, which were happened in building area some of them with fatal consequences it is derived that this construction regulation is not sufficient. So it is necessary look on this relationship through cultural approach, the controlling of construction activity has to organize cultural attitude between participants of construction rather than just restrictions and prohibitions. Having agreed with Inara Ziemele's opinion that cultural mechanism could stop infringements the construction legislation. (Ziemele, 2017)

The second set of acts which under article 28 (1) [The Construction Act](#) is the state system of regulatory documents in the field of architecture, town planning and construction.

The state system of regulatory documents in the field of architecture, town planning and construction includes:

- 1) Regulatory legal acts establishing mandatory requirements for the organization of activities and governing relationships of subjects in the field of architecture, town planning and construction;
- 2) Regulatory technical documents that establish mandatory safety requirements for individual types of products and (or) their life cycle processes in accordance with requirements of technical regulations (buildings, structures, their complexes, communications);
- 3) Optional regulatory technical documents.

Sometimes those standards one are called the SNiP.

Thirdly, the private relationships between its participant such as client, projector, supplier, constructor, engineer, subcontractor and others are regulated by the civil legislation of Kazakhstan. Many construction projects have often own approach to cover a private relationship which is arisen between participants of the project, but many construction projects in Kazakhstan use standards of contract from a best practice of the West countries, such as FIDIC's standards, ICI contracts and others. Some national companies offered to use for example FIDIC's standards in the public procurement. Research by Boyd and Padilla (2009) supported that the business relationship that consulting engineering firms strive to create with their clients is that of *trusted advisor*, a relationship that cannot thrive unless the firm acts with integrity toward all of its stakeholders, whether internal or external to the business. This is such a key component of success that integrity, along with quality and sustainability, are the values on which FIDIC is based. Are it relay useful than standards which were used before in Kazakhstan?

Therefore, we can see that construction is regulated by many laws with own approaches which are complicated to use in practice. It is obviously that the legislation in construction includes many laws, approaches that scattered and it is difficult to assert construction legislation is clear and understandable structure in a unit spirit.

Therefore, construction sphere requires new approach to support, develop construction.

The history repeats itself so the good example the history of Rome Imperia when the Emperor Justinian came to the throne in 527 A.D., there practically no written law in Rome. There was purely customary, and its administration was wholly in the hands of the Patricians, and ordinary Roman citizen who felt himself aggrieved had little chance of obtaining justice.

However, when Justinian came into power, he immediately conceived the project of reducing to writing all existing laws. He lost no time in appointing learned men, versed in the law, to take charge of the vast work of codification. Among other things, labors of these men resulted in the Institutes of Justinian, a masterly treatise upon which many of our present laws are based. (Genest, 1924)

By other words, the way to tackle those issues is systematization of existing legislation of Kazakhstan in construction as process to bring that to unity of legal acts through the refining of its internal and external outline. The Concept of Legal Policy of Kazakhstan for the period from 2010 to 2020 which is approved by President of Kazakhstan 24 august 2009 (#858) notes necessity to elaborate sufficient legislature activity for systematization of existing legislation, and for consolidating in legal branches, and deleting of its old and duplicating norms to file the gaps in regulation, to minimize references in Laws and to elaborate practice to create a bills of directly applicable law in legal fields.

In December 15 2012 Kazakh President N.Nazarbaev announced the Kazakhstan 2050 Strategy (also called "2050 Strategy"). The Strategy 2050 fastened the infrastructure as one of priority of the state and the economy through construction sphere. The objectives of Strategy 2050 will be reached through construction

sector so it is crucial approach in future of Kazakhstan. Therefore, it is needed to reform and particular to systematize the construction legislation. The systematization allows to consolidate construction legislation, to realize priority national projects, and to create provisions for equal regulation and to improve all kind of civil-building activities and fasten legality in construction relationship. The codification is way to reach these objectives and the new act should respond to real requirements of modern Kazakhstan society.

To achieve this goal, it is necessary to adopt a new codified act that would meet the real needs of modern society in Kazakhstan. To date, the field of architecture and urban planning is a large number of normative legal and normative technical acts in the sphere of architecture, urban planning and construction operating on the territory of the Republic of Kazakhstan, starting from the laws of the Republic of Kazakhstan, ending regulations at various levels.

The basis for the codification of legislation in the field of urban planning will be the Construction Act. This act regulates the relations arising between state bodies, individuals and legal entities in the process of implementation of architectural, urban planning and construction activities in the Republic of Kazakhstan, and is aimed at the formation of a full-fledged habitat and human activity, sustainable development of settlements and inter-settlement territories.

The Construction Act plays an important role in the formation of the construction legislation of the Republic, but the current legislation does not create favorable conditions for the development of the construction and architectural industry. Therefore, a single codified act is necessary to develop by clearly and fully bringing into compliance with international standards and rules all by-laws in the field of architecture, urban planning and construction in matters of simplification of licensing procedures. It should be noted that urban planning legislation will be a set of different types of public relations, which are closely interrelated. Such relations require independent legal regulation and are considered as a holistic education. For example, civil (property), land, housing, administrative (state-management), business (economic) and other relations. Therefore, the homogeneity of social relations allows us to identify such subjects that are applicable in the aggregate in the regulation of any construction relations.

In urban planning legislation will be present norms of different industry affiliation (civil, administrative, etc.), but this qualitative specificity of urban development standards will not be violated. Normative legal acts of certain branches of law existing today can not determine the methodology and criteria of urban zoning of the territory, also unable to develop specific regulations that determine the urban parameters and types of permitted use of land within a particular territorial zone, etc. Therefore, the main difference between urban planning legislation from other branches of law is the closest relationship with technical acts, i.e. such legal acts expressed in technical norms and rules (requirements), developed within the framework of architectural and urban science and practice. It should be noted that for the subjects of such relations, these requirements are legally binding, and in case of their violation can be protected in court, although formally enshrined in the normative acts of the Republic of Kazakhstan.

Summing up, it should be noted that the development of the Architectural and urban planning code of the Republic of Kazakhstan will improve the current legislation in the sphere of public relations, will also introduce a new independent branch of Kazakh law, which will have not only theoretical but also practical importance for law enforcement agencies

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“What specialties of law in the labor market will be in demand in the future?”

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Abstract. In the light of theoretical information is clear that the list of occupations and specialties in demand in the labor market over the next years going to involve people involved in IT such as app developers, but mostly jobs closely connected to human interaction. Various service managers, analysis, statisticians and many other related occupations are going to be in demand. The hypothesis of this article revolves around the statement that with advances in robotics and artificial intelligence, more and more jobs are likely to be automated in future; however, not all of them are in danger. Especially – the law sphere. When it comes to law realm, it is certain that the need for professionals in the field, especially with the knowledge of international law, is ever so pressing due to wars, conflicts, and refugee and immigration crises. Electronic discovery did not replace lawyers; it just allowed them to practice at the top of their degree. The value of lawyer can be more human, because for instance the value for clients is someone to stand shoulder to shoulder with the client and say, "Everything will be right".

To begin with, we need to highlight the fact that we live in a time of extraordinary change, clouded by fears as more machines take over our jobs on a daily basis and more professions become nonexistent. Thus, humans are facing a dilemma regarding the future of work. Statistical analysis suggests that new smart machines have the potential to replace our minds and to move around freely in the world. That is why it is of paramount importance to review occupations and specialties in demand in the labor market over the next years or so.

It goes without saying that advances in robotics and artificial intelligence are transforming businesses as well as employment sectors all over the world and will continue to do so in order to contribute to economic growth via contributions to productivity. However, the downside of this process will surely be visible as more jobs are likely to be automated in future leaving people possibly unemployed or forcing them to change the line of work. That is the cornerstone of predictions revolving around the future of jobs in near future.

In essence, there is an endless amount of discussions these days regarding the future of employment in general and some particular jobs in particular. Notably, various claims that robots will steal all the jobs are commonplace in the media. Such concerns are mainly driven by a host of emerging technologies that automate physical, intellectual and customer service tasks.

Naturally, while these technologies are both real and important the real future of jobs overall is not nearly as gloomy as many suggest or even believe. In reality, automation will spur the growth of many new jobs and categories, which will lead to job transformation with humans working side by side with robots. As a result, some occupations will decline, others will grow, and many more will change.

Ergo, the hypothesis of this article revolves around the statement that with advances in robotics and artificial intelligence, more and more jobs are likely to be automated in future; however, not all of them are in danger. That is why in order to get to the bottom of things fully both sides of the story shall be reviewed in order for the conclusion to be concrete.

It is a matter of common knowledge that we are at the dawn of the age of robots. Every single day headlines seem to scream at us that the robot apocalypse is upon us, and that these machines will replace human jobs by the millions. But as with any technological advance, the story is more complicated than simple displacement.

It is important to realize that the technology will inevitably get better, and robots will be able to perform more complex tasks shortly. However, as long as there are more complex tasks that only humans can perform, the robots will never be able to replace human beings. With this in mind we may as well see workers spending more time on other less routine tasks, which implies the bright future of some jobs as they will get easier and less routine. With the prospects of jobs being automated it does not necessarily mean that they will not be available to humans, in reality it can actually be a positive change. All things considered, future predictions indicate that it is certainly unclear what types of jobs will be added in the future because of developing technology, however in comparison to the past, the arrow points towards safer, more rewarding jobs.

Nowadays technology advances and computers learn to perform human tasks with greater efficiency than even humans themselves, the question regarding the future of some professions is especially alarming in relation to them being automated in the future. Assuming that the threat is still far in the future the need to observe professions which are and will be safe from such invasions is definitely pressing.

There are several professional fields which fields are going to be safe and still in demand despite machines and technology taking over modern job market. First and foremost, medical fields are safe, even though there are quite a lot of aspects of medicine that are entirely based on medical knowledge, technical expertise, and data analysis which could be reasonably automated without much consequence.

Education related fields should be mentioned as well. It is noted that several future technological advancements may change the landscape of education, but will never eradicate the need for human teachers. Plus, there will always be a demand for personal tutoring. Even if classrooms and courses could be taught without human involvement, computers will never be able to personalize the material on strictly yet understandable personal level. For that, humans will always be needed and will never be replaced fully.

That is to say, when it comes to human involvement political spheres and law is the other field that is safe. Depending on how cynical people can get these days about the state of world politics, politicians may as well be robots already. Then again, it is fairly reasonable to assume that computers will never overtake the realm of politics for a number of reasons granted that computers will never be placed in charge of towns, cities, states, or countries.

Computers, robots or machines will not be creating new laws simply because they have no free will and therefore cannot invent anything new besides their programming and settings and same can be said about making judicial decisions. Given these points, governors, lawmakers, judges, and juries will always need some sense of human discernment that computers will never be able to offer.

It is certain that sports industry cannot be given away to robots nor it can be automated especially the realm of professional sports. The world is home to hundreds of millions of sports fans. As a species, people love to play and to watch others play, and sports are the perfect expression of basic biological tendency to play and to move. Sports are compelling because of the human narrative that lies under the surface. The history, the rivalries, the athleticism, the stakes – that is what people want to watch and computers will never be able to replicate that kind of excitement.

Last filed is devoted to creative arts. Logically speaking it is the one thing for technology to enable creative endeavors, as digital art tools like Photoshop and others have been monumentally useful for graphic artists. Yet it is safe to assume that creative endeavors will never be replaced by computers simply because art is an expression of human creativity, imagination, and improvisation – something that computers will never have due to yet again their programming which cannot possibly be improvised or go off track.

As for the other side of the coin speaking about jobs at risk being automated and trusted only to robots it can be said that using automated machines designed to follow pre-programmed rules and fulfill repetitive tasks has become one of the most efficient ways for companies to scale work and grow their profits. Statistically speaking, the jobs with the highest chance of being automated include manufacturing and agriculture, as many roles in these industries are already being automated. Moreover, the non-manufacturing

jobs that automation may affect most include postal and courier services, land transport, and a number of jobs in the food service industry.

Generally speaking, robots perform best at physical, predictable tasks which can be operated significantly more quickly, safely, and efficiently than their human counterparts. In addition, cleaning jobs also have a high automation, as well as the entire field of transportation because of the driverless cars that are starting to affect those fields including rideshare, and even long-distance trucking industries.

In the light of theoretical information presented above it is clear that the list of occupations and specialties in demand in the labor market over the next years going to involve people involved in IT such as app developers, but mostly jobs closely connected to human interaction, for instance, therapists, nurses, physicians, veterinarians, dentists, teachers and tutors. Various service managers, analysis, statisticians and many other related occupations are going to be in demand.

Lastly, when it comes to law realm, it is certain that the need for professionals in the field, especially with the knowledge of international law, is ever so pressing due to wars, conflicts, and refugee and immigration crises. Legal profession is a very attractive profession due to its social and monetary prospects. Needless to say that legal profession plays a very important role in the execution of justice as any advocate out there by presenting the legal material related to the case tends to help and give the court as well as judicial system of their country a proper and legitimate judgment. Therefore, the members of legal profession play an important role in the society and occupy a high status in it. After all, in the growing age of technological advancements and the era of the credit crunch, the demand for some professions is decreasing. Some wonder whether the same can be said of the legal profession.

Famous scientists and researchers in this field of work argue that the current market is increasingly unlikely to tolerate expensive legal professionals for tasks that can equally or better be discharged, directly or indirectly, by smart systems and processes, meaning that the jobs of many traditional lawyers will be substantially eroded and often eliminated. Conclusively, in order for those within the legal profession to safeguard their jobs, they must focus less on maintaining their financial status and focus more on providing the services that people need at a reasonable cost. Speaking about specific fields that should be mentioned in the light of predicting the future of legal jobs over the next 20-30 years it can safely be said that healthcare law, immigration law, family and elder law, environmental and employment fields as well as private business and industries are going to be the main concerns of the future lawyers.

Without a shadow of a doubt, simply knowing the law is not acceptable nowadays and will not be applicable in the future. Specific fields shall be tackled, implying the need for more specifically oriented professionals in the legal sphere. The future lawyer will play an integral role in this transformation due to new technology and atomization integration processes. To draw the conclusion, one can say that the discussed issue is of great importance nowadays as in the growing age of technological advancements the demand for some professions is sadly decreasing as they are more and more automated.

The likelihood of machines totally replacing people is remote, but the process has already begun in lots of spheres including law. On the whole, new jobs will be created over time and people will need updated training to remain relevant in the workforce as it continues to evolve. All kinds of machines are designed to assist human beings and not everything can be automated, that is why machines will never fully replace human beings when it comes to labor market. The technology and automation trend spans the globe; no one can escape it in the end especially future generations. Forewarned is forearmed.

Conclusion

Summarizing, we can come to the conclusion that the future of some jobs is bright as machines can never fully replace human beings despite advances in robotics and artificial intelligence, at least when it comes to specific professions related to law and politics, education and artistic fields, professional sports and some others.

Firstly, human beings may not be perfect in everything but humans are the ones who make machines. Naturally, that makes them more efficient than machines as the vice versa is not possible. Other than that, adaptability to sudden unknown outcomes as well as the ability to predict them requires human mind only, especially in extreme circumstances.

Furthermore, people take decisions based on memories of events which have occurred in the past, in other words, they make decision on the basis of the experiences they have had. As it follows, machines are incapable of this quality which makes human beings unique and at the same time superior to them.

In that regard, humans have a secret weapon as they face off against computers in the workforce of the future – humanity and empathy. Even as artificial intelligence and machine learning make slightly better workers both in manual labor and in cognitive tasks, humans will still have occupational oases in the desert of displaced workers. Jobs that require personal involvement, connection and cooperation will remain firmly in people’s hands, especially when it comes to law and order.

Electronic discovery did not replace lawyers; it just allowed them to practice at the top of their degree. The value of lawyer can be more human, because for instance the value for clients is someone to stand shoulder to shoulder with the client and say, "Everything will be right".

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“Air Rage regulation based on Tokyo Convention”

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Abstract. The world is changing rapidly and now the majority of people tend to travel by plane. A concern about the safety of passengers, flight crew experience, and aircraft serviceability is widely discussed among different states. Considering different situations on board, namely air rage which might cause a serious problem (crime) on board an aircraft where cabin crew or pilots have to face with such situations with unruly passengers which require certain preventive actions and police involvement.

The International Air Transport Association (IATA) statistics show a significant increase of passengers' misbehavior. Between 2007 and 2017 there were over 66,000 incidents reported to IATA. According to Alexandre de Juniac, IATA's Director General and CEO, unruly and disruptive behavior is simply not acceptable. The anti-social behavior of a tiny minority of customers can have unpleasant consequences for the safety and comfort of all on board. As IATA's Director General and CEO said the increase in reported incidents require more effective deterrents.

What is Air Rage? Andrew R (2001) offered his definition as this is disruptive or violent behavior on the part of passengers and crew of aircraft, especially during flight. (Thompson Andrew R, 2001). Air rage generally covers both behavior of a passenger that is likely caused by physiological or psychological stresses associated with air travel, and when a passenger becomes unruly, angry, or violent on an aircraft during a flight.

Usually if unruly passenger is intoxicated or misbehaved (do not follow cabin crew instructions, verbally or physically abused other passenger or crew members), such passenger is disembarked and is handed over to the police when the aircraft is still on taxiway or stand. In case the conflict arises in flight, then cabin crew members have to follow some instructions to de-escalate the conflict and to hand a letter of warning signed by captain. If the situation is uncontrolled and endangers the safety of passengers and crew, then the pilots have to divert or to land at the nearest airport.

An airline passenger's uncontrolled anger is usually expressed in aggressive or violent behavior in the passenger compartment, but air rage can have serious implications, especially if the offender decides to interfere with the aircraft's navigation or flight controls. Generally, such passengers are not at risk of committing terrorist acts, but since the September 11 attacks, such incidents have been taken more seriously due to increased awareness of terrorism. (Angela Turner 2008).

There is an article published on BBC news about legality to restrain or disembark unruly passengers by flight crew of an aircraft. Head of aviation at Stewarts Law James Healy-Pratt said that the Montreal convention governs an airline's responsibility to their passengers during an international flight. Also, he added that aviation is international by nature, there is no single over-riding convention regarding the treatment of unruly passengers. So, passengers' behavior is subject to the laws of the country in which the plane is registered. And what the crew can and cannot do is also governed by the national laws of that country.

The first case of air rage was recorded in 1947 on a flight from Havana to Miami, when a drunk man assaulted another passenger and a flight attendant. (Hunter *Joyce A*, 2009). Another early documented case involved a flight in Alaska in 1950. (Rolfe, Peter, 2000).

At the time, applicable jurisdiction was unclear, so offenders often escaped punishment. It wasn't until the Tokyo Convention that laws of the country where the aircraft is registered were agreed to take precedence.

Now there are a number of conventions - including the Tokyo Convention (1963) and the Montreal Convention (1971) which address the issue of ensuring safety and discipline on board a plane. “The Tokyo Convention emphasizes that the plane's captain is in charge of the safety of the flight and thus decides whether a passenger needs to be restrained. Before landing, the captain must notify the authorities in that country that a person on board is under restraint and of the reasons for such restraint. And, the Montreal Convention governs an airline's responsibility to their passengers during an international flight”, explained James Healy-Pratt, head of aviation at Stewarts Law.

So, what is Tokyo Convention and when did it come to effect?

The Convention on Offences and Certain Other Acts Committed on Board Aircraft, commonly called the Tokyo Convention, is an international treaty, concluded at Tokyo on 14 September 1963. It entered into force on 4 December 1969, and as of 2015 has been ratified by 186 parties. (ICAO international, list of countries as of 2019)

The objectives of the Tokyo Convention cover a variety of subjects, with the intention of providing safety in aircraft, protection of life and property on board, and generally promoting the security of civil aviation. These objectives will be treated as follows: first, the unification of rules on jurisdiction; second, the question of filling the gap in jurisdiction; third, the scheme of maintaining law and order on board aircraft; fourth, the protection of persons acting in accordance with the Convention; fifth, the protection of the interests of disembarked persons; sixth, the question of hijacking of aircraft; and finally some general remarks on the objectives of the Convention. (Shubber S, 1973)

As it was mentioned, the main objective of the Tokyo Convention is the unification of rules concerning the allocation of jurisdiction over crimes (violations, misbehavior) committed on board. In fact, when an international flight is performed en-route different countries, for instance from Paris (France) to Nur-Sultan (Kazakhstan) and an unruly passenger was French citizen, upon arrival in Nur-Sultan he will be handed to the local police. The claim from cabin crew or other passenger will be handled based on law of the country (landed). Thus, this claim will be reviewed in Kazakhstan and administrative or penal law will be applied accordingly. As we all know, every country has their own jurisdiction concerning human rights and etc. Once simple example as “a smoking passenger on board” claim is handled differently. According to Kazakhstan law (Article 159, item 5 on Code of the Republic of Kazakhstan “On people’s health and the health care system”) it is prohibited to smoke cigarettes on board, whereas other countries allow smoking e-cigarettes (IQOS, VAPE etc.) on board. Moreover, different countries have different administrative or criminal fines against this violation.

Taking into account different measures and regulations, the issue of air rage should be firstly regulated in flight by cabin crew members and flight crew decision using restrain, de-escalation of conflict and issuing a warning and disembarkation or emergency landing based on ICAO or Tokyo Convention. If the issue requires police intervention, then the case (where landed) with respect to international citizens will be handled differently. For example, during transit flight if an unruly passenger (Russian citizen) and the aircraft (Kazakhstan) lands at Turkey (emergency landing) and the crime (physical abuse) was occurred in flight, here different countries will be involved. Thus, we have a number of States any of which can claim the right to exercise jurisdiction on one legal ground or another. If one or two states will want to investigate and take the case using own jurisdiction then the conflict of jurisdiction will be inevitable.

To sum up, it is indeed an issue which law will be applied if the flight is international and it depends on consequence of air rage. Nevertheless, the Tokyo Convention states "The State of registration of the aircraft is competent to exercise jurisdiction over offences and acts committed on board."

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“The Judicial System of the Republic of Kazakhstan and its Modernization for Democratic Development Modernization of the judicial system”

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Abstract

The judicial system in every country is always the standard and guarantee of democratic development. The main document of our country - the Constitution of the Republic of Kazakhstan, article 13, states that *"every citizen has the right to judicial protection of his rights and freedoms"*.

However, the whole paradox in this formulation is precisely the fact that the judicial system is often a complex interweaving of institutions, where its democratic manifestation causes a low level of trust.

Society is used to perceiving trust in the authorities through the level of legal judicial awareness. Is it fair to shoulder the status of higher democracy on the shoulders of domestic Themis? What future awaits our courts and will our citizens be able to regain confidence in the arbiter of justice? In this article we will try to find answers to the questions asked and try to consider the prospects for the development of the judicial system of our great country.

Keywords: protection of rights, judicial system, democratic development.

There is such an expression "the law receives movement through the efforts of the judiciary." Its direct significance speaks of the multifaceted powers of the courts, which, having independence, provide solutions to various legal issues.

Such as the creation of judicial practice, control and corresponding influence on the actions and decisions of state bodies, enforcement of sentences, etc.

It can be assumed that the modern judicial system celebrates its birthday on October 25, 1990, because it was on this day that the Declaration "On State Sovereignty of the Kazakh SSR" established the decisive principle of the activity of state power - the division into three branches: "state power in the Republic is carried out according to the principle its division into legislative, executive and judicial.

On December 16, 1991, Kazakhstan received a unique opportunity to create a new type of judicial system in a new independent, sovereign state and to give the courts the full power of a true social role in law. Although the first constitution of 1993 enshrined the concept of "judicial power", it still could not claim to be the ideal legal postulate. The independence and professionalism of the judiciary, the clear social status of judges, and their important role in society were reinforced by the position in the 1995 Constitution. It was she who became the guarantor of all subsequent legal acts of the Republic.

To date, the Constitution has strengthened such transformations of the judiciary as the unity of the system, together with the Supreme and local courts, the creation of the Constitutional Council, the permanent term of the judicial corps. The depoliticization of the judge by prohibiting his membership in parties or trade unions, as well as any speech in support of any political party.

That is, in fact, the judge is completely remote from any other manifestation of state power. In addition, the institution of jury trials was introduced, which further confirmed the intention of Kazakhstan to enter the path of development of independent volitional justice. The next step was the Decree of the President, having the force of constitutional law, "On Courts and the Status of Judges in the Republic of Kazakhstan" of December 20, 1995. The decree developed constitutional provisions by establishing legal and material guarantees for the independence of judges who, for the first time, received legal protection from pressure from the executive and representative branches of government. Further certification of judges should have firmly established the unshakable professionalism of the judiciary.

However, here the main drawback of judicial independence became apparent on the face, namely its pronounced subjective aspect. Today, the judiciary is constantly influenced by various forces and interests.

The individual work of the judge, the activity of the judicial system as a whole are in a certain conflict with their environment. This happens for objective and subjective reasons. Objectively, the company is trying to reduce the costs of the judicial system, but to get more and more effective results.

Ideally, it strives for the rule of law, but the forces opposing this constantly appear in it. Objectively, citizens want quick and effective justice, but subjectively and at the same time, they often strive by any means, including illegal, to protect their real and imaginary rights, limit (try to limit) the powers of the judiciary. All this is in the nature of the contradictory nature of social and individual interests.

But it is customary for society to take the advantages and development of legal institutions for granted, and to leave such pitfalls, such as the large amount of effort, will and labor invested in the development of the system, unnoticed.

Nevertheless, further reform of the judicial system is objectively necessary, since "the present is always fraught with the future and burdened with the past." The social issues of judges require special attention, as they are one of the guarantees ensuring their independence.

It is too early to talk about the full implementation of the requirements of Article 80 of the Constitution of the Republic of Kazakhstan on the allocation of such a volume of court funding that would ensure the possibility of full and independent administration of justice. For example, the requirements of the Constitutional Law "On the Judicial System and the Status of Judges of the Republic of Kazakhstan" on providing the judges with housing within six months after being appointed to the post, the material support of the judge is far from adequate to the complex and responsible work.

Due to the heavy workload of judges, the task of developing a system of scientifically-based workload standards for judges and court staff is waiting for its decision.

To a small extent, the independence of judges is ensured at the stage of special operational-search measures. The important task remains to increase the authority of the judiciary. Here, an important role is played by the media, which actively publish various materials on corruption in the judiciary.

Requires improvement and the selection of personnel for judicial posts.

We must not lose sight of the problem of professional culture and spiritual development of the judiciary, because it is precisely this core of fair justice. At such a moment, I would like to give an example of the history of the Kazakh steppe, namely its unique institution, which is called as the "court of biys". He has always been associated with public recognition, the search for truth and the fairness of decisions made.

Only a person endowed with the highest spiritual qualities, like eloquence, wisdom, justice, the ability to conduct dialogue, knowledge of the customs and legal norms of that time, could claim and proudly bear the title of judge. How many more stages of development do we need to go through, what stages does society need to go through in order to regain the postulates of steppe justice that we lost?

Nevertheless, despite the shortcomings of the judicial system, which has not yet strengthened public confidence in the courts, one can note the state's confident steps towards building a state based on the rule of

law: “We have a lot of difficult passes and difficult transitions ahead. Many more times on the way of the nation, a scale headwind will strike in the face and knock down. There will be many more to tear and throw us. It will be necessary to endure and overcome everything”. Ensuring the development of the judiciary lies primarily on the shoulders of the Supreme Court. The fact is that the Supreme Court in recent years has been intensively developing programs that would not only improve the quality of the administration of justice, but also increase the level of public confidence in the court and its institutions.

An important fact of such a rapid implementation of programs is the Message of Nursultan Nazarbayev, which is called "Plan of the nation. 100 concrete steps”.

As part of this message, Nursultan Nazarbayev calls for the modernization of the judicial system, for ensuring the rule of law in the republic. According to him, modernization should be carried out in stages, by implementing steps such as reducing the courts, strengthening the requirements for the selection of candidates for judges, developing a new code of ethics for judges, expanding the scope of the jury, creating an investment court, and creating an international arbitration court experience in Dubai.

Many steps today are already being translated into reality, for example, such as reducing the five-step system for appealing a judicial act against a three-stage system. The ruling of the Supreme Court is the last testament instance for the participant in the trial who are seeking the justice of their statements.

Such an innovation, of course, reduced court costs for the parties, reduced bureaucratic moments in the administration of justice, but at the same time partially violated the rights of parties who want a full volumetric review of the case.

Usually, judicial practice showed that complex long-term legal cases had the opportunity to change the decision at subsequent instances. To date, judicial practice shows that the decision of the first instance of the court remains unchanged in the appellate instance, and for judicial claims with small and medium amounts of recovery, this instance remains final.

I believe that in addressing this issue, it is also appropriate to take such a step as increasing the requirement for candidates of the judiciary, due to the need for high professional and ethical qualities for judges of all instances.

The Supreme Court has developed a pilot project called the “Seven Stones”. This project is mainly aimed at expanding the legal consciousness and increasing the level of public confidence in the judicial institution.

One of the pilot projects was the “night court”. He reviews administrative matters and works in the evening. It was convenient for citizens to reduce the time for consideration of administrative cases and to quickly obtain a resolution for the parties, as well as of course the opportunity to participate in the process after a working day. To date, this draft is under consideration as a bill with amendments to the "Code of the Republic of Kazakhstan on Administrative Offenses."

Another innovation of the Supreme Court’s development was the pilot project of the “family court”, where the court will be a synthesis of juvenile justice and family relations disputes. Civil jurisdiction considers a huge number of lawsuits related to disputed relations within the family, so it was logical to separate this category of disputes into a separate court, where, along with judges, psychologists and professional mediators can work to increase reconciliation of the parties. After all, the family is the most important unit of society, which will always be under the protection of the state.

A major area of the judicial institution was the expansion of centers for extrajudicial reconciliation, and in some small regions of the state there are even independently regulated councils of biys, which probably have a more recommendatory character, but nevertheless positively affect the overall dynamics of the development of mediation.

In civil courts, according to the Supreme Court, a pilot project “*Reconciliator Judge*” is operating, where the judge, before the start of the court session, explains to the parties about the possibility of concluding a mediation agreement, which would be tantamount to a judicial act.

As part of the conversation, judges achieve an indicator of 55 percent reconciliation of the parties at the beginning of the pre-trial review of the case. In parallel, there is a process of digitalization of the court, which at first might have been difficult for society to accept, for example, the “*Trial Cabinet*” system.

If at the initial stages of implementation difficulties arose, such as the need to learn how to work with the system of court staff, the need for informational coverage for citizens about work procedures, today a large number of people remotely file lawsuits, supplement the necessary procedural documents.

The judicial office became a real example of the combination of regional legal proceedings and production in cities of republican significance. Indeed, the virtual court allowed citizens to save not only their legal costs, but also the most valuable thing a person has - time.

Public trust is slowly but surely moving towards good performance.

In the framework of the “Seven Stones of Justice” a separate SMART court program is provided. Within its framework, it is planned to introduce blockchain technologies in courts, work with big data and use of artificial intelligence.

In order to develop this project, the Supreme Court teams reviewed the experience of leading countries such as Korea, Singapore, China, the United Arab Emirates.

The experience of these countries has shown a high level of perception of citizens of digital innovations. Judges in these countries routinely use mobile gadgets to work and make decisions, and citizens can be present remotely during the trial.

Conclusion

All developed countries are already moving to the so-called third-generation analytics, operational analysis of a predictive-prescriptive nature

The Chairman of the Supreme Court within the framework of the round table on digitalization of the system noted the new initiatives of Kazakhstan in terms of modernization of the electronic legal system: the search reference and analytical system E-Discovery; feedback system, chatbot and virtual assistant "Komek"; modernized contact center of the Supreme Court with the function of recognition of speech content; online dispute resolution in the E-Reconciliation Court; electronic case format, digital courts and more.

Today, the modernization of the judicial system is the most important step in increasing the level of public confidence in the court. Citizens who are convinced of the convenience and transparency of court proceedings will more often turn to the judiciary. It will also have a positive effect on enhancing the competency of the judiciary. A developed judicial system is a key factor in the development of the state, is the core of its right-wing democratic society.

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“Accents, dialects, and language norms”

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Abstract. This article is intended to briefly overview the status of the native speaker norms within the English as Foreign Language (EFL) and French as a Foreign Language (FFL) context. Although extremely conformist and non-conformist stances exist, and it seems equitable if English as Foreign Language (EFL) and French as a Foreign Language (FFL) users conform to the native speaker grammar and phonology, and native speakers from the other parts of the world do not impose their sociopragmatic values on other users. Summarily, whilst conforming to the native speaker norms in the linguistic areas- e.g., phonology and grammar – might be necessary, extralinguistic elements -eg. sociopragmatic features - can be adapted to the English as Foreign Language (EFL) and French as a Foreign Language (FFL) situation.

Key Words: Teaching English as a second language, teaching French as a second language, ESL, FSL, English as a foreign language, EFL, French as a foreign language, FFL, accents, dialects, styles, comprehensibility, intelligibility, The Common European Framework of Reference for Languages, CEFR, language norms, native speaker, language variations.

Introduction. The theme of this paper is a discussion of the notions of accent, language norm, language standard, dialect, comprehensibility, and intelligibility, which are studied from a variety of angles, but always in relation to the English or French languages.

As mentioned above, these terms are to be understood in a very broad sense of the word, to be used in the context of social interaction, the benchmark employed in teaching, or the development of English and French dialects and their relationship to the standard language.

The concepts of norms and norms are equally important concepts for language instructors, linguistics, and sociologists. We believe that this paper offers a view on how the concepts of accent, language norm, language standard, dialect, comprehensibility, and intelligibility are of importance in the different fields of foreign language learning/ teaching processes touched on here.

Research Questions: Since our topic focuses on the concepts of accent, dialects, and language norms, the research questions are:

1. What are the differences between accent, dialect, and style in foreign language learning and teaching practices, and how do we determine these terms?
2. How important and relevant these terms are nowadays in language learning and teaching practices?
3. How the concepts of accent, language norm, language standard, dialect, comprehensibility, and intelligibility are of importance in the different fields of foreign language learning/ teaching processes?

These are the initial and major questions that are aimed to be covered throughout the research process.

Methodology. The paper focuses on a deep review of relevant literature. It contains work with historical data of the English and French languages on questions of standardization and the success of standardization processes. As a result, some relevant researches were discussed in connection with the process of foreign language standardization in teaching processes and several interrelated factors were suggested to account for this increase of teachers and students, who believe that they could better their situation by learning to use 'correct' language forms.

Purpose of the Study. With the rise of the macro-scale globalization consequence, the role and the impact of new technologies in language learning pose new challenges to language instructors' profession in the sense that we need to rethink some of the already dominant concepts, aims, and objectives. EIL has also opened new directions for research in ELT.

One of the most significant aspects of speech is accent – either dialectal differences attributable to region or class or phonological variations resulting from L1 influence on the L2. Our primary concern is with the latter, because of the strong social, psychological, and communicative consequences of speaking with an L2 accent. In Kazakhstan, it is generally believed that pronunciation instruction is not effective, not only because of the unrealistic goal of native-like speech in L2 learners but also because of research findings that suggested that instruction has a negligible impact on oral production. The modern revival of interest in pronunciation research brings a change of focus away from native-like models toward easy intelligibility and comprehensibility that are described in The Common European Framework of Reference for Languages (CEFR). Moreover, more and more foreign language learners and teachers are keenly interested in pronunciation instruction. Also, a fact is also not lost on individuals who have found a lucrative marketing niche in 'accent reduction/elimination' programs that unfortunately bring more harm than good. Our paper will relate the core issues of intelligibility, identity, social evaluation, and discrimination to appropriate pronunciation pedagogy for L2 learners.

Literature Review. Who has not had the experience of perceiving an accent or being perceived as having an accent? The term "accent" refers to the pronunciation of a language that shows deviations from native norms. These deviations occur at the phonetic, phonemic, segmental and prosodic levels, characterizing the user of a second language as a non-native speaker. There is a consensus that the pronunciation of a second language is deeply affected by the native language, above all, in the early stages of acquisition (Ellis, 1994). In fact, one can easily detect the origin of some L2 speakers just by listening to the way the L2 is pronounced by them. Nevertheless, there are also reports of learners who achieve near-native pronunciations (Bongaerts, 1999). Pronunciation is not merely acoustics, and as we can see, the term "accent" is one of the most salient aspects of speech. The term includes dialectal differences and phonological variations. The first ones are attributable to region or class, and the latter ones are resulted from the influence of speakers' first language (L1) on the second language (L2). Phonological variations have strong social, psychological, and communicative consequences of speaking with an L2 accent. In Kazakhstan, it is believed that pronunciation instruction could not be effective for a few reasons: the unrealistic goal of native-like speech in L2 learners and the lack of local researches on the teachers' impact on oral production.

There are three different linguistic variations that appear in any language. Two of these categories are specified by regional variations as in pronunciations (accents), word selection and grammar (dialects), and by sociological variations as in different speaking styles due to age, situation, and gender. These variables create insight into social, historical, and geographical factors of language being used in society (Nerbonne, 2003).

It is clear that we understand each other when we speak our first language even if not everyone speaks the same way: everyone has their own personality. In the common imaginary of French speakers, Mr. X, a resident of Marseille, does not have the same accent as Mrs. Y, a resident of Brussels. Whether you want it or not, their

accent is not that of Mr. and Mrs. Z, residents of the Paris region. The following questions arise – "what is an accent?" "what do we call a dialect and a style?"

Accent

The "way of speaking typical of a particular group of people and especially of the natives or residents of a region" is called an accent (Merriam-Webster Dictionary). It is also the phonological signals, which identify the speaker as a non-native user of the language (Scovel, 1977). Moreover, he pointed out that "the recognition of this phonological non-nativeness is usually immediate and based on a small speech corpus," which is supported by a number of studies (e.g., Flege, 1984; Major, 2007). In his researches, Flege (1984) illustrated that people could identify a foreign accent in as little as 0.03 seconds, while Major (2007) showed that people could recognize a foreign accent in an unfamiliar language. Furthermore, Munro, Derwing, and Burgess (2010) showed that speakers could recognize an accent even in speech played backward. Nowadays, many people associate the accent with pronunciation. However, the latter is usually defined as the way a speaker utters sounds or words. Moyer (Sewell, 2016) indicates that pronunciation is the articulation of segmental features. Accent covers more global patterns, as in regional accents, whereas pronunciation seldom refers to specific characteristics of these patterns, as in the way a speaker pronounces a word in an unusual way, or as some say a non-native like pronunciation. As we can see, most people define accents as varieties in pronunciations of a certain language that refers to the sounds that exist in a person's language. Therefore, people agree that everybody has an accent.

Generally, accents differ in two subjects, phonetic and phonological (Strassler, 2010). When accents differ in phonetic, there are the same set of phonemes in both accents, but some of these phonemes are realized differently. For example, the phoneme 'e' in dress is pronounced as "3" in England, and "e" in Wales. Another example, the phoneme 'u' in strut is pronounced as '2' in England, and 'U' in Wales. Differences in stress and intonation are also referring to the phonetic category. On the other hand, phonological refers to those accents which have a different number of phonemes from another, and often the identity of phonemes is also different. Examples are made or waste, which are pronounced as 'e' in England and as 'e:' in Wales (Strassler, 2010).

What is clear in accent description is that unlike the dialects, accents only cover a small group of variations that could occur in a certain language. Overall, the importance and the existence of an accent are undoubted since, without it, human speech would have no human print.

Dialects

Dialects are another type of linguistic varieties of speech within a specified language. The Oxford English Dictionary (OED) describes dialects as "one of the subordinate forms or varieties of a language arising from local peculiarities of vocabulary, pronunciation, and idiom." These variations can exist at all linguistic levels, i.e., vocabularies, idioms, grammar, and pronunciation. Some examples in the case of South and North English dialects are:

- South: "Howdy"; North: "Hello"
- South: "Fixin to"; North: "About to"

Dialects of the specific language differ from each other, but they are still understandable to the speakers of another dialect of the same language. Differences among dialects are mainly due to regional and social factors, and these differences vary in terms of pronunciation, vocabulary, and grammar (Akmajian, 1984). For example, the sentence "she were wearing a sunglass" might sound unusual, but in some dialects in northern England and the Midlands, many

speakers use the past tense of “to be” by saying “I were, you were, he, she and it were, we were, and they were”. This means that the verb is unchanged for a person, while speakers of Standard English use “I was and he, she and it was.” This example indicates how standard grammars of a language might be influenced by regional dialect differences. On the other hand, social factor shows that members of a specific socioeconomic class such as working-class dialects might have different dialects compared to a high-class businessman. So the way a person speaks his/her language is highly influenced by both his/her social status and his/her region of origin.

Styles

One more type of linguistic variation in a certain language is caused due to different styles of speakers within that language. Styles generally refer to the mood of the speaker and the situations in which the speaker is placed. Styles differ from dialect and accent variations. Dialect and accent are the ways certain languages are spoken among many people of a society, whereas a style refers to the spoken languages of the same people in different situations.

As mentioned, styles of a speaker depend on situational factors such as

- whom is he/she speaking with
- what is the spoken topic about
- where is the conversation taking place

In all of these situations, one speaker might select a different tone of voice in his voice. For example, in careful styles, more attention is paid to speech, whereas in casual styles, there will be less attention to the monitoring of speech (Strassler, 2010).

Language norms

With the given variations that we have in the English language, an academic concern for norms and standards in the English language is undeniable. As these two terms may evoke different connotations and associations, we should first establish how the terms were understood.

In the Oxford English Dictionary, the word ‘standard’ contains many different subheadings; the ones most closely connected to the theme of this paper are:

- An authoritative or recognized exemplar of correctness, perfection, or some definite degree of any quality.
- A rule, principle, or means of judgment or estimation; a criterion, measure.
- Applied to that variety of a spoken or written language of a country or other linguistic area, which is generally considered the most correct and acceptable form, as Standard English, American, etc.

(Oxford English Dictionary 1989, online)

The entry for ‘norm’ in the Oxford English Dictionary is closely linked to the notion of ‘standard’:

- That which is a model or a pattern, a type, a standard.
- A standard or pattern of social behavior that is accepted in or expected of a group. Usu. in pl.
- A value used as a reference standard for purposes of comparison.

(Oxford English Dictionary 1989, online)

While the concepts of ‘standard’ or ‘norm’ have a high currency in linguistic research in general, the way they have been treated in the different fields of linguistics is rather diverse. Most generally, we can say that what a standard or a norm constitutes in a specific context has to be defined as a point of reference.

Nowadays, according to Trudgill (1998: 38), there is a clear consensus among sociolinguists that Standard English is a dialect, i.e., "one variety of English among many. It is a sub-variety of English." This, however, has not always been the case. In the first edition of the Oxford English Dictionary (1933), the term ‘dialect’ is defined as “one of the subordinate forms or varieties of a language arising from local peculiarities of vocabulary, pronunciation, and idiom ... A variety of speech differing from the standard or ‘literary’ language”. This definition implies that a standard language is a hyper form of all the respective dialects.

Furthermore, it concentrates solely on regional variations in vocabulary, idiom usage, and pronunciation, thus ignoring grammar as well as social differences. This is contrary to the modern understanding that a “standardized language is a language one of whose varieties has undergone standardization... consisting of the process of language determination, codification, and stabilization" (Trudgill 1998: 35). Furthermore, Standard English is independent of pronunciation, register, and style, which may have been standardized independently. Standard English is the variety commonly used by the media, especially in printing, and employed in the educational systems for both native speakers and learners of English.

As the standard is often associated with the language of educated people, social variations are more important than regional ones. Style is normally linked to formality, ranging from vulgar to very formal, and it depends mostly on lexical choice. It is obvious that speakers may choose their words independently of the other features of language in such a way that they are appropriate for the social situation. The same is true for a register, the vocabulary of which is determined by the subject matter or the activity a speaker is engaged in. In spoken language, we can thus encounter instances of Standard English in a very careful style within a special register, but pronounced with a very strong regional or non-native accent; while it is also possible to encounter instances of non-standard, casual English

but delivered in the prestigious RP accent (cf. Trudgill 1998). Thus, if Standard English is not connected to a specific form of pronunciation, register, and style, it must be mainly connected to grammar, i.e., to syntax and morphology. In addition, “Standard English is not a set of prescriptive rules," as Trudgill (1998: 38) points out, but are language standards based on the acceptability or on any other authoritative decree?

Accent assessment: intelligibility and comprehensibility

Effective language planning is about attending to actual language use above all else:

asking at each stage of the planning process how a given strategy, initiative, or

development will lead to real use of the language. Restoration as a policy goal is valuable

because it emphasizes norms of language use and encourages us to ask in concrete detail

where and how norms of minority language use will be established and defended. The Common European Framework of Reference for Languages (CEFR) is an international standard for describing language ability. It describes language ability on a six-point scale, from A1 for beginners, up to C2 for those who have mastered a language.

Common European Framework of Reference for Languages: learning, teaching, assessment

PUBLIC ANNOUNCEMENTS	
C2	No descriptor available
C1	Can deliver announcements fluently, almost effortlessly, using stress and intonation to convey finer shades of meaning precisely.
B2	Can deliver announcements on most general topics with a degree of clarity, fluency and spontaneity which causes no strain or inconvenience to the listener.
B1	Can deliver short, rehearsed announcements on a topic pertinent to everyday occurrences in his/her field which, despite possibly very foreign stress and intonation, are nevertheless clearly intelligible .
A2	Can deliver very short, rehearsed announcements of predictable, learnt content which are intelligible to listeners who are prepared to concentrate.
A1	No descriptor available

PHONOLOGICAL CONTROL	
C2	As C1
C1	Can vary intonation and place sentence stress correctly in order to express finer shades of meaning.
B2	Has acquired a clear, natural, pronunciation and intonation.
B1	Pronunciation is clearly intelligible even if a foreign accent is sometimes evident and occasional mispronunciations occur.
A2	Pronunciation is generally clear enough to be understood despite a noticeable foreign accent, but conversational partners will need to ask for repetition from time to time.
A1	Pronunciation of a very limited repertoire of learnt words and phrases can be understood with some effort by native speakers used to dealing with speakers of his/her language group.

In her research in 1996, Martha Pennington noted that it's barely possible to come up with a good definition of accent (Pennington 1996). Most of the researchers operationalized the construct in terms of listeners' perceptions of speech. They determine the concept of accentedness as how different a pattern of speech sounds compared to the local variety, which is assessed by having listeners rate speech on a Likert scale.

Comprehensibility is defined as the listener's perception of how easy or difficult it is to understand a given speech sample. This dimension is a judgment of difficulty and not a measure of how much actually gets understood. Comprehensibility ratings correspond to the amount of time, or the effort it takes to process utterances, even if they are perfectly understood in the end. Again, we measure this through listeners' judgments on a Likert scale.

On the other hand, the intelligibility is distinct from the other one, and it is defined as the degree of a listener's actual comprehension of an utterance. Intelligibility is extremely important but somewhat difficult to assess. How do you measure how much someone has understood? While there are many ways of assessing intelligibility, no one way is fully adequate. Researchers have given listeners dictations and counted the percentage of words they transcribed correctly; they've also asked them to indicate whether sentences are true or false; they have had listeners answer comprehension questions and write summaries to determine how well they actually understood what was said, regardless of how easy or difficult it was to understand and regardless

of how accented they thought the speech samples were. None of these methods tell the whole story, but they all show that intelligibility differs from accentedness and comprehensibility.

Figure 2 illustrates accentedness ratings of L2 utterances that listeners transcribed perfectly and are thus, by definition, 100% intelligible. The accentedness ratings for these utterances fell across the range so that even perfectly intelligible utterances were judged to be heavily accented, obtaining ratings of 7, 8, or 9 on the scale. This is one of the most robust findings that has emerged from every study we have done on intelligibility: intelligibility and accentedness are partially independent. In other words, it is possible to be completely intelligible and yet be perceived as having a heavy accent. The reverse doesn't happen. That is, speakers who are unintelligible will always be rated as having a heavy accent.

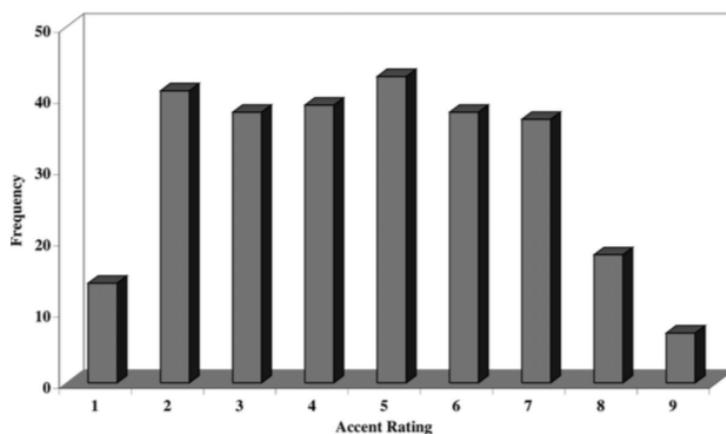


Figure 2 Accentedness ratings of utterances that were 100% intelligible (1 = no accent, 9 = extremely strong accent).

Now, let's go back to comprehensibility. In general, comprehensibility ratings are more closely related to intelligibility than accentedness ratings. As one would expect, then, comprehensibility and accentedness are also quite distinct. Figure 3 shows distributional.

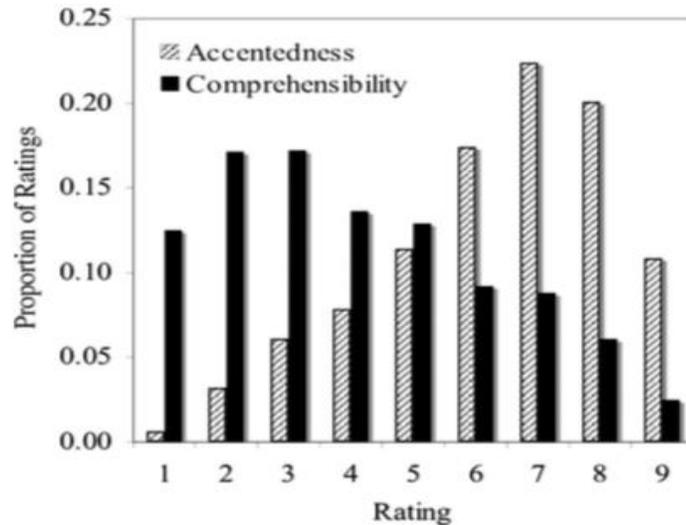


Figure 3 Accentedness and comprehensibility ratings of 48 ESL speakers (based on Derwing & Munro 1997).

patterns for accentedness and comprehensibility ratings from Derwing & Munro (1997). The accentedness ratings tend to be harsher and clustered around the heavily accented end of the scale, while the comprehensibility ratings tend to be clustered at the low, easy-to-understand end. Clearly, these are distinct constructs. In addition, these dimensions are not static properties; they can change over time, on their own, and as a result of instruction. To sum up, we want to emphasize again that accent is about difference, comprehensibility is about the listener's effort, and intelligibility is the end result: how much the listener actually understands (Munro & Derwing 1995; Munro 2008).

To sum-up, the accent is important in that people use it to make social evaluations, and these evaluations clearly affect both listeners and speakers. Furthermore, in those instances where accent really does reduce intelligibility, it is worth addressing. On the other hand, we know that accent, comprehensibility, and intelligibility are partially independent constructs, and that simply altering accent will not necessarily affect the other two. In fact, communication obstacles are often based on things other than accent, but because of its extreme salience, the accent is given more weight than it deserves. Recognizing both sides of this very complex phenomenon is essential to improving the lot of everyone who lives and interacts in linguistically diverse contexts.

Conclusion: Researches in L2 speech often focus on listeners' accent judgment and factors that affect their perception. Nonetheless, the topic of listeners' application of specific sound categories in their own perceptual judgments has not been widely investigated. Our paper illustrates the wide range of researches where listeners from diverse language backgrounds weighed phonetic parameters (i.e., segmental features such as consonants and vowels and suprasegmental features such as word stress and sentence stress) differently when perceiving non-native speakers' accented speech. The listeners rated different accented English/ French for intelligibility, comprehensibility, and accentedness. The results demonstrate that listeners perceived degree of accent in fundamentally different ways, depending on factors such as their first language and their target language instruction backgrounds. The discussion of the concepts of accent, language norm, language standard, dialect, comprehensibility, and intelligibility are studied from a variety of angles, but always in relation to the foreign language learning and teaching processes results illustrated in this paper can be useful both in the listeners' global judgments and in the communicative situations in which second language learners need to function.

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“Factors Affecting Language Choice in Multilingual Speech Community”

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Abstract. Even though Multilingualism has been studied a lot as sociolinguistic phenomenon, there are not much done on interactional level in the context of Kazakhstan. To address this gap, the current study investigates the question of language choice among the generation who were born after the independence of Kazakhstan. One female participant was engaged in a year-long investigation where she was invited to record her interaction in family and friendship domains, and stimulated recall interviews were conducted. Thematic analysis of the stimulated recall-interview, and self-recordings showed that the language choice was motivated by both internal and external influences, and sometimes it even could be stimulated by combination of the factors. The findings suggest that question of language choice could be studied in depth in different angles.

Key Words: language choice, multilingualism, code-switching

Introduction. The phenomenon of Multilingualism has been studied for many years. As it is known Multilingualism is a complex phenomenon, and it has been studied from the different angles in linguistics, sociolinguistics, anthropological linguistics, education and psychology. Moreover, it has been researched in various contexts such as indigenous, post-colonial, or migration and language movement (Martin-Jones, Blackledge, Creese 2012). Researchers gave many different definitions of this phenomenon. Li and Moyer (2008), defined Multilingualism as “anyone who can communicate in more than one language, be it active through speaking and writing or passive through listening and reading”. Consequently, assumptions that multilingual speakers should choose between languages can be drawn. According to Fasold (1987), there are three types of language choice: 1) ‘whole languages’, or the choice among languages within interaction; i.e., code-switching. 2) code-mixing using pieces of one language while using another language. 3) variation within the same languages. In this study, all three types of language choice can appear, and they would be investigated. However, it is not going to look at the types of language choice in depth. The main aim of the research is to find out the reasons behind the choices of multilingual speakers. There could be various reasons why people choose one or another language and one of them is a domain. A domain can be explained as a context of interaction (Fishman, as cited in Holmes, 2008). This study will focus on the domains, particularly on family and friendship domains. This chapter of the research work begins by providing the general background to the study of Multilingualism and the question of perception of national language in Kazakhstan. It followed by its purpose, rationale and significance.

Statement of Research Rationale. The current study is a part of sociolinguistic research on language choice in a multilingual speech community. The study will concentrate on multilingual speakers of Kazakh and Russian, who is under 30 years old. The reason behind it comes from the effect of the Russian language during the USSR. According to Fierman (2016), the Russian language had a dominant role and had been used in many domains by taking the place of titular languages. Moreover, he states that these days dominance of the Russian language declined. This study tries to identify reasons for language choice other than the influence of the USSR and it is quite exciting to find out some new factors. Further, some personal occurs here. I was born and raised in the multilingual family. My father speaks nine languages, my mother speaks two languages, and my siblings master around four-five languages. As a child, I was wondering why they would switch between languages and what was their motivation, what has influenced. Therefore, since my childhood, I wanted to explore why this happens.

Previous researches were conducted in different contexts like African countries, East Asian countries, indigenous contexts or immigrant communities. For instance, Feliciano Chimbutane's research on sub-Saharan Africa, Jan Pujolar's work on Catalan and Spanish, or Donna Partick's researches of indigenous languages and many more.

Another point to mention is that in today's Kazakhstan is a never-ending dispute between Russian speaking and Kazakh speaking Kazakhs. Fierman (2016) claimed that during the Soviet times being a Russian speaker considered to be prestigious and in some post-Soviet countries, this tendency is still preserved. Hopefully, the finding of the present study will help in the understanding of reasons for language choice in depth and reveal unexpected factors. Probably, some similar factors to other contexts would be revealed, but also something absolutely new can come out of the data.

Methodology. This is an exploratory case study on what factors affect language choice in the multilingual community. It was qualitative research that adopted and adapted some features of the ethnography. Recordings of conversations of the participants in a different setting have been collected, then recall interviews have been conducted and interviews have been recorded. These all have been done in order to explore the factors affecting their language choice.

Purpose of the study. Around 130 nations are living in the territory of Kazakhstan. According to the Constitution of the Republic of Kazakhstan, Kazakh is an official language and Russian is used at the same level at the governmental level. As stated in clause 6 of the Constitution of the Republic of Kazakhstan, every citizen of the country has the right to use and learn their native language. They are allowed to use their native language among their communities and while conducting events. For instance, some diasporas such as Turkish, Uygur, Uzbek and others have schools with a native medium of instruction. Majority of them are located in the agglomeration of particular communities. However, it does not allow to claim that all representatives of ethnic groups know and use their native language.

According to the official statistics (2017), 83,1% of the population speaks the Kazakh language, however, in reality, it seems a bit different because the Kazakh language does not cover all the spheres and domains although many young people who live in Almaty prefers Russian over Kazakh.

The main aim of this study to explore and understand the factors affecting language choice of young people and learn more about the relation between language choice and domain (context of interaction). Fishman (1964) was the first who suggested the approach of the context of interaction or domain. He suggested domains of behaviour such as friendship, family, religion, government, market and more. Which means speakers choose different languages in different domains. In addition, Spolsky (2009) claimed that there are two types of language choice. First, the choice is made based on an individual perception of what is a proper language in a particular domain. Second, the choice is made based on contextual interpretation of particular interaction. Spolsky (2009) also claimed that each domain is a social space, and each domain has its policy, and there are external forces that influence language choice. We can conclude that language choice at a specific domain can be regulated by internal and external factors or controls.

The study set the following questions to achieve the research goal:

1. What factors affect the choice of language Kazakh youths under 30 years old speak within different domains?
2. Does language choice effect on the determination of identity?

Significance of the Study. Few studies investigated the question of language choice and Multilingualism in the Post-Soviet area and Central Asia. The works of William Fierman and Annetta Pavlenko can be highlighted. They are one of the few researchers who studied languages in Central Asia and the Caucasus and covered Kazakhstani context as well.

The current study employed several tools (audiotaping, stimulated recall interviews) in order to obtain results which can contribute to the research field of sociolinguistics in particular multilingualism and language choice. Secondly, the new context as Kazakhstan could reveal and add something new to the field of Multilingualism. Moreover, it could inspire other researchers to look at the Multilingualism from a different angle. For instance, the context of Kazakhstan could be studied from different perspectives, immigrant context, heritage language and post-colonial context. To mention, Oralman (returnee, “is an official term used by Kazakh authorities to describe ethnic Kazakhs who have immigrated to Kazakhstan since its independence in 1991” Marlene, Sebastien, 2009) community could be studied both ways, heritage language and immigrant community.

Conclusion. This paper examines motives of language choice for Kazakh multilinguals and tried to understand the influences. Data obtained suggested that participants use different language in different domains and there are various factors affecting on their language choice. For instance, the usage of Kazakh is observed in family domain and it could be explained as a policy of family domain which falls to external influences, however, at the same time according to the participants answers it could be motivated by the fact that it helps her to determine her identity. Russian language conversely was mostly present in friendship domain and it was again influenced by both internal and external influences. In conclusion, it can be said that multilingual speakers are under the pressure and usually struggles because they are afraid to make a wrong choice and sometimes their choices even unconscious.

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“The cultural identity of Polish immigrants in the Ruhr Area”

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Abstract: The purpose of this work was to show cultural differences between Poles and people of Polish descent living in Germany. The main topic of research was both the perception of so-called everyday phenomena such as the choice of food as well as ideological views and the attitude toward one's own identity.

The empirical part of the thesis is analyzed on the basis of specific issues, to which the test subjects respond based on the attached questionnaire. The survey consists of two parts, the first contains open-ended questions, the second contains scaled questions that are subject to analysis and statistical evaluation.

Key words: cultural identity, cultural differences, Poles in the Ruhr Area

Introduction:

This paper is intended to cover the cultural differences between people of Polish origin in the Ruhr area, which traditionally is home to the largest group of Polish immigrants in the Federal Republic of Germany, and people who grew up and were socialized in Poland. In particular, the author of this paper will examine how people with a Polish migration background in Germany view so-called national values and to what extent they still identify with the state of Poland. The use of language is also a field to which the author wishes to pay special attention, i.e. the author will investigate where the Polish language is still used today in everyday life of immigrants, and whether it is also passed on to their own offspring in a form which makes it possible, despite the fact that they grew up in Germany, to identify as Poles.

Furthermore, the author will describe traditions that, despite many years of absence from Poland, are still common in many families, such as certain Christmas traditions. Finally, the author will compare the results with comments from people in Poland.

The aim is to determine whether there are certain points of contact between Poles in the country of Poland and Polish immigrants in Germany, or whether a completely new culture has emerged which does not have much in common with the culture of origin in present-day Poland. The author's theory is that at the time of their departure from Poland, the cultural values of immigrants have been conserved, and are thus considered by citizens of the Polish state to be antiquated, the author seeks to confirm or refute this theory

Methodology

This study is a case study, so the size of the groups to be tested is small. Five people from Germany with a Polish migration background are interviewed by means of two questionnaires on their cultural identity. These questions are designed to reflect either a tendency towards German or Polish culture. The first questionnaire consists of twelve open questions on cultural aspects, the second questionnaire consists of fifteen statements which are to be evaluated on a scale. The evaluation of these statements is divided into: Do not agree at all; I don't agree; do not know / no opinion; agree; Totally agree about. In this way one can recognize and evaluate tendencies of the individual test persons to certain cultural questions. The first group is made up of a peer group consisting of five persons of the same age (23-33) who have been socialized and lived in Poland their whole life. The main information about possible cultural differences will be the differences between the main group and the control group. The questionnaires will be handed out in Polish and German. It should be noted that

questions # 1 and # 2 are primarily tailored to the main test group and thus have no relevance to the control group. The associations with the USA and France in question 4 are merely intended to show the different perceptions of two different cultures concerning these countries. The question about owning property is particularly relevant, as it is not a cultural necessity in Germany. Since one can rent property in Germany from different companies indefinitely without the fear of being evicted for no reason, and since the rental costs for most apartments are much lower than paying mortgage, the majority of Germans rents apartments. The increased desire for home ownership can therefore be seen as a cultural element of Polish society, as this security does not exist among Polish tenants, which results from the fact that almost all apartments are rented out by private individuals, who can claim the property back at any given time.

The twelve questions are the following:

- 1) What would you state as your national identity?
- 2) Which culture would you associate with and what is your mother tongue?
- 3) What does the word "multicultural" mean for you?
- 4) Please give me 3 associations for each of the following terms:
 - a) Germany
 - b) Poland
 - c) United States
 - d) France
- 5) What is the most important part of culture?
- 6) What is typical for the Polish/ German culture?
- 7) What is more important, the individual or the group?
- 8) What is more important, that something works exactly according to a plan, or that it works at all?
- 9) What is the status of minorities in your country?
- 10) What do you think of bilingual education?
- 11) What is more important, family or friends?
- 12) Which sport do you prefer (passive or active)?

The fifteen statements to be evaluated on the scale are as follows:

- 1.) I surround myself mainly with people who have the same migration background / nationality as me
- 2.) Communication in my native language is very important to me
- 3.) Religion is an important part of culture
- 4.) My car means a lot to me

- 5.) Christmas and Easter are family holidays
- 6.) Immigrants should assimilate
- 7.) I would like to have children / I have children
- 8.) I eat traditional Polish food regularly
- 9.) Patriotism is important
- 10.) It is more important to be honest than to be polite
- 11.) Germans are emotionally cold compared to Poles
- 12.) The Germans do not take the state of Poland seriously
- 13.) Elderly people deserve special attention / courtesy
- 14.) It is important for me to own property (house, apartment)
- 15.) At the age of 25, you are an adult

Research tasks

It's the author's belief that people with a Polish immigrant background in Germany, who see themselves as Poles or as hybrids, are culturally different from people who grew up in Poland and were socialized there. These differences are noticeable both in the family sphere and in everyday life, and in turn make up a large part of this German-Polish cultural identity. The aim of this study is to show these differences and to prove that this new identity is neither a Polish nor a German, but a liminal hybrid form.

The key tasks of this work can be illustrated in the following list:

1. Recording the cultural identity of the test subjects
2. Determination of the differences between the test groups
3. Conclusion based on the test results

I. Definitions of culture

The concept of culture is hard to define because there are too many approaches. Basic definitions can be found in various dictionaries, such as in the Wahrig dictionary of German as a foreign language, which says that culture is both the total of intellectual, social and artistic expressions and achievements of a human community (language, ethics, religion, education, Science, politics, society, technology, economics, art, music, to name a few) but also the 'culture' of a human community during a particular epoch.¹⁶ Etymologically, the word culture derives from the Latin word "colere", which means cultivating.¹⁷ Meyers Lexikon also describes culture as the totality of language, religion, institutions, law, technology, art, music, philosophy and science.¹⁸

¹⁶ Wahrig-Burfeind Renate, Großwörterbuch Deutsch als Fremdsprache, Wissen Media Verlag GmbH, Berlin (2008), p. 627

¹⁷ Köbler Gerhard, Etymologisches Rechtswörterbuch, UTB, Stuttgart (1995), p. 239

¹⁸ Meyers Lexikon, 7. Band, Meyers Lexikonverlag, Mannheim, (1990), p. 257

On the other hand, Gerhard Maletzke argues that in cultural anthropology culture must be understood essentially as a system of concepts, beliefs, attitudes, value orientations, which become visible both in the behavior and actions of human beings and in their spiritual and material products.¹⁹ However, all of the authors mentioned above agree that culture in principle presupposes the existence of a culture-creating community. Klaus Mudersbach has an interesting understanding of culture, dealing more closely with the function of it. For him, culture is a convention that is related to a sphere of life. Mudersbach refers to cultural systems as holistic systems, which have the task of giving meaning to both the community and the individual, in order to hold them together. His premises are that man needs a culture, and that he also needs a contrast culture in order to reflect his own culture, and that he needs a translation of the contrast culture into his own culture.²⁰

The Brockhaus Encyclopaedia divides the concept of culture into four levels of meaning, namely 'the level of practical action', which is essentially the management of an economic and social unit; 'The level of ritual worship' of deities or institutions; 'the level of individual and group formation', which deals with the development and imprinting of an emotional and social personality and the adoption of norms and values, and the 'level of social relations', which includes the field of individual social skills as well covering political coexistence and socially acceptable behavior.²¹

In its definition of culture, the Encyclopædia Britannica makes a specific reference to how it deals with culture: "*Culture may be defined as behavior peculiar to Homo sapiens, together with material objects used as an integral part of this behavior; specifically, culture, customs, codes, institutions, tools, techniques, works of art, rituals, ceremonies and so on.*"²² This is described here as the 'concept of culture'. Leslie A. White also commented in his essay 'The concept of culture', in which he writes that the problem with defining culture is not whether culture is something real or something abstract, but that special attention is paid instead set the context of scientific interpretation. He writes: "*When things and events are considered in the context of their relation to the human organism, they constitute behaviour; when they are considered not in their relation to the human organism, but in their relationship to one another, they become culture by definition.*"²³ This paper will be based on this thesis since the author addresses the issue of cultural identity from an anthropological-sociological point of view. The concept of culture is primarily associated with human-social interaction and derived from this a thesis of a variation of national identity among expatriates.

II. Definitions of identity

Identity is commonly referred to as the totality of the characteristics of a person, group or thing, which they identify as such. The definition found in the Brockhaus Encyclopedia, namely, that identity describes the complete agreement of a person or thing, with what it is or what it is called²⁴, meets this general understanding of the concept of identity very well. This, in turn, means that absolutely all factors that could create identity in any way are incorporated into it, such as their origin, nationality, or religious affiliation (or lack thereof), as well as personal characteristics such as the individual character or belonging to a group, apart from the groups given by origin. On a philosophical level, one considers identity as the very essence of a human being, which

¹⁹ Maletzke, Gerhard, *Interkulturelle Kommunikation, Zur Interaktion zwischen Menschen verschiedener Kulturen*, Westdeutscher Verlag, Opladen, (1990), p. 16

²⁰ Mudersbach, Klaus, *Kultur braucht Übersetzung, Übersetzung braucht Kultur*, in *Kultur und Übersetzung, Methodologische Probleme des Kulturtransfers* (Hg. Thom Gisela, Giehl, Claudia, Gerzymisch-Arbogast, Heidrun), Gunter Narr Verlag, Tübingen, (2002), p. 170

²¹ Brockhaus, *Die Enzyklopädie, Zwölfter Band*, Brockhaus Leipzig/Mannheim, (1996), p. 612

²² *The New Encyclopædia Britannica, Volume 16*, Encyclopædia Britannica Inc., Chicago, (1994), p. 874

²³ White, Leslie A., *The concept of culture*, in *American Anthropologist*, Volume 61, Issue 2, American Anthropological Association, Arlington County, Virginia, (1959), pp. 227 - 251

²⁴ Brockhaus, *Die Enzyklopädie, Zehnter Band*, Brockhaus Leipzig/Mannheim, (1996), p. 397

is separated from others due to change or other differences.²⁵ Basically we are dealing with different types of identities, depending on who perceives that identity and who determines it. The identity that a human being gives himself may differ the identity he has in a particular society.

II.I Group dynamics

The social identity is constituted in a group or by the sense of belonging to it. There are two factors that influence this: the SIT (Social Identity Theory) by Henri Tajfel (1970s) and John Turner's SCT (Self Categorization Theory, 1980s), which adds the categorization of the individual to the SIT.²⁶

The SIT deals mainly with phenomena such as discrimination. Tajfel subdivides the behavior of individuals within a group into interpersonal and inter-group behavior, each seeing one extreme point in pure inter-group behavior and one in purely inter-personal behavior.²⁷ Pure interpersonal behavior is observed in every social contact between two or more persons, in which behavior is determined by the personal relationships of the individuals and their individual characteristics,²⁸ whereas pure inter-group behavior occurs when social contact is determined by the membership of the participating individuals in different social groups or categories.²⁹ Essential to this division is the process of social categorization, which groups together social objects or events that are equivalent in terms of the actions, intentions, and the value system of an individual.³⁰ The SIT implies that the closer a situation is to the pole of intergroup behavior, the greater the indifference of the members of a group becomes.

The theory of self-categorization (SCT) assumes that there is a continuum between social and personal perceptions, but declares them to different levels of abstraction and uses both aspects, personal and social, to describe the process of self-categorization.

Turner explains that the cognitive process of self-representation is based on a series of stimuli which the individual compares to another class of stimuli.³¹ This comparison always takes place contextually, according to Turner. The comparison of the stimuli always depends on a particular situation. This highly contextualized process of self-categorization has the side-effect that also preformed cultural classifications such as race, gender, social class, occupation, nationality, etc., can be categorized on the basis of situationally perceived differences or similarities. Here Turner compares the categorization of members of a group (in-group) with the members of other groups (out-group) and describes that the prototypical representation value of an individual of the group is measured by the degree of similarity to other in-group members as well as the demarcation to out-group individuals.³² The higher these two factors are, the higher the prototypical perceptual value within and outside the group.

²⁵ Encyclopedia Americana, Volume 14, Grolier Incorporated, Danbury, Connecticut, (1987), p. 743

²⁶ Frey, Dieter, Irle, Martin, *Theorien der Sozialpsychologie*, Huber, Bern, (2002), p. 107

²⁷ Tajfel, Henri, *Social Psychology of Intergroup Relations*, University of Bristol, (1982), p. 83

²⁸ Tajfel, Henri, *Social Psychology of Intergroup Relations*, University of Bristol, (1982), p. 83

²⁹ Tajfel, Henri, *Social Psychology of Intergroup Relations*, University of Bristol, (1982), p. 83

³⁰ Tajfel, Henri, *Social Psychology of Intergroup Relations*, University of Bristol, (1982), p. 101

³¹ Turner, John et. al., *Rediscovering the Social Group: A Self-Categorization Theory*, Basil Blackwell, Oxford, (1987), p.46

³² Turner, John et. al., *Rediscovering the Social Group: A Self-Categorization Theory*, Basil Blackwell, Oxford, (1987), p.46

III. Migration and identity

III.I Ethnicity

The term "ethnicity" is commonly used as a term for a particular ethnic group that has either a common geographical, linguistic or genetic-historical background. The Brockhaus Encyclopedia explains the word as follows: "ethnic [greek. ethnikós "belonging to the people", "peculiar to the people"], concerning the (uniform) cultural and community of life of an ethnic group."³³ Other definitions emphasize above all the group character: *"Ethnic group, any group of people distinguished by common cultural and frequently racial, characteristics. The members of most ethnic groups have a sense of group identity, and the larger the culture within they live recognizes them as a distinct aggregation. Ethnic groups are especially numerous in countries inhabited by people of many different national origins."*³⁴ This suggests that a group, in order to be regarded as an ethnic group, must move in an environment that does not correspond to the environment of origin of their ethnic group. It must therefore be a minority. Often these minorities create their own cultural space in the culture in which they settle. *"Members of an ethnic group may take residence in special areas and attempt to exclude members of other groups. Linguistic, religious and moral differences between the group and the larger culture may also accentuate group cohesion."*³⁵ This also shows that the conflict of the minority with the culture in which it has settled provides for a certain cohesion within the ethnic group and enables the demarcation of other ethnic groups. However, this delimitation is only one possibility, not an indispensable consequence. Likewise, it is possible that different ethnicities within a culture mix and thus create a completely new ethnic group. *"Like the so-called >races< of man, ethnic groups originate in geographic isolation from the groups among which they eventually live. Prolonged mingling of ethnic groups within a geographic area will almost inevitably result in an eventual combination of groups into a new group that is a cultural and racial composite of previously separate ethnic groups."*³⁶ Ethnic groups are thus to be understood as cultural minorities, who have settled in a different, usually quantitatively larger culture.

III.II Assimilation

Assimilation (from the Latin "assimilatio", which means to make similar) is used in the cultural field, if one group adapts to another, precisely: "[...] is the adaptation of a minority to the culture a majority."³⁷ This "matching" can be done in several ways. It is possible for the original minority to obtain the status of majority, and so the need for adaptation no longer exists, now the cultural norms of the previous minority apply. Such examples are often to be found in the colonial age, in which the former great powers Spain, Portugal, England and France have left their cultural traces on various continents, which can still be seen today.

Another possibility is voluntary assimilation, which is considered desirable by many governments in Europe today. In this type of assimilation, the minority identifies with the cultural values of the majority and adapts fully to their way of life, but not always completely abandoning their own ethnic identity. As an example of a system where this works, Australia could apply; the strict Australian immigration policy requires that one must identify and respect "Australian" norms and values to a certain degree.

The last option is the forced assimilation, which was often practiced by the colonial powers. Their own culture is imposed here on the minority, even against their will. This often led to conflicts that often led

³³ Brockhaus, Die Enzyklopädie, Sechster Band, Brockhaus Leipzig/Mannheim, (1996), p. 603

³⁴ Encyclopedia Americana, Volume 10, Grolier Incorporated, Danbury, Connecticut, (1987), p. 631

³⁵ Encyclopedia Americana, Volume 10, Grolier Incorporated, Danbury, Connecticut, (1987), p. 631

³⁶ Encyclopedia Americana, Volume 10, Grolier Incorporated, Danbury, Connecticut, (1987), p. 631

³⁷ Wahrig-Burfeind Renate, Großwörterbuch Deutsch als Fremdsprache, Wissen Media Verlag GmbH, Berlin (2008), p. 108

to the formation of parallel societies, which in the end became a bigger problem for the respective societies than a non-assimilated ethnic group.

III.III Hybridity

The term hybrid actually is a biological one. It describes the result of crossing two species. *"Hybrid, the offspring of cross fertilization between more or less distantly related parents. The parental individuals may belong to different varieties, races, species or even genera; the progeny derived from their crossing are known, respectively, as intervarietal, interracial, interspecific or intergeneric hybrids. In any case, the individuals that cross to produce a hybrid differ greatly in their genetic, or hereditary, makeup."*³⁸ The Brockhaus Encyclopedia states: *"Hybrid [lat.], In general composed of various, mixed; of two origins; androgynous."*³⁹ In a sociological context, hybridity means the fusion of two or more cultures in an individual, which is no longer part of one or the other culture, but represents a whole new cultural entity in its own right. Homi Bhabha believes that cultures are hybrid in themselves. In his epistemological theory of a third space, which is supposed to be a general condition of language ("third space of enunciation")⁴⁰, Bhabha says that there is no invariable meaning or fixed form of representation, which in turn constitutes a foundation of cultural hybridity. He writes: *"It is only when we understand that all cultural statements and systems are constructed in this contradictory and ambivalent space of enunciation, that we begin to understand why hierarchical claims to the inherent originality or "purity" of cultures are untenable, even before we resort to empirical historical instances that demonstrate their hybridity."*⁴¹ If Bhabha's theory is spatialized, one can see the "third space" as the actual space between two cultures; for example an Italian district in New York, which in its nature is neither completely Italian nor completely American, and therefore it as attested by Bhabha, is lacking cultural purity.

The central subject of this work will be the cultural hybridity of the Polish immigrants, who settled in Germany decades ago, and as a result of this cultural interaction, the two cultures (German and Polish) merged. This hybridity can be observed in many fields of social coexistence. At the linguistic level, through a mixture of German and Polish words in a statement, on religious-cultural level, which is examined to what extent the largely secularized German society has influence on the religious habits of immigrants, but also on the level of everyday life, where, for example, things how food and social interaction with other individuals, both from the same ethnic group and from other groups play a role. A particularly interesting aspect here is the high proportion of immigrants from Silesia, which itself has a cultural hybrid background.

III.IV Transnationalism

Transnationalism stands for a denial of the assumption that migrants are merely culturally uprooted individuals seeking to establish themselves in a new society. Toward the end of the twentieth century, more and more individuals could be observed, who did not really settle in their new home country or in the country they live in, but rather circulated between the two countries and societies. Through this constant movement between societies (which was made easier by the European Union), they built up social networks and contacts.

Since migrants can participate in both societies on a social and political level, these two environments result in a completely new form of cultural existence, which in turn can be well described with the "third space" already mentioned. An important factor in facilitating such transnationalism is certainly globalization, which has made it possible to find employment all over the world, and thus to generate capital in another place. Often,

³⁸ Encyclopedia Americana, Volume 14, Grolier Incorporated, Danbury, Connecticut, (1987), p. 629

³⁹ Brockhaus, Die Enzyklopädie, Zehnter Band, Brockhaus Leipzig/Mannheim, (1996), p. 328

⁴⁰ Bhabha, Homi K., The Location of Culture, Routledge, New York, (1994), p. 37

⁴¹ Bhabha; Homi K., Cultural Diversity and Cultural Differences, Routledge, New York, (2006), p. 156

transnational migrants are keen to maintain and, if necessary, expand their networks between the two countries for the purpose of transferring goods, services, etc.

Some of the most important transfers of capital include goods from the country of origin, which enable migrants to practice their lifestyles and traditions abroad as well. This includes both local food, which may not be available (or obtainable with great difficulty) in the country of the residence, as well as things like music, movies or magazines. Often, migrants do business in the countries to which they emigrate through which they offer the same goods in order to facilitate access to these goods for other migrants.

The travel industry also benefits from transnationalism. Globalization has provided a real boost to the this industry, especially in the short and medium range travel, so that every migrant, if necessary, has the opportunity to travel to his or her country at short notice.

It can also be observed that the identification of transnational migrants with their place of origin is often of a local, more rarely national nature. The city, or the region from which one comes, is often closer to the migrants than the state that owns it. Interesting for this work will be the extent to which the factor of hybridity has an influence on whether a migrant identifies with the state or region of his origin, whether if there is a degree of identification, or if the assimilation has progressed so far that the country of origin has become irrelevant.

IV. Conclusion

This paper should give an overview of the terms used by the author for this research. Furthermore, it should describe the sociological context, in which the problem of cultural identities, in this case the Polish identity, in a multicultural melting pot such as the Ruhr area is to be analyzed. Special emphasis is placed on the theory of hybridity by Homi K. Bhabha, whose argument that there is no pure culture and that every culture is hybrid to a certain extent is shared by the author. This paper deals the concept of culture, its origin and its use in different societies. Furthermore, it deals with the notion of identity, and deals with theories of identity formation, both as an individual and as part of a group, and thus of a social system, as well as with the concept of identity against the particular background of migration and the resulting hybrid forms of cultural identity, and the interaction between the cultural influence of the country of origin and the impressions in the country of residence.

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УДК 37

“Can Communicative Language Teaching Make Inroads in Kazakhstan?”

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Abstract. Kazakhstani views on teaching a foreign language have gone through a paradigm shift. The needs for learning a foreign language changed from the need for analysis and translation of foreign texts to the need of ability to communicate in a foreign language. However, decades later, though a significant part of the Kazakhstani population knows English, the vast majority of them does not speak English. The paradigm shift took place theoretically but practical results are not yet visible. The reason seems to be, according to Orzaeva and Artikova (2016) and Akimenko (2016) that teaching style remained teacher-centered and it influences learning processes in a negative way. The teacher-centered approach was a part of traditional methods such as grammar-translation method, it can be hypothesized that teachers still prefer using it because they were taught in that way. Therefore, teachers are hesitant to apply new methods in teaching a foreign language. Those reasons need to be found and analyzed in order to improve foreign language teaching in Kazakhstan. In Kazakhstani classrooms, the teaching of foreign languages has not been studied properly. This action research study of communicative English lessons used mixed methods. The teacher’s journal reflections on the challenges of teaching communicative English will be studied using qualitative methods. This study will also study students’ speaking to try to ascertain whether they progressed in their speaking skills.

Keywords Action research, CLT, Kazakhstan EFL, reflection, qualitative, quantitative

Background. CLT was developed in 1970s due to paradigm shift in language teaching in Great Britain, when interactive processes became prioritized. The fact that American linguists rejected Audiolingualism in the mid-1960s catalyzed British linguists to question Situational Teaching that was broadly used until late 1960s. According to Littlewood (2006) British Language Tradition began to change due to recognizing that former approaches did not address the most prominent aspect of the use of a language, which is communication or functioning in the language. Linguists noticed the need to focus on communicative proficiency rather than on teaching structures.

Communicative competence is a concept in CLT, which has changed over time. Hymes (1971, as cited in Larsen-Freeman, 2008) claimed that in order to communicate in a foreign language, one needs to acquire communicative competence, apart from linguistic competence. Hymes (1972) defines communicative competence as the ability to apply grammatical competence in different communicative situations. Hymes’ ideas about communicative competence were then developed by Canale and Swain.

Canale and Swain (1980) introduced a theoretical framework or a model of communicative competence claiming that communicative competence refers to the relationship and interaction between grammatical competence, which is knowledge of grammar rules, and sociolinguistic competence, which is knowledge of rules of language use. Canale and Swain also highlighted the importance of strategic competence and discourse.

This communicative competence is the aim of CLT (Richards and Rodgers, 1986) this is done by developing procedures new, for the teaching of the four language skills, that acknowledge the interdependence of language and communication (p.66).

Main Principles of CLT. CLT is built upon the following concepts: the use of authentic and task- and text-based material, and tolerance of errors. Amongst those, the most prominent features are (1) the use of the target language as a vehicle in the classroom, which means using it not only during activities but also in classroom management and (2) engaging students into learner-centered activities.

Practitioners of CLT consider materials to be a way of affecting the quality of classroom interaction and language use. Richards and Rodgers (1986) claim that materials have the major role of promoting communicative language use (p.79). Text-based material is comprised of texts that support pair work and role-play activities which contain paraphrase exercises and comprehension questions. Task-based materials promote the use of games, role-plays, simulations, and task-based communication activities. All of the above aim to increase the time of communication and practice of the target language. Communicative exercises are also to be supported by “authentic”, “real-life” materials which can be found in authentic magazines, advertisements, maps, and newspapers.

Another principle that is valued in CLT classroom is the use of the target language. According to Larsen-Freeman (2008) target language is not only the focus of study but also a means for classroom communication. It means that the target language can be used in classroom management as well. Viewing the target language as a channel of communication in a classroom can increase learners’ exposure to it, which can improve target language learning.

One of the major principles of CLT is learner-centeredness. Savignon (1991) claims that individual learners have unique interests, styles, needs, and goals that should be taken into consideration while designing instructional methods. Taylor (1983) states that in CLT teachers should not use teacher-centered approach and be authoritarian. On the contrary, teachers are to create an atmosphere in class where students could feel secure, unthreatened, and non-defensive. The characteristics of the learner-centered approach within CLT is thought to be successful for L2 acquisition.

Along the way with the principles mentioned above, another one that stands out is error tolerance. Larsen-Freeman (2008) highlights that errors naturally occur in a process of communicative skills development. Teachers should avoid error correction while a student is speaking since it may interfere with the fluency of his or her speaking. The teacher should notice the error and return to it at a later stage in the lesson.

In CLT learners are encouraged to speak through communicative activities. Larsen-Freeman (2008) gives a list of such activities, among them are games, role plays, problem-solving tasks, picture strip stories, and etc. According to Morrow (as cited in Larsen-Freeman, 2008) true communicative activities have three common characteristics: information gap, choice, and feedback. Information gap occurs if “one person in an exchange knows something that the other person does not” (p. 129). In a real communicative exchange, one has a choice of what to say and how to say it.

There is a clear distinction between the role of the teacher and the students in CLT. Larsen-Freeman (2008) describes the role of the teacher as the one who facilitates communication among students and whose main goal is to create situations for students to speak. This includes managerial responsibilities, like giving advice to the students, answer the questions they might have, and monitoring their performance. On the other hand, students’ have the dominant role. Students are the communicators in a classroom, who actively produce messages that need to be understood by their interlocutors.

However, actual language teachers in countries where English is taught as a foreign language can find it challenging to apply CLT. According to Li (1998), CLT is difficult to apply in EFL classrooms due to discrepancies between local and Western educational theories. Therefore, the whole fundamental approach should be changed for the local context. Li (1998) suggests application of CLT should be a slow process that is grounded in that local context.

Burnaby and Sun (1989, as cited in Li, 1998) showed that EFL teachers in China found it difficult to implement CLT because of the factors that put pressure on them, such as class size and schedules, resources and equipment, and teacher status. Language teachers that focus on communicative skills rather than analytical ones are viewed as of a low status. Other obstacles can be teachers' weak oral skills, traditional teaching methods and etc. In order to overcome the difficulties that teachers face in applying CLT, certain changes need to be done.

Orazaeva and Artikova (2016) claim that Kazakhstani education is in need for modernization since traditional education is no longer relevant. One of the characteristics of traditional education is authoritative teaching style, which has been used in Universities for many decades. Bekenova and Nygatayeva (2017) claim that Kazakhstani educational system needs to undergo changes and develop new teaching approaches due to increasing mobility of Kazakhstani people. In this changed system, teachers should apply modern and improved learner-centered teaching methods in order to prepare students to meet world's demands of effective communication. This change can be facilitated with the use of CLT.

Despite many attempts made by the Ministry of Education to change local educational system, Kazakhstani classrooms remain teacher-centered. Akimenko (2014) states that teachers in Kazakhstan mostly use the teacher-centered approach. She also adds that "Kazakhstani mainstream schooling currently suffers from the lack of progressive teaching approaches" (p.6). Bekenova and Nygatayeva (2017) also claim that even though Kazakhstan has been independent from the Soviet Union for 26 years, the educational system in Kazakhstan remains Soviet and implements teacher-centered approach, which was universal at that time. They add that the teachers are still in the front of the class transmitting information to the students. The main features of teacher-centered approach are rote learning, memorization techniques, factual knowledge, and curriculum that is overwhelmed with theoretical information. These methods of factual memorization are outdated and have not proved to be beneficial for the learners.

The knowledge that is obtained by the learners through teacher-centered approach does not seem to be practical; more over it tends to have a negative influence on students' learning and their personality. According to Bekenova and Nygatayeva (2017) students that were taught through teacher-centered approach were overloaded with theoretical information, and later at work places, they could not apply that knowledge due to the lack of connection, or the gap, existing between students' factual knowledge they had memorized and the practice or applying that knowledge. Therefore, students who learnt through teacher-centered approach did not have the necessary skills to apply at their work places and were not ready for life.

Another disadvantage of teacher-centered approach is the complete difference of teacher and student roles in class. Bekenova and Nygatayeva (2017) noted that in teacher-centered approach the teacher is in charge of the learning process at all levels and is "the main character". Teachers are authoritative and their authority is not to be questioned. Bekenova and Nygatayeva (2017) emphasize that teachers were respected and of a high status that they liked to have. Meanwhile, the students were viewed as passive participants who were to listen to the teacher and obeyed him or her. They were not supposed to argue with the teacher or question his or her authority. Moreover, students were afraid to argue with the teachers (Bekenova and Nygatayeva, 2017).

There is also a psychological aspect of learning how teacher-centered approach affects students. Orazaeva and Artikova (2016) emphasize that authoritative teaching style depersonalizes students and makes them dependent, as well as leaving them without a will or initiative to take. It is also highlighted that traditional teaching styles erase the qualities that a highly-educated and well-bred person should possess.

However, just like in Britain, Kazakhstani views on teaching a foreign language have gone through a paradigm shift. The needs for learning a foreign language changed from the need of analysis and translation of foreign texts to the need of ability to communicate in foreign language.

Nonetheless, decades later, the vast majority of Kazakhstani population does not speak English. The paradigm shift took place but results were little. Orazova and Artikova (2016) and Akimenko (2016) claim that teaching style has remained teacher-centered and it influences learning processes in a negative way. Another discouraging conclusion by Akimenko (2016) states that Kazakhstani classrooms suffer from the lack of progressive teaching approaches.

All mentioned above proves that for some unknown reasons teachers are hesitant to apply new methods in teaching a foreign language. Those reasons need to be found and analyzed in order to improve foreign language teaching in Kazakhstan.

One way of addressing the need to find the reasons why Kazakhstani teachers do not apply new methods in the classroom, could be conducting an action research in order to uncover the challenges the teachers and students face in learning through new approaches.

Action research is a reflective tool for teachers that can help them notice what they apply in their teaching practice. It is aimed to assist teacher's professional development. According to Wallace (2005) action research differs from other professional development tools such as training and reading professional journals by being problem-focused. Those problems and issues can be particular obstacles one might stumble upon in his or her teaching practice. However, action research does not stop at the problem; it seeks solution and aims to reach practical results or outcomes.

However, phenomenon of action research is more complex in itself. According to Carr and Kemmis (1983) the nature of action research lies in the concept of praxis, where people could change certain conditions by acting upon them. The significance of the praxis concept is contrasted with the idea of *theoria*, which aims to produce knowledge for its own sake. Unlike, in action research, practice is viewed as source of knowledge that reinforces it.

Action research is implemented with the use of a reflective cycle process that helps to identify problems, solutions, and further actions. Kemmis and MacTaggart (1988, as cited in Burns, 2003) proposed the model of that reflective cycle, which involves planning, acting and observing, and reflecting. The cycle is then repeated with a revised plan, action and observing the effects of the revised plan, and further reflections. This model had overcome a lot criticism, however, despite that became a classic representation of educational action research with its four major phases, which are planning, acting, observing, and reflecting (Hinkel, 2011).

According to Hinkel (2011) the main purpose of educational action research is to study a social setting, i.e. a classroom, in which a teacher practitioner who is also a researcher identifies a gap between the "actual" and the "ideal". The researcher then works towards change in the situation where the gap is, using cyclical research process and intentionally intervening with the use of deliberate action, collecting data, and analyzing it. The outcomes of this process concentrate on ongoing, reflective practice that bring a deeper understanding of the educational setting in which the work towards change was done. Therefore, action research may offer solutions to the problems that teachers face.

Conducting an action research has a number of benefits for teachers. According to Wang and Zhang (2014), action research is a model for professional growth and it also promotes inquiry among teachers, as well as reflection, and finding solutions to the problems in their teaching practice, which eventually leads to action and change. Bennet (1993, as cited in Wang and Zhang, 2014) claims that teachers who conduct action research are more aware of their field. Ogberg and McCutcheon (1987, as cited in Wang and Zhang, 2014) noted that "teachers who engage in doing action research understand their identity as teachers better and make better decisions and choices of behavior" (p.224). Therefore, action research can serve as a tool that is worth testing and implementing in one's practice in order to pursue growth and professional development.

According to Wang and Zhang (2014), action research has become popular among university researchers in China since the year of 2001 and the practice of it has increased rapidly. However, there was a problem with it spreading among school teachers, even though action research is viewed as a helpful tool for improving teaching practice. Some researchers addressed the question of why action research was not widely implemented among school teachers in China. Shen (2006), Wang (2002), and Zhang (2012) (as cited in Wang and Zhang, 2014) reported the main challenges, which were the lack of time because of the overload at work, detachment from research due to its abstractness, the lack of proficiency in conducting research, and the lack of support from school principals or university researchers.

The experience of conducting action research has become more common in other countries and bears fruit for teachers and teaching practice. However, in Kazakhstan, this type of research is not widespread; there is little account of action research being performed in the local context. Absence of action research among works of Kazakhstani teachers can be explained through teachers' lack of awareness of this tool, or the lack of understanding of how it could be applied, or through not seeing any value of bringing it to their practice.

Nagibova (2016) identified the difficulties in applying action research among Kazakhstani teachers and divided them into academic and nonacademic types. Academic challenges are (1) the lack of teachers' theoretical knowledge about action research, which is represented in misconceptions about action research, insufficient knowledge and practice of conducting action research, and the lack of motivation. The second academic difficulty is the lack of skills for conducting action research, which in its core are time management skills, ICT skills, weak English language knowledge, reflection and research skills. As to nonacademic challenges, they are the lack of resources for conducting action research; these are the resources about action research in Kazakh or Russian languages, literature and studies to use for action research, availability of action research projects in Kazakh and Russian languages.

The results found by Nagibova (2016) expose the challenges Kazakhstani teachers encounter in applying action research which prevent them from being more efficient in their practice. It is worth addressing these difficulties so that this tool, which is action research, would be accessible to the local teachers and would help them to solve problems that occur in their classroom.

Firstly, Nagibova (2016) identifies the lack of teachers' theoretical knowledge about action research, which leads to misconceptions about it, insufficient knowledge and practice of conducting action research, and the lack of motivation. These obstacles represent a serious complex threat that could scare the local teachers with its unfamiliar nature to them. Action research is under the framework of grounded theory that can be simply explained as a theory that relies on experience and based on data analysis (Glaser 1992, as cited in Zuber-Skerritt, 2007). Action research can also be “critical” or “emancipatory” or “technical” or “practical”.

In order to avoid misconceptions about action research, a teacher should be aware of the characteristics of action research. Zuber-Skerritt (2007) offers an independent theoretical framework of a model of action research that he encrypted in an acronym CRASP, according to which action research is:

Critical (and self-critical) collaborative enquiry by

Reflective practitioners being

Accountable and making the results of their enquiry public,

Self-evaluating their practice and engaged in

Participative problem-solving and continuing professional development. (p. 416).

Secondly, Nagibova (2016) mentions nonacademic challenges in conducting an action research that come from the lack of resources that are represented in literature, studies, and availability of action research projects in Kazakh and Russian languages. Zuber-Skerritt (2007) highlights the difficulty of conducting and writing up an action research paper or thesis. He mentions that in writing an action research thesis researchers

must meet certain requirements like providing analysis of a topic, being critical, and bearing on a particular problem (Sheehan, 1994). In order to address the issue of the difficulty of writing a quality thesis, Zuber-Skerritt (2007) developed a set of principles affecting the quality of a thesis, which are:

Quality versus quantity.

Succinctness and concise language in the thesis proper and detailed evidence and support materials in appendices.

Perfect format and freedom from errors.

Critical tone, i.e. the use of self-criticism, constructive criticism of the literature, and recognising multiple perspectives.

Sound methodology to be clearly defined, explained and argued.

Original contribution to knowledge in the field in both practice and theory. (p.419).

It is also worth discussing what a quality action research thesis is, since this paper is exactly that. It is widely accepted that a quality action research thesis has the following features. The quality action research thesis should solve a real, complex problem, as well as to have true participation and collaboration. It should also promote action and contribute to knowledge in theory and practice. There should be clear projection of reflective processes, and it should be of a critical and self-critical approach. It must have an argument and evidence for the claims, and etc.

Like other types of research theses, action research thesis has its phases or sequence. Zuber-Skerritt (2007) described the order in which a researcher should conduct his or her research. It is comprised of four phases: “planning the thesis, acting in the field work, observing and evaluating field work, and reflecting on the results of the fieldwork in the light of the literature and his or her theoretical framework, leading to the thesis’s argument and contribution to knowledge in the field” (p. 422). This scheme can resemble a model of conducting an action research proposed by Kemmis and McTaggart. For their reflective cycle also involves planning, acting and observing, and reflecting, which is then repeated in order to find the solutions to the problems and bring change.

Research goal. Having studied theoretical foundations of action research, I came to a conclusion that conducting such a research might be useful in the local context. Conducting the action research might lead to solving existing problems in Kazakhstani classrooms such as teachers’ unwillingness to welcome new approaches in teaching a foreign language, as well as help teachers to uncover the truth about their teaching styles since it is highly reflective. Moreover, it is hoped that the reflections and analysis of the issues might lead to action or desire to changing the situation. I support the view of the western linguist who tried to promote the concept of teacher as a researcher in the classroom; I think that raising a status of a teacher as a researcher in Kazakhstan is necessary as well. For it adds more understanding of teachers’ identity. Features and principals of action research prove to be beneficial for both teachers and students.

This paper also aims to fill some of the gap in the lack of resources of how to conduct an action research. This gap was identified by Nagibova (2016). This research will be a small contribution to solving that problem and shed light to what actually happens in Kazakhstani classrooms, and how students learn.

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“Second Language Acquisition. Literature review. How children learn second language”

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Abstract

In this work different sources related to second language acquisition has been investigated. The report presents the findings of the review of several article written in 1970s of the last century and recent researches. This work will look back at previous research and compare with those which have been done in our days. The author also will try to find out how to implement theories in the classrooms.

Key words: second language, children, language experiment.

Introduction

Some questions have been asked by the author to find out whether a child study successfully in the school with second language as well as children for whom it is their first language, and what is the difference between first language and second language. In connection to these questions, the author is interested to find particular answers to questions related to the author's son who is of preschool age. These questions arose gradually as he approaching school age. The time that will inevitably come to the child and his parents raises relevant questions and some even alarming ones from not knowing what will happen to the small individual. Those questions: 1) How does he learn a second language (Russian)? 2) How difficult it is? 3) How easy it is?

4) Will he forget his first language? 5) Will he study as successfully at school as well those students whose first language is Russian? Searching many sources related to the second language acquisition of children the author outlined the following questions: Will a child study as successfully in school in his second language as well as children for whom it is a first language? What is the difference between first language and second language?

Studying and browsing through numerous resources, the author tried to find answers to research questions, and hence her questions to some extent.

The work has been done in three consequent directions: currently existing research, recently fulfilled research were investigated, and how these investigations were implemented in classrooms if they had been.

One of the basic resource which represented the main questions of second language acquisition is “How languages are learned” by Patsy M. Lightbrown and Nina Spada (2013) which is the main textbook on the course the author takes in that semester. The researchers covers such issues as second language learning in general, putting forward theories and hypotheses of scientists such as Chomski, Piaget, Vygotsky, Krashen and others. The significant part of the book devoted to the language learning by children (Chapters 1, 2). In these first chapters speak about ‘Innativism and behaviourism’ after Vygotsky, Chomsky et al. and Chapter 3 where the scientists suggest to take into consideration the individual differences in second language learning. The other two chapters talk about the possible variants of improved teaching in the classrooms taking into account those personal differences described in the chapter 3. From this book many answers to the questions related to the given literature review have been found. For instance, how would we know that there are development zones for students and that children still do not copy adults, but have their own language structure (Lightbrown & Spada, 2013)?

Lots of experiments conducted by the authors and described others’ in different situations in schools reveal many aspects and questions concerning the second language acquisition by children as well. Those experiments provide us with a knowledge of a whole range of actions on the part of teachers - from studying the behavior of students and their individual differences to studying what happens in the classroom in practice. The authors of the book also conducted a research examining errors made by students in different classes and described them. After the analysis they suggested the alternative ways how to correct mistakes through a constructive and interactive approach (chapter 5). Following these scientists two other researchers conducted a large-scale experiment involving four hundred students to also analyze errors made by children, hypothesizing that children “do not simply imitate adults’ speech but structure it and create rules of their own that are simpler than adult rules” (Dulay & Burt, 1979). That was the result of twenty years of careful collection and analysis of spontaneous speech of children learning to talk. Such a concrete and clearly described experiment served to assume that it was very relevant source of answers for me. It says that children’ errors they make while learning structures of English are similar to those errors which made by children learning English natively. The result of these investigations was that children do not use “their language habits” in the process of learning their new language. It also meant that children make errors in their second language and this is an important stage in the learning process. For me, applied to my study, the assumption is that my son will do the same errors as native speaking children.

As the basic theory was described by Steven Krashen in 1970-s that the second language is not learning but acquiring, that experiment means that assumption that second language acquisition is similar to first language acquisition receives support. Although, the Krashen’s theory had its own limitations as it is not possible to measure through experiments, and it stays a bit unsteady to refer, such an experiment gives reason to believe that he was right in his conclusions.

On the other hand, the subsequent work fulfilled by another researcher Betty J. Mace-Matluck (1979) contradicts the above work. The scientist investigated whether learning a second language is like learning a

first language. That is to what extent second language learning is similar to first-language acquisition. This huge experiment has been conducted where four hundred forty-two students were involved. The result of this work was unexpectedly different, as the author reported in her discussion that the findings from the preceding study conducted in 1974 are failed.

Such an interesting and contradictory finding leads to a reflection that study of language acquisition is not finished, but still requires further detailed study. In this regard, it is necessary to look at what is happening today.

The work by Guofang Li (2007) suggested exploring the home environment of learners of second language and conducted a study with four Chinese families in Canada. The study investigates how the different variables (e.g. different literacy environment at home) might form and shape different language acquisition of English-as-a-second-language children and, more important how these intersected variables shape success or failure. There were four Chinese families involved in the study: 1) two academic families, who were not financially well-off, and 2) two entrepreneurs' families which were better off than the two academic ones. It was found out that these four families have different influence on their children' academic success. The first two academic families invested their family capital in a variety of material sources and were able to provide public resources such as libraries, etc. The entrepreneurs' family invested the family capital in purchasing Encyclopedia Britannica, which is not a useful resource for children's immediate needs.

These findings support the idea that not all investment of family capital was beneficial to children's education. Moreover, these families did not know that it was important to provide opportunities for their children to be literate and gave little contact with English literacy outside of home. The author concludes that 'parental human capital' plays a significant role in families to transfer forms of family capital into their children's language learning (Guofang, 2007). This fact serves as evidence in the situation with my son. Continuing speaking Kazakh with him at home persuaded me that his learning Russian goes very slowly as I did not expose him to Russian language objects such as books in Russian, card games, cartoons, etc., but in English instead. As a result his Russian was very limited in his communication in the kindergarten between groupmates, whereas other children in his group had a quite high level of Russian language demonstrating their literacy of Russian speech. This assumption prompted me to begin buying children's books in Russian, games which required explanation in Russian, and cartoons in Russian while he was watching TV. The result was obvious after a short time – he started speaking in Russian to me at home demonstrating the correct structure of Russian sentences and relevant answers to questions and his communication with peers improved.

Another contemporary work, stunning with its controversial discovery, has been done by Stefka H. Marinova-Todd, D. Bradford Marshall, and Catherine E. Snow from Harvard University which is named as "Three Misconceptions about age and L2 Learning" (2000).

The scientists say that the generally accepted theory that adults learn language worse than children is wrong. In their article they argue that for many years, researchers misinterpreted the results of previous studies and moreover, the misattribution took place, when scientists attributed findings as the exclusive role of the brain in the study of languages. The authors provided the results of their studies to confirm this statement. They criticized and studied the articles of most scholars who studied the relationship between age and language acquisition and drew a stunning conclusion that none of these studies has a clear support for the critical period hypothesis. They concluded that this mistaken belief was based upon three misbeliefs connected with the critical period for second language acquisition. The first of them is the misinterpretation of observations of child and adult learners (Marinova-Todd et al. 2000). They rely on the fact that, that according to hard data, it is evident that children learn new languages more "slowly and effortfully" than adult learners. The second

misbelief is the misattribution when it was concluded that the brain plays the main function in language learning. Finally, the third misbelief is that frequent errors serve an indicator of success or failure in language acquisition. The authors conclude that this review of the investigations “will dispel the persistent myth that children learn more quickly than adults, and that adults are incapable of achieving nativelike L2 proficiency”. This conclusion dispelled my worrying thoughts that my son would not be able to learn other languages, or let us even assume that he would forget his Kazakh language, and he would study it again or English as the third language.

To my thoughts on how the child will communicate in the kindergarten and whether peers in the kindergarten are related to, or influence learning a second language, the article written by Andrew J. Mashburn, Laura M. Justice, Jason Downer and Robert C. Pianta shed light (2009). The authors discuss the results of large-scale experiment where 1,812 four-year old children were involved. There were many different findings, and I would like to highlight the most related finding regarding the peer interaction influence, as well as that of the classroom and teacher. The scientists concluded that “teachers’ skills in providing emotional support to pupils within classroom was positively related to children’s language growth; the findings suggests that a positive classroom climate provides a supportive context for children’s language growth to occur, potentially in that a positive climate provides children with more opportunities to interact with others. This finding suggests that a well-managed classroom is one in which children’s time is productively organized so that they have more frequent opportunities to engage with their teacher and with their peers”.

These findings lead me to reflections that not only the groupmates in my son’s kindergarten will positively influence him but in cooperation with well-organized classroom environment and with a teacher as well. It means that thinking about child-to-child interaction influence, it is necessary to take into consideration those facts that build a positive structure of language – peers, classroom environment, and the teacher who provides such an environment. So we cannot consider only one component of these ensemble as an influential factor, but all of them together. Talking about the role of a teacher in the classroom for providing a positive structure of language acquisition the question of relevant and qualitative teaching arises.

Daily observation of the relationship of the kids in my son’s kindergarten group and the teacher gives me an opportunity to evaluate the teachers’ contribution and influence on the class environment and the successful language acquisition and development as well. In case parents are not satisfied with the results of teaching or classroom mood they always have a possibility to discuss it and solve the situation. The teachers usually know well enough the capabilities of children to acquire language, especially kindergarten teachers. Nevertheless, there are much lack of knowledge in this sphere and it naturally requires research studies based on observations and knowledge of how to apply these studies in the classroom. The author of this article studied some research studies devoted to implications of foreign language teaching. One of the articles which gives us an information about challenges and limitations in teaching and learning “Hard to know or hard to say? Developing explicit grammar knowledge among primary student teachers” by Huw Bell, Steph Ainsworth, Manchester (2019). The authors conducted a grammar test in three different groups, involving 80-100 students each. The small-scale experiment collected quantitative and qualitative material to interpret and better understand the challenges which are essential in learning grammar.

The authors concluded that teaching about grammar is not always the teaching only learning terms, without deep investigation of the issue. The challenge which meet the learners is a problem of transforming the indicative information into a procedure. For example, a teacher could to ask a student to find a preposition in the sentence “*I am from Kazakhstan*”, it will be obvious that he underlines it, but still does know about prepositions at all.

I would say there is lack of information in the article concerning primary students, particularly about children of pre-school age, but nevertheless it discusses the fact that the teacher sees better how to teach his/her students through such grammar tests. If a child does not know what a preposition is, it is necessary to think about an alternative explanation rather than just making them to memorize the definition of the term.

Conclusion

We looked through and discussed several resources concerning second language acquisition by children.

There are questions that I certainly wanted to find answers about second language acquisition by children. I am sure that with the help of these hypotheses and theories it will be possible to assert that certain experiments described here give an idea how it happens with children or even gives an impetus to study this issue.

Now I have answers for my questions that I set before. These findings assured me that my son will be as successful as well as first language children.

Nevertheless, it implies some further investigation to look for information about how we can implement these theories in the classroom I have reviewed a lot of sources. Such literature review might be useful for teachers of young learners, teachers of English language in kindergarten, in primary schools, parents and students of Master of Foreign Languages.

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“War Outbreaking Speech of the King George VI.”

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Critical Discourse Analysis (CDA):

Abstract. This paper contains the discourse analysis of public speech known as War Outbreaking Speech of the King George VI. This research work was done as the written assignment for KIMEP course “Grammar in Social and Cultural Context” designed by Dr. George Rueckert. The Critical Discourse Analysis was used as the main research tool. According to Shaw S. & Bailey J (2009), there is not set formula for how to do discourse analysis. The main purpose of any discourse analysis is to answer the questions: who uses language, how, why, and when. Reviewing the key concept of discourse analysis, Adams (2017) cited the words of Michel Foucault (1970) "it gives us the opportunity to say something other than the text itself". The data collection process for the question "Who uses the language?" included the description of the [socio-psychological](#) characteristics of the speaker as the public person. A general overview of the socio-cultural context contains the response for the question "when, in what wider socio-cultural content this public speech was done?" In order to answer the question "How and Why was the language used in this public speech?", the author provides the sentence-by-sentence discourse analysis of the original speech (transcript is attached). It was taken the decision to present the research findings in the form of the table. The paper could be interesting for the University students of English Advanced Grammar courses. It could be useful also for students of Journalism and Public Administration programs.

Key Words: CDA, discourse analysis, public speech, [socio-psychological](#) characteristics, socio-cultural context.

1. Introduction.

When I watched the movie "King's Speech" the first time in 2012, I was very impressed by that story. I have never thought that a person sometimes could fight with himself and circumstances in order to be able to pronounce the public speech, which might have the significant impact on the life of the whole nation. During the course “Grammar in Social and Cultural Context” I chose the topic "War Outbreaking Speech of the King George VI" as the subject for discourse analysis. This paper is the result of encouragement and guidance received from Dr. George Rueckert, professor of KIMEP University.

Rachel Adams (2017) in his article "Michel Foucault: Discourse" writes that " Foucault adopted the term 'discourse' to denote a historically contingent social system that produces knowledge and meaning". Reviewing the key concept of discourse analysis, Adams (2017) cited the words of Foucault : "it gives us the opportunity to say something other than the text itself, but on condition that it is the text itself which is uttered and, in some ways, finalised" (n.a). According to Shaw S. & Bailey J (2009), there is not set formula for how to do discourse analysis. However, the main purpose of discourse analysis is to examine who uses language, how, why, and when. The main limitation of this research work, like all discourse analysis, is that the findings are very interpretive though they were done based on the practical structure frame proposed during the course. In order to provide the detailed and thoroughly done study of this public speech I took the decision to present the research findings in the form of the table, providing the detailed, sentence-by-sentence, discourse analysis of the transcript of the original speech.

2. Literature review.

Shaw S. & Bailey J (2009) in their research work use the definition of discourse analysis as “the study of social life, understood through analysis of language in its widest sense (including face-to-face talk, non-verbal interaction, images, symbols and documents)”. The objects of discourse analysis are variously defined in terms of sequences of [sentences](#), [propositions](#), [speech](#), or [turns-at-talk](#). The authors say that discourse analysts, in contrast with traditional linguists, not only study language use 'beyond the sentence boundary' but also prefer to analyse 'naturally occurring' language use, not invented examples. The essential difference between discourse analysis and text linguistics is that discourse analysis aims at revealing [socio-psychological](#) characteristics of a person/persons represented by language rather than simple text- structure-analysis.

During the data collection about [socio-psychological](#) characteristics of King George VI I found out that there is a certain lack of the reliable secondary sources. There is a very limited number of research papers and public articles about the personal life of [King George VI](#) which were published before early 2000s. The main reason of the restriction of spreading the details of the personal life of the King was the personal will of Elizabeth Angela Marguerite Bowes-Lyon (4 August 1900 – 30 March 2002), the wife of [King George VI](#) and the mother of [Queen Elizabeth II](#). As a result, describing the [socio-psychological](#) characteristics of King George VI, I had to refer to the material found in internet for open public access. It was said that Albert had a stammer, which affected his ability to deliver speeches. After October 1925, Elizabeth assisted him through the therapy. After his death any reminders about that painful issue of the King’s bibliography hurt the feelings of the Queen Mother. Most of articles, referred in this paper, were published after 2010, when the movie “The King’s speech” was released. Therefore, as it was mentioned before, in the next section the bibliographic information for providing the socio-psychological characteristics of the King George VI was taken mostly from the internet sources.

3. Bibliography and [socio-psychological](#) characteristics of the King George VI:

It is known that George VI served as king of the United Kingdom during World War II and was an important symbolic leader. According to the bibliography published by <https://www.britannica.com/>, George VI, also called (1920–36) Prince Albert, duke of York, in full Albert Frederick Arthur George, was born in December 14, 1895, Sandringham, Norfolk, England and died February 6, 1952, Sandringham. He was the King of the United Kingdom from 1936 to 1952. According to the information published on <https://www.imdb.com> Prince Albert, the son of King George V and Queen Mary, had a nervous stammer, possibly because his father made him write with his right hand when he was a lefty. As it is written on the official UK historical site (<https://www.history.co.uk>), with the aid of Lionel Logue, an Australian speech therapist, he gradually managed to overcome his speech defect by his thirtieth birthday. In 1923, George married Lady Elizabeth Bowes-Lyon, and together they had two daughters – Elizabeth, the current Queen, and Margaret. Albert's father died in January 1936, making his brother King Edward VIII. He became king in December 1936, after his older brother Edward VIII abdicated the throne. George, markedly unprepared and unwilling for the role, was forced to assume the throne. A few years later World War II broke out, but the royal family stayed in Buckingham Palace even after it was bombed. The same source states that George practiced firing his revolver, vowing that he would defend the palace to the death. The actions of the King and Queen, staying in London with the people and making regular public appearances, greatly helped restore the prestige of the monarchy. Regarding the reasons of his death, the Internet site <https://www.history.co.uk>, on the page devoted to George VI, states that "Physically exhausted by the strains of kingship, and alarmed by the changes in society, he died from cancer on February 6, 1952".

3. A general overview of the socio-cultural context: late 1930s in UK.

This speech is known as “War Outbreaking Speech” because George VI broadcast to his people in Britain, and throughout the Empire, immediately after Britain's Declaration of War against Germany on September 3, 1939. What view of British history or destiny does the speech represent? What social and cultural value do the King and his audience share? To answer these questions, we need to have an overview of some historical

background, both on national and international level. In order to describe the political and socio-economic situation of the country in that historical period I would like to quote the article, published online by UK newspaper “The Guardian” (2011): “We often remember the 1930s as an era of extraordinary political flux, an age when Sir Oswald Mosley's black shirts marched openly in the streets and thousands of idealists swooned before the Stalinist experiment. Again, there is some truth in it. In 1934, the Criterion at Piccadilly Circus hosted a glamorous white-tie dinner on the theme "We Have Been to Russia", with speakers lining up to welcome the inevitable victory of communism over capitalism. A year later, one of the summer's notable occasions was a Wimbledon garden fete held to mark the triumphs of the Soviet Union, its principal attractions including an address by American singer and political activist Paul Robeson, an exhibition of "Soviet Embroideries and Curios" and music by the St Dunstan's band of ex-servicemen blinded in the war. Some testimonials described the 1930s as a "low, dishonest decade". For a long time, they were known as "the devil's decade", "the locust years", when unemployment shot through the roof, fascism gathered momentum abroad and the political classes betrayed the hopes of a generation. “The Guardian” (2011) describes some social and economic events which took place in May 1937, when the coronation of George VI occurred: "London's 26,000 busmen went on strike. They wanted shorter hours and better conditions, as well an inquiry into the dangers to their health of the new larger buses, which travelled at a dizzying 30mph instead of just 12mph. With no buses, London's trams were packed to capacity, while the streets were full of illegally parked cars and the railway stations flooded with commuters”. Moreover, analysing the socio-cultural context of the situation before this utterance took place, we should mention that, the brother of the King George VI, had the meeting with Adolf Hitler before UK declared the war to Nazi German. There were some photos which documented that meeting. We will see that this historical fact would also have its impact on the utterance context.

4. Data analysis:

Critical Discourse Analysis of the speech of King George VI on September 3, 1939.

In order to provide the detailed and thoroughly done study of this public speech it was taken the decision to present the research findings in the form of the table. Table 1 provides the sentence-by-sentence analysis of the transcript of the text. The aim of this method is to show how grammatical tools were used to represent the dramatical state of the moment. Only for first four sentences the dots were used to represent the pauses done by the speaker in the original speech. However, in order to keep the integrity of perception, it was taken the decision to present the original text without further graphical drawing of pauses.

Transcript of the original text (*dots are used to replace the pauses done by the speaker).	Interpretation and speech analysis done by the author
<p><i>In this grave... hour... perhaps.... the most fateful... in our history..., I send.... to every household of my peoples, ...both at home.... and overseas..... this message....., spoken with the same depth... of feeling... for each one of you... as if I were able to cross... your threshold... and speak to you myself.</i></p>	<p>This sentence, “this message”, presented with pauses, emotionally strong adjectives (grave, fateful), represents deep feelings of the King, who must declare to his people that they are in the state of the war. Using several clauses in one sentence are constructed in such way that they are preparing the listeners to very dramatic news. Using the pronoun “our” (our history) the King shows at once a lot of personal pronouns of (our history, I, my, each one of you, I, your, you, myself), (my people, both at home and overseas).</p>
<p><i>For the second time in the lives of most of us..., we are.... at war.</i></p>	<p>Like his fellow Britons, George VI dreaded another war so soon after the slaughter of the trenches. As we feel, after a previous, so long one, this sentence looks dramatically short but sounds emotionally very heavy. The first time the King uses the word “war”, which was expected logically to be pronounced at the very beginning of the speech.</p>

	<p>Here the speaker doesn't use the 1st person singular, but in comparison with the first sentence of his utterance, the King says "us, we" for the first time, which underlines more the close links of the Royal family with his nation, demonstrates his readiness to share the destiny of his people.</p>
<p><i>Over and over... again, we have tried... to find... a peaceful... way out... of the differences ...between ourselves... and those who are now our ... enemies; but it has been.... in vain.</i></p>	<p>Listening the repeating use of "over and over again" creates the image of desperate attempts to keep the peace, but the adverb "in vain" doesn't leave any hope.</p> <p>This phrase could be treated as the excuse of the Royal family for earlier contacts with Führer, when the brother of the King George VI met Hitler before the WWII. The use of Present Perfect (have tried, has been) to describe for what happened before and Present Simple tense to underline what the nation faces now (those who <u>are</u> now our enemies). The word "enemies" was used only in this sentence and only one time for the whole speech. The use of pronouns "we /ourselves /our" underlines the antagonism, contradiction with the indicative pronoun "" those" previously used with word "enemies".</p>
<p><i>We have been forced.... into a conflict...., for we are called, with our allies, to meet the challenge of a principle which, if it were to prevail, would be fatal to any civilized order in the world.</i></p>	<p>Using twice the personal pronoun "we" of the 3d person in plural, the same as using twice the passive form in the same sentence makes the listener understand that something terrible, "fatal", is happening against the will of the speaker, which speaks on behalf of the whole nation.....something which could be destructive to "the civilized order in the world". Moreover, the use of the subject and predicate in the passive voice of the compound clause of the complex sentence, expressing the main idea of the utterance "declaring the war" underlines that there is no other choice, it is something inevitable. The goal of 5 commas, used in this sentence, is not only to provide the pauses making easier to pronounce the speech, but to increase the importance of the decision taken by the King. The conditional clause underlines the uncertainty of the future if the solution fails to be implemented on time. Analysing the patterns "We have been forced." and "we are called" we see that it is not shown "BY WHOM????". Hearing this speech some decades later, having the long distance of the events occurred, the listener could have another question "Who are allies?". It is very conscious manipulation by the structural design of the sentence to avoid the direct naming of the enemy and providing the names of allies, which could be done using the active voice.</p>
<p><i>It is a principle which permits a state, in the selfish pursuit of power, to disregard its treaties and its solemn pledges, which sanctions the use of force or threat of force against the sovereignty and independence of other states.</i></p>	<p>Though the following words as "selfish", "disregard", "sanctions", "force", "threat", "against" express the negative evaluation of the activity of the other state in confrontation, the whole sentence is very abstract and rhetorical.</p>
	<p>This sentence is not so informative. "disguise", "primitive", "doctrine" & principle vs freedom. The same as two previous</p>

<p><i>Such a principle, stripped of all disguise, is surely the mere primitive doctrine that might is right, and if this principle were established through the world, the freedom of our own country and of the whole British Commonwealth of nations would be in danger.</i></p>	<p>sentences, here we see another attempt to avoid the actual subject of the discourse. We could see how the transitivity is used to avoid saying clearly “who said”, “to whom it was said”- what was said” in the situation of the war. It could be expected to hear that “The UK and British Commonwealth are declaring the war to the Nazi Germany” but this phrase is another example how the transitivity manipulates the reality. Note: transitivity and its role in the speech structure will be discussed below, in general overview.</p>
<p><i>But far more than this, the peoples of the world would be kept in bondage of fear, and all hopes of settled peace and of the security, of justice and liberty, among nations, would be ended.</i></p>	<p>The use of words “bondage of FEAR” versus words “Hopes”, “Peace”, “Security”, “Justice”, “Liberty” is done on the principle of conflicting meanings, antonyms are used to underline the danger. Using <u>would be</u> in the main clause of the conditional sentence the speaker emotionally expresses the possibility of the “END” if the Nazi power wins. It keeps his audience in suspense waiting for the next sentence of his speech.</p>
<p><i>This is the ultimate issue which confronts us. For the sake of all that we ourselves hold dear, and of the world order and peace, it is unthinkable that we should refuse to meet the challenge.</i></p>	<p>Let’s analyse the words <i>confront, unthinkable, refuse, challenge</i>. Confront – against WHOM? “<i>Unthinkable that we should refuse to meet the challenge</i>” ... –What kind of challenge? – War as a Challenge? - war against WHOM? Despite the use of the active form, it is another vague sentence, which, being taken out of the context, is not informative about the time, place and principle participants of the process. It doesn’t give the clear picture of the whole situation. By the other words, is it clear: Who is going to do What to Whom?</p>
<p><i>It is to this high purpose that I now call my people at home, and my peoples across the seas, who will make our cause their own.</i></p>	<p>“It is this high purpose that I now call my people...” sounds like words of Biblical Moses, when he called his people to follow him to get their freedom. Considering the speech impediment of the King George VI, it seems to remind the situation even more: Then Moses told the LORD, "Please, LORD, I'm not eloquent. I never was in the past nor am I now since you spoke to your servant. In fact, I talk too slowly and I have a speech impediment." (Exodus 4:10. International English Standard). Of course, it is not the direct citation and could be referred to Moses' speech, however this part of the King’s speech could be interpreted in that wider linguistic context, because of its high similarity.</p>
<p><i>I ask them to stand calm and firm and united in this time of trial.</i></p>	<p>The same as the sentence “For the second time in the lives of most of us, we are at war”, this phrase is very short in comparison with others and it sounds as the order of the military person to his soldiers, when nobody could allow to waste the words and the time. “Stand calm, firm and united”- words of the General to his army when in the face of coming attack of the enemy, he is confident, and he believes in the victory.</p>

	<p>Considering that the King George VI was the military person and had the war experience during the First World War, his words sounded very professional and the listener could feel trust to what he said.</p>
<p><i>The task will be hard.</i></p>	<p>Another very important phrase is even shorter than others. It seems that all previous phrases were just the preparation to these words. “The task will be hard”...but nobody says it is impossible... These words were important, because the official declaration of the war to the Germany was already done one day before, and the people waited in suspense, under hidden tension. These words sound as the beginning of the program, the “Must Do” list of actions.</p>
<p><i>There may be dark days ahead, and war can no longer be confined to the battlefield, but we can only do the right as we see the right, and reverently commit our cause to God</i></p>	<p>The use of modal “can” attracts the attention, in the first time it is used actual negative form “war can no longer be confined to...”, while on the second position, it is used in its meaning of physical capability, but with limited choice “we can only do the right”.</p> <p>For the first time, the King pronounced the name of the God. As it was mentioned above, we met already the phrase which sounded as taken from Bible. This sentence “commit our cause to God” is the direct reference to the name of God. This sentence, the same as the next sentence, and the ending phrase of the speech as well, strongly depends of socio-cultural context, because if being taken out of the current situation, it could be the part of any speech about the war. It is philosophical, rhetorical, is too generalised. Even in this sentence, using the word “WAR” for the second time, the speaker manages to avoid naming the enemy, or saying “WE DECLARED THE WAR TO NAZI GERMANY”. Just reading this sentence is not easy to understand WHERE, WHEN and in WHAT country this speech takes place. At the same time, taking into account the wider socio-cultural context, it makes the reader to feel the whole drama of the moment, when UK found itself in the desperate situation, being surrounded, when nearly all European neighbouring countries were either occupied or under the control of Nazi Germany. This part of the public speech done by the King George VI is very biblical by genre.</p>
<p><i>If one and all we keep resolutely faithful to it, ready for whatever service or sacrifice it may demand, then with God's help, we shall prevail.</i></p>	<p>By these words, using twice the personal pronoun “we”, George VI repeated actually his faith to his people, and the main idea is that “with God’s help, we shall prevail”.</p> <p>As the journal “Guardian” wrote in 2011 “in 1939 this nervous, sickly, stammering man forced himself to confront the inevitable and became an unlikely symbol of national resistance”.</p>

May He bless and keep us all.

from point of view of the wider linguistic content, these words are linked to the prayers from Bible.

5. Findings and Conclusion.

The War Outbreaking Speech of the King George VI ().

The King delivered the speech, standing up, even though his official portrait depicts him sitting down. First, as the linguists, we should keep in mind that the pauses done during the utterance are not connected only with the manner of speech of the King George VI but mostly because of the delay of subject to represent the drama of the current moment.

Despite the great importance of the speech and its high dramatical context, the speech is the example of how transitivity manipulates the reality. The reality of that current historical moment was that leaders of the UK disagreed with leaders of the Nazi Germany, and the King George VI was appealing to his people to support him in that military conflict against Germany. It happened just some years after the end of the First World War of 1914-1918, the war where the UK fought against Germany, which was a part of the Austrian-Prussian Empire at that moment. However, the reality, which was happening, was not represented by the language used in the speech. The flow of the speech is constructed in that way that it avoids saying “we are fighting against Nazi Germany”, but the language is used to find the principles to justify this conflict “we are forced” without naming by “whom” and “why”. Reviewing the whole text, without looking the socio/cultural context, without any investigation to be done on the historical background, the question rises “Who is forcing to do this?” “Who is calling you to do this?” and no answer in the whole speech!

It is especially interesting to pay attention to the whole structure of the speech noticing that the sentences are so unequal as per the length and the grammatical pattern construction. I have the impression that the speech was initially prepared by the professional public-speechwriter. In general, it is a formal, official speech and being the public person, certainly, George VI had the specialists to do this kind of service for the royal family. However, I have the strong impression that the King felt that the speech is vague, and it was written the way that it manipulates the grammar avoiding the words even just mentioning the military conflict with Germany. I have the feeling that George VI took a decision and inserted his phrases to the speech as he felt to be done. I would rather consider some short phrases as being originally his own words. Out of 14 sentences only four of them seemed to belong to the King George VI, but if you look how clear they are, you could understand they belong to the person who knows the value of the word. These words, used in these sentences, miss any vague, diplomatic tints and they are so simple and honest:

For the second time in the lives of most of us..., we are.... at war.

I ask (them) to stand calm and firm and united in this time of trial.

The task will be hard.

May He bless and keep us all.

As we see, the whole speech could be expressed by these 4 phrases. It could be even left this way, just replacing “them” to “my people”, “He” to “God” and the speech will not lose its intensity and drama. Considering all the circumstances, I believe that these four sentences ARE the real speech of the King!

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Appendix 1 The transcript of the original speech

"In this grave hour, perhaps the most fateful in our history, I send to every household of my peoples, both at home and overseas, this message, spoken with the same depth of feeling for each one of you as if I were able to cross your threshold and speak to you myself.

For the second time in the lives of most of us, we are at war.

Over and over again, we have tried to find a peaceful way out of the differences between ourselves and those who are now our enemies; but it has been in vain.

We have been forced into a conflict, for we are called, with our allies, to meet the challenge of a principle which, if it were to prevail, would be fatal to any civilized order in the world.

It is a principle which permits a state, in the selfish pursuit of power, to disregard its treaties and its solemn pledges, which sanctions the use of force or threat of force against the sovereignty and independence of other states.

Such a principle, stripped of all disguise, is surely the mere primitive doctrine that might is right, and if this principle were established through the world, the freedom of our own country and of the whole British Commonwealth of nations would be in danger.

But far more than this, the peoples of the world would be kept in bondage of fear, and all hopes of settled peace and of the security, of justice and liberty, among nations, would be ended.

This is the ultimate issue which confronts us. For the sake of all that we ourselves hold dear, and of the world order and peace, it is unthinkable that we should refuse to meet the challenge.

It is to this high purpose that I now call my people at home, and my peoples across the seas, who will make our cause their own.

I ask them to stand calm and firm and united in this time of trial.

The task will be hard. There may be dark days ahead, and war can no longer be confined to the battlefield, but we can only do the right as we see the right, and reverently commit our cause to God. If one and all we keep resolutely faithful to it, ready for whatever service or sacrifice it may demand, then with God's help, we shall prevail.

May He bless and keep us all".

“Some considerations on “code-mixing poetry” and the creative multilingual mind”

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Abstract. Our fascinating world of global mobility has yielded new generations of multilingual poets who live in more than one culture. Poetry has provided a home for their code-mixing as an identifiable language. Code-mixing has become a poetic device overrunning international borders, upending the rules of vocabulary, grammar, and spelling. Viewing code-mixing poetry as the quintessential product of the creative multilingual mind, what can we learn about multilingual identities? In this essay, I will explore the understudied aspect of transnational poetics. I will examine attitudes to code mixing and analyze code-mixing poetry in an attempt to shed some light on how it feels to have a multilingual mind. I will discuss how the code-mixing poetry of the Dominican-American poet Rhina Espaillat, the Kazakh-Russian poet Anuar Duisembinov, and the Korean-American poet Cathy Park Hong, expresses their hyphenated poetic identities and how this knowledge can contribute to our understanding of the multilingual mind.

Key words: code-mixing, poetry, multilingualism

Introduction. “*Noonchi itta.*” that is what my grandmother would say in Korean about somebody who can understand the situation quickly, is quick-witted or tactful. The opposite of this is “*Noonchi eopta.*” referring to a person who is somewhat brazen, tactless or unable to sense and read others’ moods. I was born and raised in Uzbekistan in a household where only Russian was used, spending my childhood summers with my grandparents, and being exposed to Korean *saturi*, or a regional dialect of Korean. I remember I would catch myself thinking about specific social norms of the Korean culture, such as *noonchi* trying to find the Russian equivalent of it. Often, my attempts would fall pitifully flat, due to the dramatic untranslatability of the concepts, and I would end up code mixing.

Now, as a graduate student who has always been in love with poetry, I would like to view how multilingual poets have been expressing themselves at the porous boundaries between their languages and cultures as I believe, poetry and expression go hand in hand. I also wonder how this knowledge would contribute to our understanding of the complex multilingual mind.

Research Question: As far my theme is focusing on code mixing in contemporary poetry, the research question is:

1. How multilingual poets have been expressing themselves at using code-mixing as a poetic device?

Methodology. Poems can be viewed as qualitative data, as an exploration of the poet’s lived experience. The three original poems I chose represent data about code-mixing as a poetic device. These poems are texts that were subsequently compared, analyzed and discussed based on literature review.

Literature Review. According to Dilthey (1887), the poet's creative work always depends on the intensity of lived experience, and the poet is someone who "distinguishes himself by the power with which he (expresses or) recreates psychic states, both states experienced in himself and those observed in others, and, consequently, the situation and characters constituted by the interconnection of such states". Among other things, poetry communicates concentrated experiences of poets. Therefore, if we view and analyze poetry as the expression of deep private experiences, the "spontaneous overflow of powerful feelings", as Wordsworth (1880) put it; we would be able to get a better understanding of the multilingual mind.

Perhaps, one of the most illustrative pieces of contemporary code-mixing poetry would be a poem by Rhina Espaillat, a Dominican-American poet. From interviews with her, it is known that she has been writing poetry since she was a young girl. As a seven-year-old, she experienced the uprooting of her family, culture, and language. The family was deported from the Dominican Republic after Espaillat's uncle opposed the dictatorship of Trujillo, and the family settled in the US, New York City. Here Espaillat established new roots in both English and Spanish, as well as Dominican and US American culture. In regards to assimilation, the poet that "that those of us who have more than one identity, who have multiple languages and multiple loyalties, are not really divided people; they're multiplied" (Espaillat, 2012).

Consider her poem "Bilingual/Bilingüe", written in a mixture of English and Spanish.

My father liked them separate, one there,
one here (allá y aquí), as if aware
that words might cut in two his daughter's heart
(el corazón) and lock the alien part
to what he was - his memory, his name
(su nombre) - with a key he could not claim.
"English outside this door, Spanish inside,"
he said, "y basta." But who can divide
the world, the word (mundo y palabra) from
any child? I knew how to be dumb
and stubborn (testaruda); late, in bed,
I hoarded secret syllables I read
until my tongue (mi lengua) learned to run
where his stumbled. And still the heart was one.
I like to think he knew that, even when,
proud (orgullosa) of his daughter's pen,
he stood outside mis versos, half in fear
of words he loved but wanted not to hear.

- Rhina P. Espaillat, *Where Horizons Go*, (1998)

Here, a part of the poem attempts to express the tension that a child can feel due to learning and knowing two languages. The tension becomes even more noticeable when the father demands that English be spoken outside the house, but Spanish inside. It is clear that the child is pressurized by such clear-cut diglossia and finds it hard to segregate the languages.

This above phenomenon is strongly supported by the observation that languages in contact with one another are not "in segregation. If there is an iron curtain, we know how easily such a curtain is penetrated by various forms of verbal communication." (Jakobson as cited in Ramazani, 2015). A growing body of research examine poststructural ideas in multilingual contexts (e.g., Otsuji & Pennycook, 2010; Pavlenko & Piller, 2001) seeing multilingualism as a set of resources that are linked to one or more languages or varieties, not as possessing entirely separate "multiple monolingualisms". In this respect an analogy can be drawn with the original famous phrase of Gestalt psychologist [Kurt Koffka](#) (1935) who commented that "the whole is something else than the sum of its parts". Now therefore, we can translate this idea into multilingualism, and

claim that it is not just about a sum of multiple languages, because summing is a relatively “meaningless procedure”, whereas the “whole-part relationship is meaningful”.

Attitudes towards code-mixing in poetry can be illustrated in an essay by Vendler (1981) where she writes that “Hispano-American poets [now] writing in a mixture of Spanish and English, where neither language gains mastery; once again, such work may accurately reflect their linguistic predicament, but the mixed diction has yet to validate itself as a literary resource with aesthetic power”. She adds that a poet has to establish a “satisfying aesthetic relation” between the languages straddled in a poem. From the other hand, Triling (1972) contemplates that “to praise a work of literature by calling it sincere is [now] at best a way of saying that although it need be given no aesthetic or intellectual admiration, it was at least conceived in innocence of heart”.

The author says that though she used two languages, “still (her) heart was one”. Same can be said about “the poem’s heart”: code-mixing is used here seamlessly and skilfully in a way that makes sentences crackle, yoking striking word combinations and igniting the creative spark. Earlier research on attitudes to code-mixing, however, show that code mixing is considered ill-mannered, show-off, ignorant, not good-looking, aggressive (Gibbons, 1983), less fluent, less intelligent, and less expressive (Chana, 1984), especially where linguistic purity ideology is strong. This explains why many poets living in interlingual societies have eschewed poetic code-mixing, overwhelmingly writing instead in one or another language, often the more prestigious one but occasionally the more humble. Alternatively, Anuar Duisembinov, a Kazakh poet, chose to write experimental code-mixing poetry. Below are his thoughts about his use of Kazakh:

“Kazakh language is almost not represented in the realm of contemporary poetry either by original authors or by translations. I had not had a leg to stand on and missed the pillar of tradition. I stepped in timidly but felt it as a challenge. I heard my native speech as if from the outside, and it happened to sound with a new unprecedented voice. I have realized that I shall continue” (Duisembinov, 2016).

Anuar Duisembinov is a poet and translator with Kazakh ethnic background. He was born in 1985 in Andreevka (now Kabanbay), grown up in Taldykorgan, Kazakhstan. He mainly writes his poems in Russian, and has translated into Kazakh language some poems of Russian, Latvian, Polish, and Croatian authors. For him, the two linguistic domains seem to inhabit parallel worlds, and he tries to fill the gap by incorporating Kazakh into his Russian texts. Consider his poem, “The Dictionary of Exclamations”, where he gives definitions to Kazakh exclamations in Russian mixing the two languages:

эттеген-ай! говорится чтобы перед вразумительной фразой момент оттянуть
алақай! так сказал бы кот если бы ему налили молока
эп, пәлем! это если бы машина завелась от клемм
бәсе! это когда японская поэзия вышла у японского поэта во всей красе
қап! это когда провалился очередной стартап
тарт! это когда резко остановить всё или когда фальстарт
шақ-қират! это когда сломали что-то тебе дорогое ты сарказмируешь и не рад
солай... это когда уселся на обочине жизни вздохнул у рельс бесконечности познал тленность бытия
сущего распластался как кошка ивана бекетова и отказываешься от селедки\

- Anuar Duisembinov, *www.literratura.org*, (2018)

In his interview to a Latvian poet, journalist, and translator Sergej Timofejev (2015), Anuar attempts to explain his inevitable use of code-mixing in his poems: “I do this because it is impossible not to. Not that it is a conscious experiment, it is more like my inability to express myself in another way, so that not to deceive myself and my own word when writing. I had been raised in a traditional Kazakh family. But even then, the younger generation all spoke Russian, and I could use Kazakh only with my grandparents. Such mixing originates from the very roots of mine. The fruits are the same. I am here to pick them, taste them... in an

attempt to describe how they taste”. For him code mixing is the only way to express himself, to prepare for the “intense aesthetic and technical reflection” (Dilthey, 1887). Clement H Wyke (1985) describes a poetic mind in conflict, a man who once described himself as “a kind of split writer” with one tradition inside him “going one way, and another going another”, against the background of “a tortuous ambiguity underlying the powerful language of his poem”.

In his poems, Anuar uses code mixing as a comparative device emphasizing the cultural differences between the languages. The author shows that Kazakh has a number of interjections with no Russian equivalents. Such playful compression of multilingual heterogeneity in complex, fluid and creative ways can only be the prerogative of the multilingual mind. In “The Intuitive Dictionary”, the author imparts his musings about language:

как будто звук — дыбыс рождается без нас. врывается, перекипает, стынет
и отпускает, прострелив навывлет жужжащими стрекозами слов жаз
(что жаз — пиши, что лето — жаз) и джаз

меня на улице оглядывают — кімсің? четверка я. четверочка по Кинси
не понял? что ж, не здесь, гуглден ізде. сегодня знание практически везде
иль имитация, лишь ғаламтор обмана, покрывшая большую часть аспана —
небес, с них начиная вниз и все до самой жер — земли
и даже кабели под нею погребли

как будто речь, что — тіл, что — тыл, опора, начало всех начал, негіз — основа
во мне отсутствовала долго и теперь выталкивает изнутри за словом слово —
сөздің артынан сөз; ойдың артынан ой — за мыслью мысль
достоинство питаемо корнями — тамырдан нәрленеді ар-намыс

- Anuar Duisembinov, *www.textonly.ru*, (2014)

Here the author hyperbolizes the process of speech production saying that sound originates without human involvement, as if it “breaks into, calms down and gets cool”. He plays with the phonetic similarities between semantically unrelated Kazakh words, producing sonic textures that resonate even across languages. He experiments naturally with the word-craftiness, the rebellious urge to create new links and associations between the words as if testing his own linguistic intuition. Putting his feelings into proper wording, knowing the origins of words and the paths they have travelled, Anuar often makes visible the fluidity and permeability of Kazakh and Russian.

Like the “duality” of male and female, code-mixing can reflect the thoughts and feelings of poets who live in more than one culture. Cathy Park Hong, an American-Korean poet says: “Like most writers from bicultural backgrounds, I do share a “stranger within one’s own language” consciousness, but as I continue to write, it has less to do with the actual naming of my ethnic identity. To exist between tenuous borders gives you liberty where you’re less beholden to tradition and the expected parameters of the English language, forms, and genres.”

Cathy Park Hong is a poet, essayist and college lecturer, specialising in creative writing. She uses the technique of mixed language in some of her work where different languages are fused to create meaningful text. She was born in 1976 in Los Angeles, the daughter of Korean parents. Consider her poem “Zoo”.

Ga The fishy consonant,
Na The monkey vowel.
Da The immigrant’s tongue
as shrill or guttural.

Overture of my voice like the flash of bats.
The hyena babble and apish libretto.

Piscine skin, unblinking eyes.
Sideshow invites foreigner with the animal hide.

Alveolar *tt*, sibilant *ss*, and glottal *hh*

shi: poem
kkatchi: magpie
ayi: child

Words with an atavistic tail. History's thorax considerably cracked. The Hottentot click called undeveloped...

- Cathy Park Hong, *Translating Mo'um* (2002)

Unlike Duisenbinov who does not treat code-mixing as a “conscious experiment”, Hong (2014), when asked why she never includes translations from Korean to English in her own poetry says that she “wanted to open up these schisms, to emphasize that memory, the filtering of human experience into poetry, is often fractured and not transparent, especially experiences which have always been bisected and undercut by two languages”. This conforms to the view that for the multilingual author, mixing between two or more languages is not an arbitrary act, nor is it simply an attempt to mimic the speech of his or her community; code-mixing results from a conscious decision to create a desired effect and to promote the validity of the author's heritage language (Martin, 1952). As mentioned above, recent years have further witnessed increasingly poststructuralist views on language, seeing language not as static “codes” but rather, as fluid resources in meaning-making practices (Pennycook, 2010).

Conclusion. In a world in which multilingual speakers outnumber monolingual ones, code-mixing will be observed more frequently, especially in the wake of global mobility. Code-mixing poetry can give not only heightened emotional or intellectual experience; it can be used as a tool designed to understand the experiences of multilingual learners as they negotiate metaphorical distances in language and culture. Thus, delving into code-mixing poetry can inform on what it feels like to have a multilingual mind, raise awareness of the culturally nuanced identities. As poetry has always been about truth, linguistic implications from the analysis of code-mixing poetic work can act as a reliable evidence of a distinctly multilingual way of thinking.

Lynn Butler-Kisber defines poetic inquiry as “the transformation of ideas or words from research into poetry”. In some sense, code-mixing poetry can represent a poetic inquiry drawn from authors' self-research of their own deepest language and cultural experiences and feelings. Through investigations into code-mixing poetry as the quintessence of the creative multilingual mind, and unfolding of poetic personal narratives we will be able to look at multilingual learners from a different perspective. That is why instead of seeing it as the degeneration of language, its corruption by the forces of globalization; we should revel in the linguistic vitality made available by intercultural contact and learn from code-mixing poetry from both language and cultural awareness perspective.

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“Language mixing in Kazakh- Russian bilingual children”

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Abstract. The paper reviews studies on language mixing in Spanish - English, French – English and Dutch – Turkish bilingual children. These researches revealed that the children mix only 2% of their utterances and these mixes occur mostly at lexical level. The studies also have shown that the children mix their languages when they use their non-dominant language. However, the research of Turkish children who immigrated to Denmark revealed that the children mix their languages if they are not able to fully express new realities in such domains as food, school and playground. The purpose of this study is investigating language mixing in utterances of Kazakh – Russian bilingual children. In particular, the main focus of this study to reveal whether the mixing occurs at lexical or phrasal level and in what cases the children usually mix their languages. The participants of the study are Kazakh – Russian bilingual children. They were involved in non-structured short interviews. The results of the study have shown very low degree of language mixing in the children’s utterances and they occurred at lexical level when they used their non-dominant language. However, the results of the study are specific due to small number of participants and short interviews. But it is hoped this study will be helpful for further researches at the field of language mixing in bilingual children in Kazakhstani context.

Key words: bilingual children, language mixing, dominant, non-dominant language, language differentiation.

Introduction. Studies in childhood bilingualism were sharply increased again in 1962, when Peal and Lambert (Homel, Palij, Aaronson, 1987) published the results of their study which demonstrated that intellectual development of bilingual children was at the same level or even superior to that of their monolingual peers. Until these results, there were beliefs among psychologists that early bilingualism may lead to mental difficulties in coordinating language and thought in children.

According to Dawson and Phelan (2016) bilingualism is ability to speak, not just read, with native speakers of two different languages. There are two types of bilinguals: simultaneous bilinguals, who are exposed to more than one language from birth, and sequential bilinguals, who start to learn their second language from early childhood (Dawson & Phelan, 2016). Usually, these children may use more than one language in their speech, which is called language mixing.

Dawson & Phelan (2016) mentioned that some early researchers believed that bilingual children mix two languages because they are not aware that they use two different languages. They believe this can lead the children will acquire none of their languages really well. However, research on five Spanish-English bilingual children between ages 2 and 10, conducted by Lindholm and Padilla (1978) had shown that children mixed only 2% of their utterances. They concluded that language mixes do not interfere to their language acquisition, as the children were able to differentiate linguistic systems of the two languages. In their study Lindholm and Padilla (1978) categorized the children’s language mixes into lexical and phrasal mixes. The results have shown that the children mix the two languages in majority cases at the lexical level by inserting of English nouns into Spanish utterances. In my research I intend to study if Kazakh-Russian bilingual children age of three and five can differentiate linguistic systems of the two languages and whether their mixing occurs at lexical or phrasal levels.

Genesee, Nicoladis and Paradis (1995) examined to what extent French-English bilingual children could differentiate their languages in different linguistic contexts. For this, they observed children’s conversation

with their parents and their interaction with a monolingual English-speaking stranger. The aim of their study was to find explanation why children mix languages. Besides different linguistic situations, they also considered the children's language dominance, or their relative proficiency in each language. Results of the study also supported the claim that children can differentiate their languages. The observed children have demonstrated high level of linguistic control not only with the monolingual stranger, but also in presence of their parents. Regarding the reasons of language mixing Nicoladis and Paradis (1995) more inclined to suggest that the children's mixing can be related to their language dominance rather than parental language mixing. They also found that the children language mixing occurs more frequently when they use their non-dominant language in compare with their dominant language.

Reasons of why and under which circumstances children mix languages were the main focus of another research conducted by Boeshoten and Verhoeven (2006). They conducted a quantitative study with eighty Turkish children between ages of four and seven who immigrated to Denmark. The children were interviewed only in their first language. The findings of the study were different from those made by Nicoladis and Paradis. It has shown that the children mix the language if they are not able to fully express new realities in their first language, for example in those domains as food, school and playground. In order to fill in lexical gaps, the children borrowed the appropriate word from their second language. In some cases, the children may know a word in both languages, but it was more convenient for them to use the word in their second language at that moment, for instance if a particular topic such as Dutch holidays is commonly discussed in their second language. The next aim of my research is to determine in what cases the children mix their languages.

Research Questions: As far my theme is focusing on language mixing in bilingual children, the research questions are:

1. To identify lexical type of language mixing in utterances of Kazakh – Russian bilingual children.
2. In what cases the children mix their two languages?

Methodology. The data of my research were collected from three children who attended a kindergarten where I was teaching English for year and a half. The participants are Kazakh-Russian bilinguals with dominance of one of the languages. All of them are ethnic Kazakhs. Although it was considered as a Kazakh language kindergarten, there were both Kazakh and Russian language monolinguals as well as Kazakh Russian bilinguals. One of the participants was three years old girl, the other two were five years old girls. The children participated in the study after receiving permission from their parents. The parents signed consent forms which informed them that all the responses their children give will be kept strictly confidential and the children's real name will not appear anywhere in the research materials. The results of the study are limited in generalizability due to the small number of the participants. The obtained language samples are also limited due to age of the children, they were interviewed within 5-7 minutes. The three years old child was involved to natural conversation while painting a colored book, the older girls were involved to unstructured interview. The conversation was conducted in the both languages by switching from Kazakh into Russian and vice versa. The reason of the method was to decrease the possibility that children may answer only in one of the languages which is dominant for them. The interviews were tape-recorded and transcribed. The collected data were analyzed in terms of linguistics (whether the mixing occurs at lexical or phrasal levels), and context (in what cases they mix the languages).

Discussion. The results of the study have shown very low degree of language mixing in the children utterances. Only few words of the five years old girl with dominance of Russian language contained a language mix. It occurred at lexical level.

- (1) adult: *Ne turaly ol multik?*
(What about is this animation?)
- child: *mmm, printsessa turaly*

(mmm, it's about a princess)

(2) adult: *Ne isteidi printsessa?*
(What is the princess doing?)

child: *Prazdnik otedi ol jakta*

(A celebration is taking place)

In (1) the question was asked in Kazakh, and the child borrowed from Russian the word *printsessa* (a princess). It is common practice for Kazakh- Russian bilinguals, even among adults, because Kazakh equivalent of the word is rarely used by them. Usually the word *khanshayim* (a princess) is used by Kazakh monolinguals only. In (2) case the child's utterance also was formed by her language dominance. She borrowed the word *prazdnik* (celebration) from her first language. The word order she used in her sentence is acceptable (SV+adverb), but infrequent for the native speakers. In this kind of sentences in Kazakh language adverbs which answer to questions *where* in most cases appear at the beginning of the sentences. So, native speakers are more likely would say *ol jakta* (adverb) *mereke* (subject) *otedi* (verb).

Another five years old girl with dominance of Kazakh language did not mix her languages at all. However, she used incorrect endings for Russian words.

(3) adult: *Chto za kniga?*
(What book?)

child: *Muravyitsa*

(An ant)

adult: *A pro chto eta kniga?*

(And what about is this book?)

child: *Noska, Mila*

(4) adult: *Na chem priezhaete v sadik?*
(How do you come to school?)

child: *Mashina*

(a car)

In (3) and (4) the child used single words. She did not give complex answers with appropriate endings. I think she is a sequential bilingual and have not acquired her second language in full. Russian language has six cases and for each case there is different ending, and for those who are not exposed to Russian language from birth, it may be quite challenging to acquire it.

It was difficult to get full and complex responses from the third participant due to her age (three years old). She was not involved to direct interview, during the conversation she was coloring a book, and we mostly were discussing pictures in the book. Despite her age she could differentiate the two languages; when I switched from one language to another she responded in that language.

(5) adult: *Eto chto?*
(What is it?)

child: *Samolet*

(A plane)

adult: *Samolet, a eto?*

(A plane, and this?)

child: *Dom*

(A house)

(6) adult: *Al mynau ne?*

(And what is this?)

child: *Yesik*

(a door)

adult: *Mynau terezenin tusi qandai?*

(What color is this window?)

child: *Jasyl*

(Green)

In (5) the questions were asked in Russian language and her responses were in that language. And conversely, in (6) the questions were in Kazakh and she answered in this language. However, I could not get from her full sentences in Russian, she just ignored me when I tried to ask questions which require complex answers. But she produced full sentences in Kazakh language herself, without questions, for instance *Mende shana bar* (I have a sled).

Conclusion. The results of the study are similar with those conducted by Lindholm and Padilla (1978). In their results participants mixed only 2% of their utterances and language mixing occurred at lexical level. This study also revealed only few cases of language mixing, mostly at lexical level. The findings of the study can support Lindholm and Padilla's conclusion that language mixes do not interfere to their language acquisition, and children are able to differentiate linguistic systems of their two languages. However, there should be conducted more deeply research with larger samples, as the children's responses were short in most cases which made it difficult to analyze their utterances in terms of phrasal mixing within sentences.

As in Nicoladis and Paradis study (1995), the research has shown that language mixing occurs more frequently when children use their non-dominant language in compare with their dominant language. The girl with dominance of Russian language borrowed Russian words in her second language, but did not use Kazakh words in Russian sentences. However, the second girl who is dominant in Kazakh did not borrow Kazakh words in Russian sentences. She tried to use only Russian words, even though it was challenging for her in some cases. May be the reason is that the interview was conducted by her teacher.

Boeshoten and Verhoevan's (2006) large quantitative study revealed several reasons of language mixing among children between ages of four and seven. One of the reasons was filling in lexical gaps by borrowing the appropriate word from their second language. The current study revealed the same reason. However, it was limited in both small number of participants and language samples. Therefore, further study with larger number of participants in different context would give possibility for more broad and precise analysis.

Overall, the findings demonstrated very low level of language mixing. The children tried not to mix the two languages in their speech, except in the cases of language borrowing from their dominant language in order to fill in lexical gaps. Even a three old girl could differentiate the two languages when the conversation switched from one language to another. However, there was one negative side of conducting interview with the children. They gave brief responses to the interviewer and tried to answer as correctly as possible. More in-depth interview that requires more complex answers usually may stress children of that age. Therefore, for further

study I would recommend to observe children in free environment instead of interviewing them. When I was working at the kindergarten, I noticed that children produce more complex utterances when they interact with both monolingual and bilingual peers. Also, the children can freely mix their languages if they want without trying to speak correctly, as they did during the interview. That's why results of such observation can give more precise findings for in-depth analysis.

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