



CONFERENCE PROCEEDINGS

Almaty 2023

УДК

ББК

“Global impact of CSR, ESG & Sustainability: Bridge between Academia and Industry”

20th KIMEP International Research Conference proceedings (Almaty, April 14-15, 2023) / Edited by Lazzat Tashanova, BCB, KIMEP University, 2023. – 526 p.

Бұл кітапта 2023 жылғы 14-15 сәуірде КИМЭП Университеті (Алматы, Қазақстан) өткізген ғылыми-тәжірибелік конференциясының материалдары жинақталған. Конференцияда «Корпоративтік әлеуметтік жауапкершіліктің, экологиялық әлеуметтік басқарудың және тұрақтылықтың жаһандық әсері: Академия мен өнеркәсіп арасындағы көпір» тақырыбындағы ғылыми баяндамалар, презентациялар және сарапшылардың пікірлері ұсынылды.

Данная книга содержит материалы 20-й научно-исследовательской конференции, проведенной Университетом КИМЭП (Алматы, Казахстан) 14-15 апреля 2023г. На конференции были представлены научные доклады, презентации и мнения экспертов на тему «Глобальное влияние корпоративной социальной ответственности, экологического социального управления и устойчивого развития: мост между академическими кругами и промышленностью».

This book represents the Official Proceedings of the 20th KIMEP International Research Conference held on 14th-15th of April, 2023 at KIMEP University in Almaty, Kazakhstan. This conference featured scientific papers, professional presentations and panel discussions on topics related to the theme of “Global impact of CSR, ESG & Sustainability: Bridge between Academia and Industry”.

УДК

ББК

ISBN

KIMEP University, 2023

УДК 502/504

ББК 20.1

G54

Chair of the conference: Associate Professor Dr. Alimshan Faizulayev

Edited by Lazzat Tashanova

"Global impact of CSR, ESG and sustainability: bridge between academia and industry"

ISBN 978-601-80666-3-4



ISBN 978-601-80666-3-4



TABLE OF CONTENTS

Author(s)	Title	Page
Aliya Toekenova, BCB, KIMEP University	What factors affect future direct investment in the case of Kazakhstan?	11
Dmitry Vyatkin, BCB, KIMEP University	Analysis of factors influencing the decision of residents of Kazakhstan to invest in the securities market	22
Assem Kanatzhan BCB, KIMEP University	Liquidity Risk Drivers of French Banks	31
Binura Bulatova, BCB, KIMEP University	Financial Performance Drivers of Banks in the United States of America	40
Dimenova Gulnaz, BCB, KIMEP University	The strategic management challenges of the oil & gas industry in Kazakhstan	53
Guldana Utarova, BCB, KIMEP University	The effect of the COVID19 Pandemic on the financial stability of the banking industry: the Case of Eurasian Economic Union countries	60
Akbota Akkin, BCB, KIMEP University	Factors Affecting the Satisfaction Rate of Kazakh Citizens with the Government's Responses to Covid-19	72
Dinara Kozhakhmetova, BCB, KIMEP University	GENDER DIFFERENCES IN BEVERAGE CONSUMPTION OCCASIONS IN KAZAKHSTAN	83
Nurakhmet Abdykalykov, BCB, KIMEP University	Determinants of ROA and FSS in banking industry in Kazakhstan	93
Jahongir Rahimov, BCB, KIMEP University	Relationship between the Stock Market and Policy Rates: Evidence from Kazakhstan	103
Zhamilya Zakarina, Vladimir Garkavenko, PhD Yelizaveta Rybina, DBA	The Influence of Electronic Word-of-Mouth on Trust and Consumer Purchasing Decisions	111

BCB, KIMEP University		
Aslan Tleugaliyev BCB, KIMEP University	Determinants of earnings quality in mining industry: FGLS approach employed in the case of CIS region	122
Aigerim Dostiyarova, Vladimir Garkavenko, PhD, Liza Rybina, DBA BCB, KIMEP University	Effects of Sexual Appeals in Advertising on Product Attractiveness and Purchase Intentions	136
Klim Aiyana BCB, KIMEP University	An Investigation of the Performance and Efficiency of E-Procurement Bidding Platforms	148
Sabina Koketayeva, BCB, KIMEP University	The efficiency evaluation of technological mergers and acquisitions of public companies in CIS countries	157
Temir Zhuryun BCB, KIMEP University	Management of change in Hino Motors Kazakhstan Company: Implementation of ASEC (After sales Service Evaluation and Certification)	165
Yekaterina Tkhai BCB, KIMEP University	Factors affecting green purchase behavior in Kazakhstan	179
Daniyar Dyuksaliyev BCB, KIMEP University	The effect of specific variables on leverage of banking system in UAE, Qatar and Saudi Arabia.	189
Diana Ratbekova BCB, KIMEP University	The relationship between intellectual capital and financial performance of SME hotels in Serbia	198
Ibraimova Sandugash BCB, KIMEP University	CRISIS IN HUMAN RESOURCE MANAGEMENT	212
Anel Zhetybayeva, Vladimir Garkavenko, Yelizaveta Rybina, BCB, KIMEP University	The impact of the popularity of a person's social status and gender, presenting people on ads and without in Instagram ads on consumer purchases	224
Gaukhar Dabylova BCB, KIMEP University	The impact of financial development, economic growth, and institutional quality on renewable electricity output in Central Asia	234

Aruzhan Jambulatova BCB, KIMEP University	An Investigation into the Promotional Preferences of Clients and the effects of Those Promotional Activities on Performance	248
Assiya Mamanova, Alimshan Faizulayev BCB, KIMEP University	Profitability determinants of pharmaceutical industry in South Korea	258
Symbat Bekmuratova BCB, KIMEP University	Ethics, Responsibility, Sustainability Issues for Effective Human Resource Management in Kazakhstan	267
Abylaikhan Taubaldi BCB, KIMEP University	The challenges of the risk management and strategy development in the SMEs of Kazakhstan	277
Ainel Apsalyamova BCB, KIMEP University	Evaluation of the liquidity of securities for the purposes of the Central Counterparty (CCP) at Kazakhstan Stock Exchange	286
Chingiz Sapargaliyev BCB, KIMEP University	Analysis of the salient factors regarding customers' bank choice in Kazakhstan	298
Altynai Mursalieva BCB, KIMEP University	Determinants of Profitability in Mining Companies with focus on ESG: FGLS approach employed	310
Murodjon Juraev BCB, KIMEP University	Capital Structure Determinants of the Construction Industry	343
Aliya Toekenova BCB, KIMEP University	What factors affect future direct investment in the case of Kazakhstan	350
Tolegen Kuandykov BCB, KIMEP University	Understanding Behavioral Finance: Exploring the Intersection of Psychology and Investing	363
Anna Shin	Determinant factors affecting the profitability of the banking sector after European Union creation	371
Timur Yessekin BCB, KIMEP University	Analysis of tendencies and consumer preferences in the Kazakhstan laptop market	372
Nur Yerkin BCB, KIMEP University	Training development of employees in multinational companies in Kazakhstan	377
Maya Katenova, DBA BCB, KIMEP University	CSR and Firms' Profitability: Evidence from S&P 500	380
Yuliya Frolova, DBA BCB, KIMEP University	Moderating Effects of the HEXACO Personality Traits and the Collective Psychological Ownership on the Relationship between Self-Assessed Collaboration Skills and Perceived Corporate Responsibility of Employees in Business Companies of Kazakhstan	381

Liza Rybina, DBA, BCB, KIMEP University, Akbotas Bazarbayeva International Institute for Family Development	Gender Differences in Marital Preparation Skills among Young Adults in Kazakhstan	385
Alma Alpeissova, DBA KIMEP University, Mira Nurmakhanova, Ph.D. BCB, KIMEP University	The impact of top management characteristics on firms' innovative performance in Kazakhstan	386
Aliya Sailova CSS, KIMEP University	Northern Territories of Kazakhstan in Russian Media: Coverage and Context	390
Elodie Lafont CSS, KIMEP University	Education reforms in Kazakhstan since the 2000s: Between the desire for internationalization and the consolidation of the national identity	398
Altynay Mambetova University of International Business	The ESG and CSR factor in election programs in the 2023 Kazakhstan Parliamentary elections	403
Bagdat Akbiyeva/ Anita Halnazarova CSS, KIMEP University, Sembinov Murat Sorbonne-Kazakhstan Institute, KazNPU named after Abay University	FORMATION AND APPROACH TO REGIONALISM IN THE CONTEXT OF THE CENTRAL ASIAN REGION	409
Laura Ungarova CSS, KIMEP University	Estimating the Effectiveness of Tobacco Control Policies in Kazakhstan Using Synthetic Control Methods	414
Bauyrzhan Zholguttiev, CSS, KIMEP University Aslan Tanekenov, Professor, CSS, KIMEP University,	Urban community participation the case of Atyrau city	420
Eshel Rosen University of Glasgow/KIMEP	Environmental Scarcity in the Post-Soviet Space: Lessons Learned from the Past	432

Iqbol Mirzomurodov CSS, KIMEP University	Islamic banking and the COVID-19	438
Kassiyet Omarova CSS, KIMEP University	Is There A Paradigm Shift In Urban Planning In Almaty?	446
Talitha Dian Palupi CSS, KIMEP University	Russian Digital Public Diplomacy in Indonesia and Malaysia	454
Lucie Tafforin CSS, KIMEP University	Eurasianism as a foreign policy tool: Kazakhstan and the Belt and Road Initiative	458
Sabina Kossymbayeva CSS, KIMEP University	Issues of Rights Violation of Children with Psycho-Neurological Disorders in Kazakhstan in International Context	463
Eldar Madumarov CSS, KIMEP University	Can Blockchain Technology Reduce Information Asymmetry?	494
Kovaleva Irina CSS, KIMEP University	Gender Wage Gap and Income Inequality in Kyrgyzstan	499
Kilian Ropeter CSS, KIMEP University	Assessing the Success of the Eurasian Economic Union: Can the EAEU be considered a Successful Regional Project from Russia's Point of View?	509
Tolkynay Sagatbayeva and Alma Kudebayeva, PhD CSS, KIMEP University	Chronic Poverty in Kyrgyzstan	517
Cynthia Eka Wahyuni CSS, KIMEP University	Kazakhstan's Multi-vector Approach in the Energy Game between EU - Russia	523
Kumar Yernazar, PhD student CSS, KIMEP University	Environmental journalism as a tool for raising awareness about environmental problems in Kazakhstan	530
Shakhmaran Zholdaskali CSS, KIMEP University	Reassessing Legislation on Domestic Violence: The Perils of Protecting the Family Unit at the Expense of the Individual	545

Yakov Sadchikov CSS, KIMEP University	Economic Benefits of Foreign Tourism in Kazakhstan	552
Gulshat Rozyyeva	Should I stay or should I go? Return migration or naturalization of Turkmen migrants in Kazakhstan	556
Teresa Reilly CSS, KIMEP University	A Postcolonial Perspective on the Question of Russian NATO membership 1992–1996	574
Manizha Shohnazar	The Impact of Migration on Well-being and Marriage Market: the case of Tajikistan	576
Aynura Aytmuratova	Civil Society and NGOs in Kazakhstan and Uzbekistan: A Critical Review of Progress and Challenges	585
Maryam Agharabi CSS, KIMEP University	Nostalgia and Politics of Memory on Russian Television: A Literature Review	602
Olga Didenko, Law School, KIMEP University	LEGAL ANALYSIS OF FACTORS, TYPES OF CORRUPTION AND ANTI-CORRUPTION MEASURES IN THE JUDICIARY IN KAZAKHSTAN	612
Ryspayeva Anel Law School, KIMEP University	Intellectual Property Protection in International Law and Kazakhstan's Domestic Law: Contemporary Issues and Solutions	623
Sofiya Khalikova	Carbon offsetting as a new tool towards net-zero: Possibilities for Kazakhstan participation in compliance carbon market	628
KAO, Chia-Lin University of Glasgow, IMCEERES	National Narratives Framing Trends: Cases of the Great Patriotic War and the Second Sino-Japanese War	642
Aurora Díaz-Soloaga, AlmaU University, School of Management	Responsible Management Education in Central Asia: Challenges of a Cross-Cultural Crossroad	645

Meredith Storey, Principles for Responsible Management Education (PRME)		
Dr. Avinash B.M. Megha B	Implementation of Industry 5.0 in Kazakhstan – Opportunities and Challenges	656
Dina Sharipova, PhD Nazarbayev University Alma Kudebayeva, PhD KIMEP University	Changing Well-Being in Central Asia: Evidence from Kazakhstan and Kyrgyzstan	658
Federico Dalpane, PhD KIMEP University	A new phase of constitutionalism in Kazakhstan: the Constitutional Court	659
Kazieva Gulnara Astana International University	Forms of Languages through Sociologic Trend: Ontology Aspect	660
Maria Baideldinova, LL.M, PhD, KIMEP University	Recent developments of the legislation on animals in Kazakhstan	661
Maria Baideldinova, LL.M, PhD, KIMEP University Daniil Litosh	Recent Law and Policy Developments in Agricultural Land Market In Kazakhstan	662
Halil Kiymaz, PhD Rollins College Woo Sung Kim, PhD Silla University	Do Founder CEOs matter in ESG performance in emerging markets?	663
Jessica Neafie, PhD Nazarbayev University, Brendan Duprey, PhD Narxoz University, Director, Sustainable Kazakhstan Research Institute Aruzhan Ibekenova;	Progress in implementing the Sustainable Development Goals (SDGs) in companies in an emerging economy: A case study of Kazakhstan	664

Karina Abdimominova, Zhuldyz Ramazanova, Assem Bazarbek, Nazarbayev University		
Afina Koldurmidi ExMBA, BCB, KIMEP University	Online Advertising and its Effect on Consume Behavior	679
Olzhas Shagyrov ExMBA, BCB, KIMEP University	Applicability of Netflix's human resources management model in Kazakhstan	687
Anara Bekbossybova ExMBA, BCB, KIMEP University	The Determinants of Gender Gap in Oil and Gas Industry. Karachaganak and Kashagan fields' case	693
Ainura Yeszhanova ExMBA, BCB, KIMEP University	The Significance of Barack Obama Administration's Efforts in Recovering from the Financial Crisis of 2007-2009	701
Maira Ussenova, BCB, KIMEP University	The impact of implementation of IFRS on Kazakhstani telecommunication companies	

What factors affect future direct investment in the case of Kazakhstan?

Aliya Toekenova

Bang College of Business, KIMEP University, Almaty, Kazakhstan

Abstract

The purpose of this paper is to find out what factors may affect future direct investment, in the period from 1991 to 2021. For example, it is important to note that stable financial relations between the countries of the Eurasian Union affect the economy of our country. The methodology of the study of future investment in Kazakhstan used a panel data model to observe the relationship between dependent and independent changes. The originality of the study lies in the comparative analysis of factors affecting investments of the Republic of Kazakhstan. Exports of our products to other countries, profits received and money supply turnover were also involved. In addition, this paper shows a close relationship between emissions to the environment in the form of air pollution of carbohydrates and used waste after production and consumption with the three main variables: energy consumption, economic growth, and foreign direct investment (FDI).

Conclusion: Investment from other countries in Kazakhstan can help build industry, nuclear power plants, and most importantly, oil refineries, which contribute to the solution of improving the economy of Kazakhstan.

Keywords: FDI, Exchange Rate (ER), Gross Domestic Product (GDP), Oil price, Net export, Money Supply, CO₂.

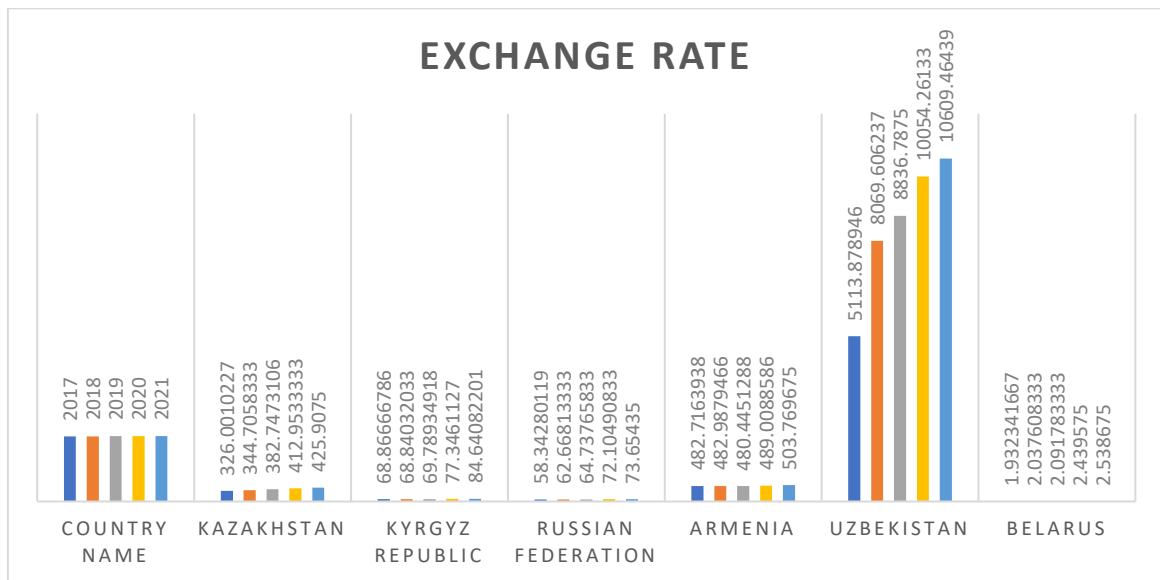
1. Introduction

This article is relevant because it deals with issues related to future investments in Kazakhstan. As everyone knows, investment in Kazakhstan plays a big role in maintaining economic stability both inside and outside the country. Foreign direct investment is influenced by growth in trade information and migration. All these indicators mean that in this case a close political and international connection between countries, which leads to mass globalization, is developing. Countries that invest their investments can own operating assets such as factories, mines, and land. Increased foreign investment can be used, for example, as one indicator of increasing economic globalization affecting the growth of gross domestic product of GDP.

Thus, the following factors were investigated:

Exchange Rate (Exr) – The study examined the dynamic changes in the exchange rate of foreign currency that affected the dynamics of growth of the currency of Kazakhstan. The data were taken for the last 5 years from the World Bank.[1]

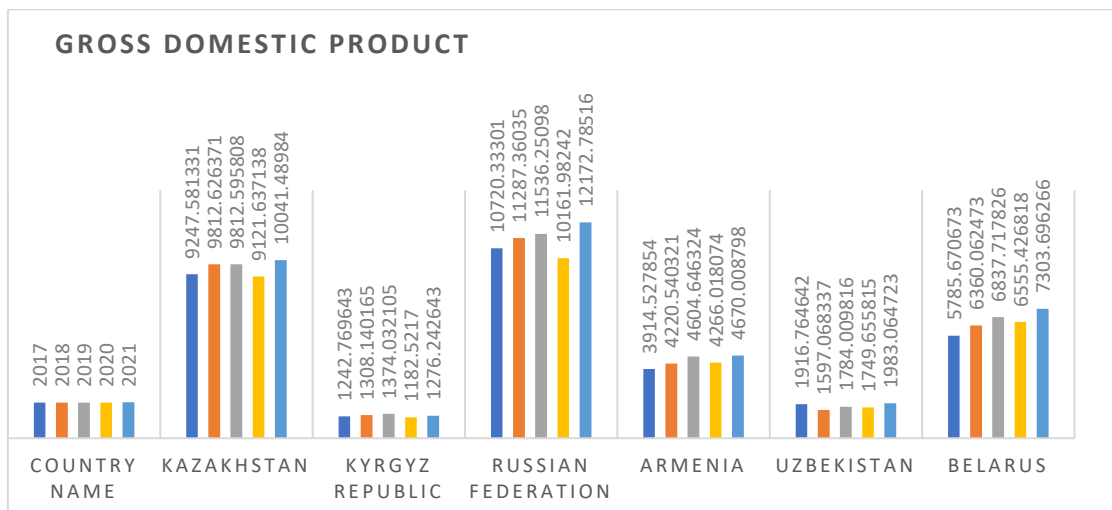
Histogram 1. Exchange rate



Source: Author create

Studies of gross domestic product (GDP) were based on World Bank data for the period 2017-2021. GDP data Russia, Belarus, Kyrgyzstan, Kazakhstan, Uzbekistan, and Armenia.[1]

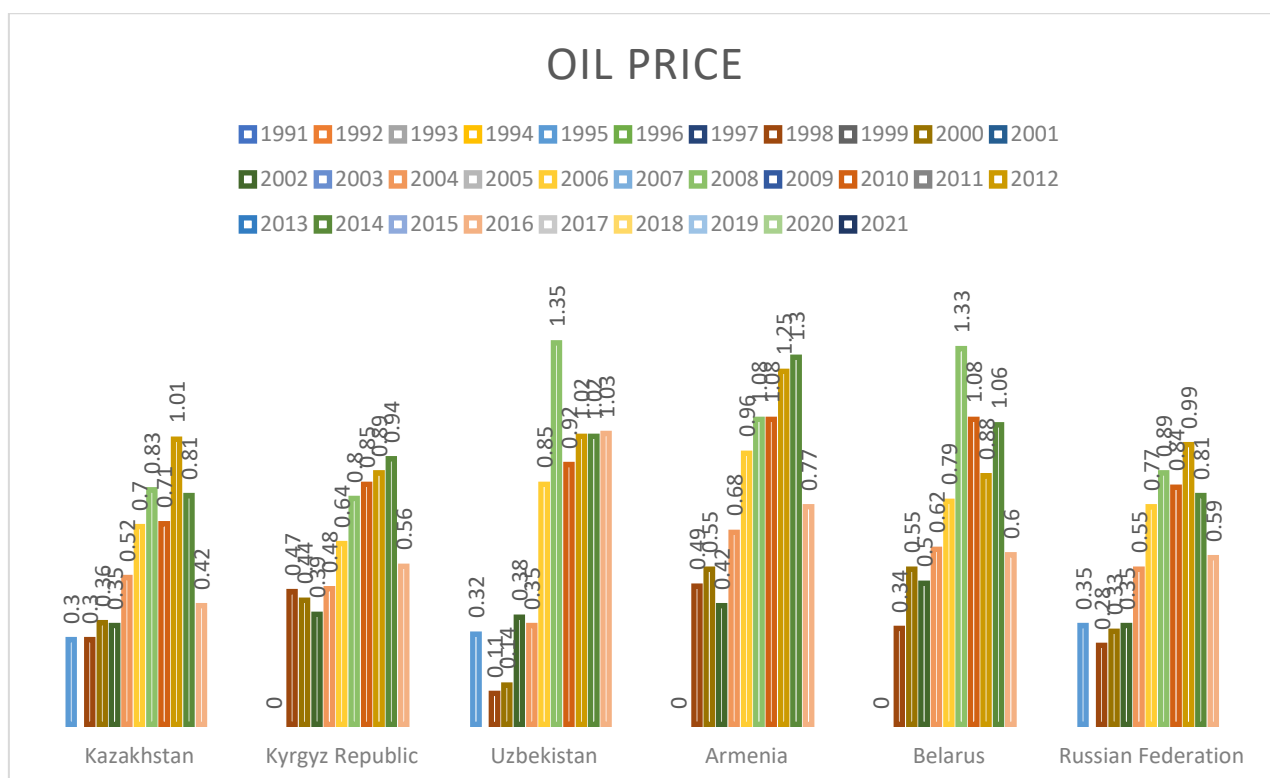
Histogram 2. Gross Domestic Product



Source: Author create

The price of oil relied on world sources of prices, which directly influenced the price of Kazakhstan's oil. Data based on World Bank for the period 2017-2021.[1]

Histogram 3. Oil price

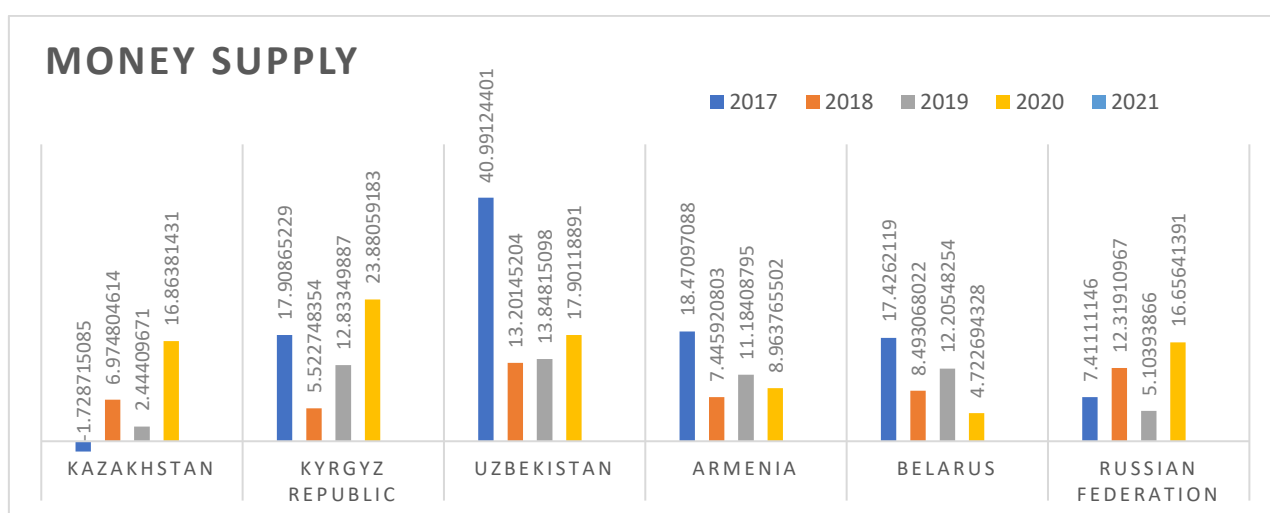


Source: Author create

Net exports are the value of all exports when our country exports its products to foreign countries. On this issue, the main task was to establish from which products the country received more profit and for which goods there was greater demand. We studied statistics on the volume of exports and compiled a comparative table in points for the last five years.

On the issue of the money supply, the amount of cash that was in circulation was investigated. The circulation of goods and funds between the countries of the Eurasian Economic Union was considered. The Eurasian Union includes such countries as Kazakhstan, Russia, Armenia, Kyrgyzstan, and Belarus. Indicators for the last 5 years were also taken.

Histogram 4. Money Supply



Source: Author create

CO2- The government of Kazakhstan understands that in parallel with the development of production for export, it is necessary to consider the impact of waste emissions into the environment of harmful substances that affect the health of all living beings. Therefore, there is a question of cleaning the environment of hazardous substances, which requires large expenditures and thus has a tangible impact on the economy of Kazakhstan.

Kazakhstan produces more than 30% of its GDP, and a large share of it comes from oil and gas production and extractive industries. Nevertheless, Kazakhstan intends to solve this problem on the basis the world experience. It should be noted that the country is assisted in this issue by the technical assistance provided by the Joint Economic Research Program (JERP), jointly funded by the Government of Kazakhstan and the World Bank.

Kazakhstan intends to be carbon-neutral by 2060, using the latest alternative energy sources.

2.Literature review

Many articles have been written on the subject of foreign investment that has a direct impact on the economy of a particular country. These articles widely discuss the problems of the application of FDI attraction in action. If we consider Xinxin Wang, Zeshui Xu, Yong Qin, and Marinko Skare's article "Foreign Direct Investment and Economic Growth: A Dynamic Study of Approaches and Measurement Results" published in 2021, we can see that this paper reveals the extent of FDI impact on economic growth using bibliometric analysis and R programs. The authors of this paper had to use different methodologies of economic development and FDI to disclose this topic. And in the Journal of Asian Finance, Economics and Business Tran, T.Q.,(2020) "Factors affecting foreign direct investment", the authors described 5 independent factors, approaches, and measurement results. However, despite the research Bhagwati (1998) notes that the positive effect of FDI in those countries where exports are developed than in countries with predominantly small economies. [29][30][31]

Exchange rate (Exr) - as a factor influencing FDI. Information about the influence of ER on FDI attraction is very scarce, as the main focus is on the analysis of the decision to attract FDI to certain countries. The positive decisions on FDI attraction, in the beginning, were considered the development of the microeconomics of countries. The theory of FDI based on currency stability was proposed by Aliber, R. (1970) A Theory of Foreign Direct Investment.[32]

According to his theory, it can be said that it is possible to benefit from the difference in exchange rates, so it is more profitable to invest in those countries, where the currency is weak than in countries with strong currencies. The author came to this conclusion after receiving empirical data on American, British, and Canadian economies, which showed that it was possible to earn money on the difference in exchange rates, thus confirming the theory of currency premium.

Gross Domestic Product (GDP) is the total monetary consumption of all final goods and services produced and sold by a country in a certain period of time. GDP data is used to compare the global assessment of macroeconomics and the economic condition between countries. Investors get information about various aspects of a country's economy from GDP data, which helps in making investment decisions. According to research by Bhagwati (1988), the ratio of FDI to GDP and the ratio of the current account balance to GDP in eight transition economies have a negative relationship.[33]

Oil Price - Energy prices play a major role in economic growth in any country. When looking at data on the impact of oil on national economies, it can be divided into two categories: exporters (Alley, 2016; Hesse et al., 2009;) and importers (Antonakakis et al., 2014; Nasir). increase. et al., 2018; Wang et al., 2013), in this case, for the first countries oil is the main source of income, while for the second

countries the oil price change, that is for importing countries it can result in huge costs. Thus, these countries have a great impact on their economies. Thus, we can conclude that changes in oil prices have different effects on economies.[34][35][36][37][38]

Net Exports - causal relationship between foreign direct investment and the volume of foreign trade. K. Kodizma (1970) put forward this theory of direct investment. According to this theory, the factors of economic growth in developing countries are international trade and FDI. So the research data of Yol and Teng (2009) on short and long-term exports hurt FDI in the period 1975-2006.[39]

Money supply – is cash and deposits that can be spent as your own money. According to a study using the ARDL method by Shahrudin et al. (2010) the determinants of FDI in Malaysia for the period 1970-2008. It was found that GDP and money supply growth have a positive effect on FDI. Thus, an increase in the money supply leads to a decrease in the interest rate, which in turn leads to an increase in investment and puts more money in the hands of consumers, thereby increasing spending. This encourages companies to buy more raw materials. Consequently, there is an increase in business activity which increases the demand for labor. The opposite can happen if the money supply falls or the growth rate declines.[40]

Eurasian Economic Union can increase FDI inflows because the potential benefits of FDI include the transfer of technology, experience, and knowledge, as well as overall economic growth and increased exports.

CO2- The Kuznets curve is the hypothesis that income inequality increases in early-stage economies, but tends to decrease as the economy grows. This hypothesis was first proposed on December 29, 1954, by economist Simon Kuznets and framed as an inverted U-shaped curve. The Kuznets curve was first used in environmental policy following the 1991 research by Princeton economists Jim Grossman and Alan Krueger [41]. As product productivity increases, the threat to the environment increases immediately at the outset. This leads to the fact that as income increases the need for a safe life, i.e. for a clean environment, and thus more resources become available to address these issues. As a consequence, wealthier citizens can spend more money on environmental health, as they feel the need for their bodies to breathe clean air and bathe in clean water.

Dummy: In order to concretize the understanding of which factors influence FDI, the FGLS study is conducted and uses a limited interval beginning in 1991 and ending in 2021. In general, it can be seen from the use of the link give a detailed explanation of which factors affect FDI, affecting the stability of a particular state, while the results of macroeconomic determinants are constantly in flux depending on their correct evaluation.

Thus, one can see a detailed explanation of the factors influencing FDI from the material presented, while the results of the macroeconomic determinants vary markedly depending on their correct estimation.

1.1 Hypotheses of the study

The following hypotheses are assumed to analyze the influence of factors on the FDI:

H1: Exchange rate- has a positive impact on FDI

H2: GDP – hurts FDI

H3: Oil price positive impact on FDI

H4: Net export positive impact on FDI

H5: Money Supply-positively impact on FDI

H6: CO2 positively impacts FDI

MAIN PART

3 Data and Methodology.

3.1 Data

The purpose of this research is to study the factors that affect FDI in Kazakhstan for the period from 1990 to 2021. Panel data analysis was chosen for the study. Data for the study were taken from the World Bank.

3.2 Methodology

This study mainly uses FGLS, and estimation methods to examine the relationship between the exchange rate, GDP, oil price, money supply, net exports, CO2, and foreign direct investment. In order to determine the relationship, the following equation was constructed in the study.

$$FDI=B0+B1(GDP)+B2(Mon)+B3(Exp) +B4(CO2) +B5(Exr)+B6(Oil)+B7(DUMMY)+E$$

Where: FDI- foreign direct investment; GDP- gross domestic product; Mon- money supply; Exp- net export ; CO2- carbon emission; Exr- exchange rate; Oil- oil price; Dummy- 2017-2019;

3.3 Results

Empirical Results

The study is largely understood on the generalized least squares (FGLS) method because there are more variables than years being investigated. The study's data spans three years and seven variables. Before doing the regression analysis, the robustness of the model was evaluated. Choosing the best model, was essential. The stationarity test revealed that there was no unit root for any of the variables. The multicollinearity test results indicated a score below 5, indicating that the model is devoid of multicollinearity. The results of the autocorrelation test indicate that there is no autocorrelation. When heteroscedasticity exceeds 0.10, all variables are not considered to be heteroscedastic.

3.4. Descriptive Statistics

variable	Obs	Mean	Std.Dev.	Min	Max
FDI	173	3.410433	3.357859	-5.160327	17.13123
GDP	186	10.43361	0.0552078	10.22714	10.48903
Oil	135	1.29923	0.3096279	-0.1347931	1.668102
Exp	175	3.324329	14.08574	-48.17576	39.91464
CO2	174	0.8752974	0.6098281	0.1465958	2.311845
Mon	138	1.423825	0.2730348	1.116822	1.902395
Exr	186	0.3172046	0.1064941	0.1379117	0.6345132

Source: Calculated from research results

3.4 illustrates the descriptive statistics of variables. The research includes 6 post union countries (Russia, Belarus, Kyrgyzstan, Kazakhstan, Uzbekistan, and Armenia) covering the period 2017-2019. The descriptive statistics results show that the highest FDI is 17.13123 for the Kyrgyz Republic (2015). Further, the minimum value of FDI is -5.160327 for the Kyrgyz Republic (2020). In addition, GDP has an average value of 10.43% and a minimum value of 10.22%. Macroeconomic and microeconomic variables have a huge range too.

3.5. Correlation results

	FDI	GDP	Oil	Exp	CO2	Mon	Exr
FDI	1.0000						
GDP	-0.1192	1.0000					
Oil	0.1308	-0.0820	1.0000				
Exp	-0.1003	-0.0670	-0.1244	1.0000			
CO2	0.0845	-0.3340	0.3482	-0.0704	1.0000		
Mon	-0.0900	-0.0184	-0.5611	0.2171	-0.3421	1.0000	
Exr	-0.0608	0.1865	0.1414	-0.1637	-0.2264	0.1556	1.0000

Source: Calculated from research results

Table 3.5 above shows a correlation test that identifies the degree of association between dependent and independent variables. As a result, a high correlation is found between FDI and Oil price, FDI and CO2, oil price and carbon dioxide, and export and money supply. Other variables have a modest correlation. There are also negative correlations.

3.6. Multicollinearity test results.

Variable	VIF	1/VIF
Mon	1.75	0.570813
Oil	1.73	0.578501
CO2	1.40	0.713520
Exr	1.28	0.782079
GDP	1.18	0.844197
Exp	1.10	0.906269
Mean VIF	1.41	

Source: Calculated from research results

The model is not multicollinear, as shown by table 3.6's mean VIF value being less than 5. To determine the correlation between the independent variables in the regression model, the multicollinearity test is required. The model developed by the researchers demonstrates a reliable association between the independent variables. The model doesn't need to be adjusted.

3.7.FGLS test

FDI	Coef.	Std.Err.	z	P> z	[95%Conf. Interval]	
GDP	1.930989	1.987564	0.97	0.331	-1.964565	5.826542

Exp	0.0192486	0.0083999	2.29	0.022	0.0027851	0.0357122
CO2	-1.360449	0.1959592	-6.94	0.000	-1.744522	-0.9763762
Exr	0.7007063	0.9390875	0.75	0.456	-1.139871	2.541284
Mon	0.7429303	0.9371853	0.79	0.428	-1.093919	2.57978
Oil	-0.4281675	0.6101326	-0.70	0.483	-1.624005	0.7676704
2017	-0.4800023	0.5241425	-0.92	0.360	-1.507303	0.5472981
2018	-1.517955	0.5290441	-2.87	0.004	-2.554863	-0.4180478
2019	-0.0673708	0.5289425	-0.13	0.899	-1.104079	0.9693374
cons	-17.19638	20.75363	-0.83	0.407	-57.87275	23.47999
R-squared	0.1621					
Observation	28					
Number of groups	6					

Source: Calculated from research results

Note: *p<0.10, **p<0.05, ***p<0.010.

As mentioned above we did the generalized least squares (FGLS) test. The results are shown in Table 3.7 for the proxy was taken FDI to find out what factors affect FDI in Kazakhstan.

Assuming that ceteris paribus, a 1% decrease in the constant variable Future direct investment by -17.19%, and it is not significant, The focus of FDI in developing nations has evolved from market and resource-seeking to more(vertical) efficiency-seeking. MNEs are anticipated to move some of their production facilities to low-cost (really low-cost) emerging nations as a result of the pressure that globalization has put on prices. However, JH Dunning, JR Dilyard - Transnational corporations, (1999) argues that the motives for that, in contrast to FDI in industrial nations, FDI in developing nations continues to be primarily focused on exploiting natural resources and local or regional markets.[27]

A country's gross trade is measured by its net exports. A country's net exports are calculated by subtracting total imports from total exports of goods and services. We find a statistically significant positive effect of exports on FDI level 0.01%. The results show that a 1% increase in exports leads to a 0.01% increase in FDI. This result is consistent with the logic of economic theory and the reality of Kazakhstan's economy during the study period, showing that exports are developing and growing in the same direction as foreign direct investment. Because foreign companies invest not only in supplying the domestic market, but also in supplying the foreign market. A study by Selim et al. (2016) showed a positive effect of foreign investment on the exports of the Eastern Balkans, and a study by Zakia and Ziad (2007) showed a positive effect of foreign direct investment on exports.[22]][23]

Foreign direct investment (DFI) can be an important driver of increasing trade intensity. DFI includes partial or full ownership and control of existing or new assets by foreigners. As Tubagus Feridhanusetyawan Charles Stahl & Phillip Toner write (APEC Labor Market: Structural Change and the Asian Financial Crisis) FDI refers to partial or full ownership and control of existing or new assets by foreigners. In developing countries such as Chile and China, FDI can

account for 15-20% of total annual investment. Even in developed countries like Singapore, FDI can account for up to 30% of domestic investment[24].

FDI increases pollution. This indicates that technological effects cannot curb his CO₂ emissions due to the introduction of obsolete technology into the production process. This has a negative impact on economic growth in the long run (Jayanthakumaran et al., 2012). Test results show that a 1% increase in foreign direct investment leads to a significant negative carbon emission of 1.36%. In other words, significant impacts are attributed to foreign investors not adopting appropriate pollution reduction strategies. Findings from the article "Economic Growth, CO₂ Emissions, Renewable Waste and FDI Linkages in Pakistan": New evidence from the 3SLS (Khuda Bakhsh, Sobia Rose, Muhammad Faisal Ali, Najid Ahmad Muhammad Shahbaz) shows that marginal pollution damage increases as FDI increases. On the other hand, for CO₂ emissions, there is a significant negative association between FDI and light pollution damage[25][26].

Time Dummies 2018 has got a negative impact on FDI, that is to say, it negatively affected FDI, With a 1% decrease in time dummies 2018, the FDI will be reduced by -1.51% respectively.

The coefficient of determination indicates how well the data fit the regression model. In the FDI model, 16% of the variation in the dependent variable can be explained by variation in the independent variables.

The F-test shows whether the entire model is the best fit or financially sound.

Conclusion

This study examines the factors that influence the flow of foreign direct investment (FDI). The following factors were considered. Oil prices, money supply, exports, exchange rates, CO₂, and gross domestic product using annual data for 1991 and 2021.

A study of foreign direct investment (FDI) allows you to assess the economic situation of a country. Foreign investment in general has allowed Kazakhstan to remain stable. Since Kazakhstan became an independent post-Soviet republic, by 2021 she will attract more than \$370 billion in foreign investment. Kazakhstan's economy as a separate independent country has experienced both ups and downs, but despite these changes, the country has been able to continue its ups and downs thanks to foreign direct investment. Kazakhstan's main industry is fuel (oil, coal, iron ore). chemicals (manganese, chromite, zinc, phosphate, sulfur, uranium); metals (lead, copper, titanium, iron, steel, gold, silver) agricultural machinery, electric motors and building materials, food products, including oil and petroleum products; It included chemicals, natural gas, grain, ferrous metals, wool, meat, and coal. High demand in 2019. Therefore, the total export value in 2019 was \$58 billion.

Kazakhstan ranked 25th out of 190 countries in the World Bank's Doing Business 2020 report. Kazakhstan climbed three points in the 2020 rankings from 28 to 25 the previous year. This puts Kazakhstan ahead of countries such as Iceland (26th), Austria (27th), Russia (28th) and Japan (29th). Kazakhstan is prioritizing the development of the non-oil sector, which accounted for 85% of the country's economic growth in 2019.

In the first seven months of 2020, Kazakhstan exported significantly more goods than in the previous year, including a seven-fold increase in car exports. The country's GDP fell by 3% due to a reduction in services due to the COVID-19 pandemic, but the real economy grew significantly. During his first eight months of the year, production increased in agriculture, construction and manufacturing.

The largest growth in 2020 was in Automotive (53.6%), Pharmaceuticals (39.7%), Metalworking (19.5%), Mechanical Engineering (16.5%) and Light Industry (16.4%). Services industries that registered growth included construction (10.7%) and telecommunications (8.2%).

References

1. World Development Indicators <https://databank.worldbank.org/source/world-development-indicators>
2. K Bakhsh, S Rose, MF Ali, N Ahmad - Journal of environmental , 2017 – Elsevier Economic growth, CO2 emissions, renewable waste and FDI relation in Pakistan: New evidences from 3SLS
3. B Muhammad, S Khan - Energy Reports, 2019 – Elsevier Effect of bilateral FDI, energy consumption, CO2 emission and capital on economic growth of Asia countries
4. Y Yu, W Xu - Atmospheric Pollution Research, 2019 – Elsevier Impact of FDI and R&D on China's industrial CO2 emissions reduction and trend prediction
5. BA Blonigen - Atlantic economic journal, 2005 – Springer A review of the empirical literature on FDI determinants
6. N Crespo, MP Fontoura - World development, 2007 – Elsevier Determinant factors of FDI spillovers–what do we really know?
7. LK Cheng, YK Kwan - Journal of international economics, 2000 – Elsevier What are the determinants of the location of foreign direct investment? The Chinese experience
8. VM Gastanaga, JB Nugent, B Pashamova - World development, 1998 - Elsevier Host country reforms and FDI inflows: How much difference do they make?
9. LR De Mello - Oxford economic papers, 1999 - academic.oup.com Foreign direct investment-led growth: evidence from time series and panel data
10. DO Cushman - The Review of Economics and Statistics, 1985 – JSTOR Real exchange rate risk, expectations, and the level of direct investment
11. A Kyereboah-Coleman... - The Journal of Risk ..., 2008 - emerald.com Effect of exchange-rate volatility on foreign direct investment in Sub-Saharan Africa: The case of Ghana
12. TS Osinubi, LA Amaghionyeodiwe - International journal of applied ..., 2009 - usc.gal Foreign direct investment and exchange rate volatility in Nigeria
13. A Boateng, X Hua, S Nisar, J Wu - Economic Modelling, 2015 – Elsevier Examining the determinants of inward FDI: Evidence from Norway
14. A Boateng, X Hua, S Nisar, J Wu - Economic Modelling, 2015 – Elsevier Examining the determinants of inward FDI: Evidence from Norway
15. P Alagidede, M Ibrahim - Journal of African Business, 2017 - Taylor & Francis On the causes and effects of exchange rate volatility on economic growth: Evidence from Ghana
16. AG Awan, W Ahmad, P Shahid... - International Journal of ..., 2014 - academia.edu FACTORS AFFECTING FOREIGN DIRECT INVESTMENT IN PAKISTAN
17. JW Lee, G Baimukhamedova... - Journal of International ..., 2010 - papers.ssrn.com IMPACT OF FOREIGN DIRECT INVESTMENT ON
18. R Dalrymple - 2014 - digital.lib.washington.edu Foreign Direct Investment, Exchange Rate, and Their Roles in Economic Growth of Developing Countries: Empirical Evidence from Kazakhstan
19. PI Nwosa - Transnational Corporations Review, 2021 - Taylor & Francis
20. JW Lee, G Baimukhamedova... - Journal of International ..., 2010 - papers.ssrn.com Foreign Direct Investment, Exchange Rate, and Their Roles in Economic Growth of Developing Countries: Empirical Evidence from Kazakhstan
21. F Faisal, SU Rahman, R Chander, A Ali... - Resources Policy, 2021 – Elsevier Investigating the nexus between GDP, oil prices, FDI, and tourism for

22. H Mahmood - 2018 - zbw.eu Foreign direct investment, domestic investment and
23. MM Alalawneh, E Ibadov, A Huseynli - Journal of International ..., 2019 - researchgate.net The impact of foreign direct investment on exports in Jordan: An empirical analysis
24. Z Mishal, Z Abulaila - Journal of Economic and Administrative ..., 2007 - emerald.com The impact of foreign direct investment and imports on economic growth: The case of Jordan
25. T Feridhanusetyawan, C Stahl... - Journal of Contemporary ..., 2001 - Taylor & Francis APEC labour markets: Structural change and the Asian financial crisis
26. K Jayanthakumaran, R Verma, Y Liu - Energy Policy, 2012 – Elsevier CO2 emissions, energy consumption, trade and income: a comparative analysis of China and India
27. S Rose, MF Ali, N Ahmad, M Shahbaz - Journal of environmental ..., 2017 – Elsevier] Economic growth, CO2 emissions, renewable waste and FDI relation in Pakistan: New evidences from 3SLS
28. JH Dunning, JR Dilyard - Transnational corporations, 1999 - unctad.org Towards a general paradigm of foreign direct and foreign portfolio investment
29. X Wang, Z Xu, Y Qin, M Skare - Journal of Business Research, 2021 – Elsevier Service networks for sustainable business: A dynamic evolution analysis over half a century
30. TQ TRAN, TA DANG, NAT TRAN - ... of Asian Finance, Economics ..., 2020 - koreascience.or.kr Factors Affecting Foreign Direct Investment: Evidence on Tay Ninh Province
31. J Bhagwati - Foreign affairs, 1998 – JSTOR The capital myth: the difference between trade in widgets and dollars
32. Aliber, R. (1970) A Theory of Foreign Direct Investment. In: Kindleberger, C.P., Ed., The International Corporation: A Symposium, 5th Edition, MIT Press, Cambridge, MA, 17-34.
33. JN Bhagwati - The World Bank Research Observer, 1988 – JSTOR Export-promoting trade strategy: issues and evidence
34. I Alley - OPEC Energy Review, 2016 - Wiley Online Library Oil price volatility and fiscal policies in oil-exporting countries
35. T Nordtug, D Altin, A Booth, KM Hessen... - ... Health, Part A, 2009 - Taylor & Francis Gene Expression of GST and CYP330A1 in Lipid-Rich and Lipid-Poor Female *Calanus finmarchicus* (Copepoda: Crustacea) Exposed to Dispersed Oil
36. N Antonakakis, I Chatziantoniou, G Filis - Energy Economics, 2014 – Elsevier Dynamic spillovers of oil price shocks and economic policy uncertainty
37. MA Nasir, L Naidoo, M Shahbaz, N Amoo - Energy Economics, 2018 – Elsevier Implications of oil prices shocks for the major emerging economies: A comparative analysis of BRICS
38. Y Wang, C Wu, L Yang - Journal of Comparative economics, 2013 – Elsevier Oil price shocks and stock market activities: Evidence from oil-importing and oil-exporting countries
39. MA Yol, NT Teng - Jurnal Pengurusan, 2009 - researchgate.net Estimating the domestic determinants of foreign direct investment flows in Malaysia: Evidence from cointegration and error-correction model
40. N Shahrudin, Z Yusof, NM Satar - International Review of ..., 2010 - researchgate.net Determinants of foreign direct investment in Malaysia: What matters most
41. JT Roberts, PE Grimes - World development, 1997 – Elsevier Carbon intensity and economic development 1962–1991: A brief exploration of the environmental Kuznets curve

Analysis of factors influencing the decision of residents of Kazakhstan to invest in the securities market

Dmitry Vyatkin

BCB, KIMEP University, Almaty, Kazakhstan
dmitry.vyatkin@kimep.kz

ABSTRACT

Over the past few years in Kazakhstan, there has been a significant increase in the number of people who began to invest in the securities market. Entering this market has become easier, including thanks to the appearance and development of investment applications available on smartphones. However, the country is still significantly lags behind the leaders in this regard. The purpose of this study is to attempt to identify factors that affect the decision of people at the moment in Kazakhstan to start or not to start to invest in the securities market. The definition of such factors can give valuable information for better promotion of the securities market and increase the number of investing. And this can potentially increase the economic stability of the country. For the study, a quantitative method applied to the primary data obtained by survey was used. The basis for creating a survey was previous studies on this topic from the direction of Behavioral Finance. Based on them, a list of demographic, behavioral and social factors was created that can have a connection with the intention to begin to invest. The research found that the factors having such a connection include age, education, trust in the stock market, optimism, the presence of free time and awareness of the situation with the securities market in the country.

KEYWORDS: Behavioral Finance, Securities market, Investment intention, Impact factors, Demographic, Psychological.

1 INTRODUCTION

Investing in securities markets is considered to be a reliable method for individuals to protect and grow their wealth, and it's a practice that is widespread globally. Nevertheless, statistical data suggests that there is a significant disparity in the number of people who engage in this practice between different countries.

The United States is undeniably one of the leading countries in terms of the proportion of its population that invests in securities, serving as a benchmark for other nations. According to a study by Gallup on economics and personal finance, as of April 2022, approximately 150 million Americans, or 58% of the adult population, were shareholders. In 2021, the number was 56%, and in 2020 it was 55%. The highest percentage was recorded from 2001 to 2008, when an average of 62% of the population owned shares (Gallup Inc, 2022).

In 2021, the independent comparison platform Finder.com published a study of interest owners of securities among the adult population conducted for 16 countries, most of which are countries with long market traditions in the economy. And the average result was 34% (Gracie, 2021).

It is important to note that not all developed countries have high rates of investor participation in securities markets. For instance, in Germany, as of the end of 2022, only 12.9 million people were involved in the securities market, which amounts to about 18.3% of the population aged 14 years and above. Nevertheless, this figure exceeded the previous peak in 2001, while the average between 2010 and 2016 was 13.7% (Fey, 2023).

Russia can also serve as an example to consider, given its similarities with Kazakhstan in terms of history, economy, standard of living, and cultural mindset. According to the Central Bank of the Russian Federation (Bank of Russia) 2020 report, the number of clients utilizing brokerage services in Russia rose significantly by a record 2.3 times to reach 9.9 million people, which equates to roughly

12% of the country's economically active population. Nevertheless, it's worth noting that the report also indicates that around 60% of brokerage accounts had zero holdings (Bank of Russia, 2021). The numbers for 2021 show that the amount of customers increased to 20.2 million, which is 22% of the economically active population, while the percentage of empty brokerage accounts remained high at 63% (Bank of Russia, 2022a). The growth in the number of brokerage customers in Russia continued into 2022, with figures reaching 27.3 million customers by the end of the third quarter. This accounts for approximately 29% of the economically active population, 65% of brokerage accounts were empty (Bank of Russia, 2022b). This equates to approximately 10% of the number of securities owners in Russia, to provide a point of comparison with the United States.

Now let's take a look at the situation in Kazakhstan. According to the Central Securities Depository of Kazakhstan, there has been a record growth in the number of investors in the country's stock market in 2022. The number of accounts in the system has increased by a factor of 4.3 over the course of the year, reaching 963 thousand as of January 1, 2023 (Central Securities Depository of Kazakhstan, 2023). This indicates that the number of participants in the securities market can be estimated to be around 6.3% of the adult population at the start of 2023.

Currently, the level of participation of Kazakhstan's residents in the securities market is relatively low compared to global standards. Therefore, there is potential for growth. But what factors influence people's decision to invest in securities markets? And can certain personal characteristics indicate a person's inclination to participate in the market? There has been researches earlier on this topic, which sought to identify factors that go beyond purely rational calculations of maximizing benefits. Studies have examined a range of demographic factors, including age, gender, education, income, and wealth, as well as emotional and social factors such as risk aversion, patience, optimism, and socialization.

The aim of this study is to explore the impact of these factors specifically on residents of Kazakhstan and compare the findings to existing research in this area.

Therefore the research question can be formulated as follows: "What demographic, emotional and social factors can be identified as influencing the intention of residents of Kazakhstan to invest in the securities market?"

The existence of a well-established stock market can have a significant positive impact on a country's economy. It serves as a means for companies to raise capital and finance new ventures. Additionally, it promotes effective distribution of money and risks. Participation in the stock market is also crucial for individuals worldwide to accumulate and augment their wealth, as it generates additional real income. A more advanced stock market offers access to more complex financial instruments and enhanced liquidity. Therefore, the results of this analysis can be beneficial for financial institutions and government entities that aim to advance the stock market in the country. It can assist in designing strategies to draw in new investors. Moreover, it can also be beneficial for individuals in enhancing their comprehension of the rationales that underlie investment choices.

2 LITERATURE REVIEW

This study falls under the domain of behavioral finance, which explores how emotions, biases, and other non-rational factors affect financial decision-making. Combining the principles of psychology, sociology, and finance. The idea that investors may exhibit irrational behavior prompted further examination of this field.

The book "Investor Behavior: The Psychology of Financial Planning and Investing" by H. Kent Baker and Victor Ricciardi delves into the impact of various factors on investors, including both demographic and psychological factors such as age, gender, education, income, and marital status. According to the book, these demographic factors can significantly affect investors' investment intentions. For instance, younger investors tend to invest in higher-risk and longer-term assets, while older investors prefer lower-risk investments with shorter horizons. Women generally have a more risk-averse approach than men, and there is a positive correlation between education and income

levels and the intention to invest in riskier assets. However, it is important to note that individual preferences can also lead investors to deviate from these general trends (Baker & Ricciardi, 2014).

Narrow studies related to demographic factors in behavioral finance exist in addition to general books. Investment behavior is significantly affected by age, and Lusardi and Mitchell conducted a study on the investment behavior of baby boomers, which revealed that older individuals are more risk-averse than younger ones (Lusardi & Mitchell, 2007). Simultaneously, age does not hold ultimate importance. Families that possess higher earnings, advanced education, and greater financial resources are prone to investing in ventures that involve risk and retaining their involvement in the market (Ameriks, J., & Zeldes, S. P., 2004).

Men are more willing than women invest in the securities market (Barber & Odean, 2001). This difference in behavior can be partially explained by the fact that women evaluate their financial literacy below men and this serves as a break in the desire to participate in the securities market (Almenberg & Dreber, 2015). Increased income and higher education levels have a positive impact on women's involvement in the stock market (Vohra & Kaur, 2017).

Education level is a factor that influences investment choices (Barnea et al., 2010). A higher level of education has a positive impact on income and thus reduces the cost of entering the securities market (Cooper & Zhu, 2016). Education plays a crucial role in involvement in the stock market. However, this impact is more pronounced among investors who face greater financial limitations (Black et al., 2018).

Individuals who possess a higher income are more likely to participate in the stock market and make sound and logical investment choices (Kuhnen & Miu, 2017). The ownership of stocks tends to be concentrated at the upper end of the wealth spectrum, primarily due to the initial barriers associated with entering the stock market (Alan, 2006). One of the signs of wealth is the ownership of real estate. Homeownership, in particular, is linked to a greater probability of involvement in the stock market when compared to renting (Vestman, 2019).

Being more risk-averse is linked to a lower inclination towards participating in the stock market. However, it is important to note that the level of risk aversion may vary over time (Guiso et al., 2018). As individuals grow older, their inclination towards taking risks tends to decrease. Conversely, possessing higher levels of education and income is linked to greater risk tolerance, while being married is associated with a lower tolerance for risk (Yao et al., 2011). Loss aversion plays a significant role in shaping investment choices, particularly among households with lower levels of financial knowledge. The impact of loss aversion tends to be more pronounced in these cases (Dimmock & Kouwenberg, 2010).

Individuals who possess a greater degree of financial literacy tend to have a higher probability of involvement in the stock market (Xia et al., 2014). Financial literacy has a positive role, while confidence in your financial literacy also matters (Yeh & Ling, 2022).

Having trust in the stock market is a crucial element that can substitute financial literacy in terms of its influence on involvement in the financial market (Fisch & Seligman, 2022). There exists a positive correlation between an individual's awareness of the stock market and their likelihood of involvement in it (Guiso & Jappelli, 2005).

Individuals who possess a more optimistic outlook are inclined towards participating in the stock market (Angelini & Cavapozzi, 2017). Individuals who have faced financial challenges during their upbringing tend to be more averse to risk and less inclined towards investing in the stock market (Malmendier & Nagel, 2011).

Individuals who possess a more sociable personality are more inclined towards participating in the stock market. Trust and sociability are more influential in shaping involvement in the stock market than demographic factors like income, education, and age (Georgarakos & Pasini, 2011).

3 METHODOLOGY

A quantitative research approach was adopted for this study. The model developed for the research is based on the existing literature on this theme. Based on it, a row of factors was selected.

From these factors, a set of variables was determined for examination of potential impact of them on people's investment intentions in the securities market of Kazakhstan at present.

The survey method was utilized to gather the primary data for the model, which involved interviewing 120 individuals of varying ages, genders, educational backgrounds, wealth levels, and regions of residency. The survey was conducted online by providing a link to a form with 16 questions. And respondents were able to fill it out anonymously.

The resulting model consists of one dependent variable and 15 independent variables. The dependent variable is the intention to invest in the securities market (IntToInv). The other variables are independent, and they are logically categorized into two groups based on their origin. The first group is hard variables. This includes variables typical from the point of view of demographic division: Age, Gender, Education, Income, Welfare. The second part is soft variables. This includes variables that determine more individual properties: Trust in the securities market, Unsuccessful experience, Financial literacy, Awareness, Risk aversion, Loss aversion, Investment temperament, Social impact, Optimism, Availability of time.

Table 1 Variables

Variable	Description	Value	Parameter
IntToInv	Existence of investments or intention to invest in securities market	1	Yes
		0	No
Age	Age diapason	3	More than 55
		2	35-54
		1	25-34
		0	18-24
Gender	Gender type	1	Male
		0	Female
Education	Education degree	3	Master degree or higher degree
		2	Bachelor degree
		1	Undergraduate in this moment
		0	Middle school
Income	Income level per month regarding based on a family member	3	More than 500,000 KZT
		2	250,000 KZT - 500,000 KZT
		1	100,000 KZT - 250,000 KZT
		0	Less than 100,000 KZT
Welfare	Availability of savings and housing	2	I have a housing in the property from which I receive income
		1	I have a housing in the property in which I live
		0	I don't have any housing in the property
Trust	Trust in the securities market	3	You can make money on the securities market, I am also capable of it
		2	You can really make money on the securities market, but not in my case
		1	The securities market is not a fraud, but it is impossible to make money there
		0	The securities market is a fraud
Experience	Existence of unsuccessful experience in investments	1	Yes
		0	No
FinLit	Level of financial literacy	0-10	0 (none) - 10 (very good)

Awareness	Awareness of existing ways of working with the securities market in Kazakhstan	0-10	0 (none) - 10 (very good)
RiskAvers	Level of risk aversion	0-10	0 (always ready to take a risk) - 10 (never take a risk)
LossAvers	Level of loss aversion	0-10	0 (I am calm) - 10 (I categorically do not accept)
Temperament	Preferences in the investment time horizon	0-10	0 (not ready to wait at all) - 10 (ready to wait a long time)
SocImp	The tendency to listen to the opinion of the majority	0-10	0 (not affected at all) - 10 (very affected)
Optimism	Level of optimism about future	0-10	0 (everything will be very bad) - 10 (everything will be very good)
Time	Availability of free time	0-10	0 (not at all) - 10 (a lot)

Using these variables, the following model is defined:

$$\begin{aligned}
\text{IntToInv} = & \beta_0 + \beta_1(\text{Age}) + \beta_2(\text{Gender}) + \beta_3(\text{Education}) + \beta_4(\text{Income}) \\
& + \beta_5(\text{Welfare}) + \beta_6(\text{Trust}) + \beta_7(\text{Experience}) + \beta_8(\text{FinLit}) + \beta_9(\text{Awareness}) \\
& + \beta_{10}(\text{RiskAvers}) + \beta_{11}(\text{LossAvers}) + \beta_{12}(\text{Temperament}) + \beta_{13}(\text{SocImp}) \\
& + \beta_{14}(\text{Optimism}) + \beta_{15}(\text{Time}) + \varepsilon
\end{aligned} \tag{1}$$

4 DATA ANALYSIS

For analysis, the STATA 15 software was used.

From the Figure 1, we can see that among the respondents 120 people were a little more women (52.5%) than men (47.5%). The level of education of respondents surveyed is quite high (2.083). The income level is slightly higher than the average (1.775). The level of trust in the stock market (1.967) is quite high. Negative experience from attempts to invest is relatively low (0.225). Refined respondents are slightly higher than average assess their Financial Literacy (5.3), Risk Aversion (5.625), Loss Aversion (5.767) and Temperament (5.517). A little lower than average, they evaluate the presence of free time (4.3) and the tendency to obey the opinion of the majority (3.992). Assignment of securities market in Kazakhstan (2.783) is lowly evaluated. But they are very optimistic (7.358).

The standard deviations of the variables (except IntToInv, Gender and Experience) are below the means.

```
. sum IntToInv Age Gender Education Income Welfare Trust Experience FinLit
> Awareness RiskAvers LossAvers Temperament SocImp Optimism Time
```

Variable	Obs	Mean	Std. Dev.	Min	Max
IntToInv	120	.3916667	.4901695	0	1
Age	120	1.475	.766554	0	3
Gender	120	.475	.5014684	0	1
Education	120	2.083333	.8752751	0	3
Income	120	1.775	.8246466	0	3
Welfare	120	.7	.573944	0	2
Trust	120	1.966667	.8975535	0	3
Experience	120	.225	.4193332	0	1
FinLit	120	5.3	2.437798	0	10
Awareness	120	2.783333	2.541036	0	10
RiskAvers	120	5.625	2.762481	0	10
LossAvers	120	5.766667	2.620967	0	10
Temperament	120	5.516667	2.215239	0	10
SocImp	120	3.991667	2.385164	0	10
Optimism	120	7.358333	2.499734	0	10
Time	120	4.3	2.389051	0	10

Figure 1: Descriptive statistics

On the Figure 2 we see evaluation of the correlation between the dependent variable and independent variables. We can see that the intention of investing has a negative correlation with Age (-0.298). LossAvers (-0.098), Welfare (-0.057), RiskAvers (-0.046) and SocImp (-0.040) have a negative, but slight correlation. The remaining independent variables have a positive correlation. From them we can distinguish Trust (0.431), Time (0.337), Awareness (0.312) and Optimism (0.255). The correlation of others is less pronounced by Income (0.220), FinLit (0.203), Education (0.197), Temperament (0.176), Gender (0.160) and Experience (0.099).

```
. correl IntToInv Age Gender Education Income Welfare Trust Experience FinLit Awareness RiskAvers LossAvers Temperament
> SocImp Optimism Time
(obs=120)
```

	IntToInv	Age	Gender	Education	Income	Welfare	Trust	Experience	FinLit	Awareness	RiskAvers
IntToInv	1.0000										
Age	-0.2980	1.0000									
Gender	0.1598	-0.1547	1.0000								
Education	0.1975	-0.0344	0.0048	1.0000							
Income	0.2198	-0.2150	0.3013	0.3405	1.0000						
Welfare	-0.0568	0.2311	0.0905	0.1840	0.1580	1.0000					
Trust	0.4310	-0.1844	0.3155	0.2710	0.3985	-0.0033	1.0000				
Experience	0.0991	-0.0477	0.2068	0.0401	0.1476	0.0035	0.0647	1.0000			
FinLit	0.2032	-0.0319	0.1162	0.0039	0.1425	0.0889	0.0929	0.1143	1.0000		
Awareness	0.3116	-0.0761	0.1606	0.0346	0.2653	0.0184	0.2437	0.2039	0.5112	1.0000	
RiskAvers	-0.0458	-0.0660	-0.0705	0.0895	-0.0669	0.1246	-0.0830	0.0880	0.0443	0.0925	1.0000
LossAvers	-0.0983	-0.0071	-0.1387	0.0232	-0.2228	-0.0469	-0.0105	-0.0206	0.0084	-0.0480	0.3546
Temperament	0.1758	-0.0567	0.1781	0.0643	0.0918	0.1097	0.3384	0.0819	0.2403	0.1917	0.1418
SocImp	-0.0403	-0.1265	-0.1020	-0.0319	0.1358	0.1087	0.1137	-0.0065	-0.0935	0.1564	0.2304
Optimism	0.2548	-0.1290	0.1647	-0.0522	-0.0054	-0.0650	0.2413	0.0186	0.2594	0.0758	0.1072
Time	0.3366	-0.1106	0.2448	-0.1165	0.1497	0.0539	0.1928	-0.0008	0.1749	0.1783	0.1573
	LossAvers	Temperament	SocImp	Optimism	Time						
LossAvers	1.0000										
Temperament	0.1005	1.0000									
SocImp	0.0508	0.2601	1.0000								
Optimism	0.1719	0.2030	0.0738	1.0000							
Time	-0.1404	0.3055	0.1612	0.1591	1.0000						

Figure 2: Correlation


```
. estat vif
```

Variable	VIF	1/VIF
FinLit	1.68	0.595627
Trust	1.64	0.610805
Awareness	1.63	0.612709
Income	1.63	0.614107
Temperament	1.41	0.709628
RiskAvers	1.39	0.719667
Gender	1.39	0.720743
SocImp	1.36	0.733161
Education	1.34	0.745147
Time	1.33	0.750565
LossAvers	1.32	0.756356
Optimism	1.27	0.786327
Welfare	1.24	0.809672
Age	1.20	0.831397
Experience	1.11	0.899586
Mean VIF	1.40	

Figure 3: Variance Inflator Factor (VIF)

From Figure 3 we can see that there is no issue of multicollinearity. This is indicated by the VIF being less than 5. Therefore, the variables are not strongly correlated. Since the VIF level is low, there is no requirement to make any adjustments to the data to address multicollinearity.

```
. reg IntToInv Age Gender Education Income Welfare Trust Experience FinLit Awareness R
> iskAvers LossAvers Temperament SocImp Optimism Time
```

Source	SS	df	MS	Number of obs	=	120
Model	11.8164924	15	.787766163	F(15, 104)	=	4.88
Residual	16.7751742	104	.161299752	Prob > F	=	0.0000
				R-squared	=	0.4133
				Adj R-squared	=	0.3287
Total	28.5916667	119	.240266106	Root MSE	=	.40162

IntToInv	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
Age	-.148912	.052674	-2.83	0.006	-.2533666 -.0444575
Gender	-.1139964	.0864788	-1.32	0.190	-.285487 .0574942
Education	.0998862	.0487279	2.05	0.043	.0032569 .1965154
Income	-.0400993	.056971	-0.70	0.483	-.1530748 .0728763
Welfare	.0078509	.0712885	0.11	0.913	-.1335168 .1492186
Trust	.1434813	.0524846	2.73	0.007	.0394024 .2475602
Experience	.0678736	.0925684	0.73	0.465	-.115693 .2514402
FinLit	-.0077389	.0195685	-0.40	0.693	-.0465441 .0310662
Awareness	.0458019	.01851	2.47	0.015	.009096 .0825079
RiskAvers	-.0169698	.0157101	-1.08	0.283	-.0481234 .0141839
LossAvers	-.0118697	.0161517	-0.73	0.464	-.0438991 .0201598
Temperament	-.002938	.0197291	-0.15	0.882	-.0420616 .0361855
SocImp	-.0347931	.0180271	-1.93	0.056	-.0705415 .0009553
Optimism	.0334577	.0166092	2.01	0.047	.0005211 .0663943
Time	.0602904	.0177879	3.39	0.001	.0250164 .0955644
_cons	-.0473205	.2271514	-0.21	0.835	-.4977703 .4031294

Figure 4: Ordinary Least Squares (OLS) model

Figure 4 exhibits the results of the regression analysis performed with an ordinary least squares (OLS) model. The P-value indicates the level of statistical significance of the independent variable's impact on the dependent variable. If such significance exists then the P-value have to take on values of less than 0.01, less than 0.05, or less than 0.1. In Figure 3 we can see P-values of Age (0.006), Trust (0.007) and Time (0.001) are less than 0.01. P-values of Education (0.043), Awareness (0.015) and Optimism (0.047) are less than 0.05. And P-value of SocImp (0.056) is less than 0.1. The remaining variables have no statistically significant impact on IntToInv.

Based on the above data analysis, the following conclusions can be drawn. In the hard variables group, we found the impact between the age and level of education with the intention to invest in the securities market. In case of age, the relationship is negative. And in the case of the level of education, it is positive.

Among the variables from the soft variables group, impact on the intention of investing was found with trust in the stock market, awareness, optimism and the presence of free time. All of them have a positive connection. Despite the fact that the tendency to obey the majority also has a

statistically significant effect, it has an extremely low negative correlation (-0.040) with the intention of investing. Therefore, this connection was decided not to take into account.

5 CONCLUSION

The purpose of this research was to verify the existence of the influence of a number of demographic and psychological factors on the intention to invest in the securities market among residents of Kazakhstan at the moment. The factors were selected based on existing research on this topic from the Behavioral Finance section. The data for the research were collected by survey of people of different ages, education level, income and place of residence. Regression analysis was used to measure the influence of these factors.

Among demographic factors, such an influence was found in age and education. This correlates with other earlier studies on this topic. At the same time, there was no influence on gender, income and welfare. Although existing studies indicate the presence of such an influence. For practical purposes, this can serve as a signal that it is possible to try to attract new people to the securities market by acting broadly, without regard to their gender, income and welfare.

Among the psychological factors, it should be noted that no influence was found in risk aversion, loss aversion, temperament and financial literacy. Although there are studies with the presence of such an influence. The influence of trust in the stock market and awareness of the situation on the securities market in Kazakhstan has been revealed. And from a practical point of view, this is valuable information showing how important it is to promote these two ideas, since they are fundamentally important for attracting new people. The same influence was found in optimism and the availability of free time.

It must be admitted that a relatively small number of people took part in the survey. Therefore, the conclusions of the research require additional verification.

6 REFERENCES

1. Alan, S. (2006). Entry costs and stock market participation over the life cycle. *Review of Economic Dynamics*, 9(4), 588–611. <https://doi.org/10.1016/j.red.2006.06.003>
2. Almenberg, J., & Dreber, A. (2015). Gender, stock market participation and financial literacy. *Economics Letters*, 137, 140–142. <https://doi.org/10.1016/j.econlet.2015.10.009>
3. Ameriks, J., & Zeldes, S. P. (2004). How do household portfolio shares vary with age? Columbia University. <https://www8.gsb.columbia.edu/researcharchive/articles/16>
4. Angelini, V., & Cavapozzi, D. (2017). Dispositional optimism and stock investments. *Journal of Economic Psychology*, 59, 113–128. <https://doi.org/10.1016/j.joep.2017.01.006>
5. Baker, H. K., & Ricciardi, V. (2014). *Investor behavior: The psychology of financial planning and investing*. Wiley.
6. Bank of Russia. (2021, March 3). Overview of key indicators of professional participants of the securities market. Cbr.Ru. https://cbr.ru/Collection/Collection/File/43519/review_secur_22-Q3.pdf
7. Bank of Russia. (2022a, March 5). Overview of key indicators of professional participants of the securities market. Cbr.Ru. https://cbr.ru/Collection/Collection/File/40858/review_secur_21.pdf
8. Bank of Russia. (2022b, December 5). Overview of key indicators of professional participants of the securities market. Cbr.Ru. https://cbr.ru/Collection/Collection/File/32068/review_secur_20.pdf
9. Barber, B. M., & Odean, T. (2001). Boys will be Boys: Gender, Overconfidence, and Common Stock Investment /2. *The Quarterly Journal of Economics*, 116(1), 261–292. <https://doi.org/10.1162/003355301556400>
10. Barnea, A., Cronqvist, H., & Siegel, S. (2010). Nature or nurture: What determines investor behavior? *Journal of Financial Economics*, 98(3), 583–604. <https://doi.org/10.1016/j.jfineco.2010.08.001>

11. Black, S. E., Devereux, P. J., Lundborg, P., & Majlesi, K. (2018). Learning to Take Risks? The Effect of Education on Risk-Taking in Financial Markets. *Review of Finance*, 22(3), 951–975. <https://doi.org/10.1093/rof/rfy005>
12. Central Securities Depository of Kazakhstan. (2023, January 11). The number of brokerage accounts has increased 4 times in 2022. Kcsd.Kz. <https://kcsd.kz/press-center/news/v-4-raza-vyroslo-kolichestvo-brokerskih-schetov-za-2022-god-15069>
13. Cooper, R., & Zhu, G. (2016). Household finance over the life-cycle: What does education contribute? *Review of Economic Dynamics*, 20, 63–89. <https://doi.org/10.1016/j.red.2015.12.001>
14. Dimmock, S. G., & Kouwenberg, R. (2010). Loss-aversion and household portfolio choice. *Journal of Empirical Finance*, 17(3), 441–459. <https://doi.org/10.1016/j.jempfin.2009.11.005>
15. Fey, G. (2023, January 17). Shareholder numbers 2022: Germany can share! Dai.De. <https://www.dai.de/en/shareholder-numbers/#/en/publications/translate-to-english-dokumenttitel/aktionaerszahlen-2022-trotz-rekordniveau-muss-die-politik-jetzt-liefern>
16. Fisch, J. E., & Seligman, J. S. (2022). Trust, financial literacy, and financial market participation. *Journal of Pension Economics and Finance*, 21(4), 634–664. <https://doi.org/10.1017/S1474747221000226>
17. Gallup Inc. (2022, May 12). What Percentage of Americans Own Stock? Gallup.Com. <https://news.gallup.com/poll/266807/percentage-americans-owns-stock.aspx>
18. Georgarakos, D., & Pasini, G. (2011). Trust, Sociability, and Stock Market Participation. *Review of Finance*, 15(4), 693–725. <https://doi.org/10.1093/rof/rfr028>
19. Gracie, M. (2021, August 14). Hong Kong share trading statistics. Finder.Com. <https://www.finder.com/hk/share-trading-statistics>
20. Guiso, L., & Jappelli, T. (2005). Awareness and Stock Market Participation. *Review of Finance*, 9(4), 537–567. <https://doi.org/10.1007/s10679-005-5000-8>
21. Guiso, L., Sapienza, P., & Zingales, L. (2018). Time varying risk aversion. *Journal of Financial Economics*, 128(3), 403–421. <https://doi.org/10.1016/j.jfineco.2018.02.007>
22. Kuhnen, C. M., & Miu, A. C. (2017). Socioeconomic status and learning from financial information. *Journal of Financial Economics*, 124(2), 349–372. <https://doi.org/10.1016/j.jfineco.2017.03.002>
23. Lusardi, A., & Mitchell, O. S. (2007). Baby Boomer retirement security: The roles of planning, financial literacy, and housing wealth. *Journal of Monetary Economics*, 54(1), 205–224. <https://doi.org/10.1016/j.jmoneco.2006.12.001>
24. Malmendier, U., & Nagel, S. (2011). Depression Babies: Do Macroeconomic Experiences Affect Risk Taking? *The Quarterly Journal of Economics*, 126(1), 373–416. <https://doi.org/10.1093/qje/qjq004>
25. Vestman, R. (2019). Limited Stock Market Participation Among Renters and Homeowners. *The Review of Financial Studies*, 32(4), 1494–1535. <https://doi.org/10.1093/rfs/hhy089>
26. Vohra, T., & Kaur, M. (2017). Awareness and Stock Market Participation of Women: A Comparative Study of Stock Investors and Non-Investors (SSRN Scholarly Paper No. 3065890). <https://papers.ssrn.com/abstract=3065890>
27. Xia, T., Wang, Z., & Li, K. (2014). Financial Literacy Overconfidence and Stock Market Participation. *Social Indicators Research*, 119(3), 1233–1245. <https://doi.org/10.1007/s11205-013-0555-9>
28. Yao, R., Sharpe, D. L., & Wang, F. (2011). Decomposing the age effect on risk tolerance. *The Journal of Socio-Economics*, 40(6), 879–887. <https://doi.org/10.1016/j.socec.2011.08.023>
29. Yeh, T., & Ling, Y. (2022). Confidence in Financial Literacy, Stock Market Participation, and Retirement Planning. *Journal of Family and Economic Issues*, 43(1), 169–186. <https://doi.org/10.1007/s10834-021-09769-1>

Liquidity Risk Drivers of French Banks

Assem Kanatzhan

Bang College of Business, KIMEP University

Abay Ave 2, Almaty, Kazakhstan

Assem.Kanatzhan@kimep.kz

ABSTRACT

The research paper investigated bank specific and macroeconomic variables that determine liquidity of the banks in France. In order to conduct the research, it was decided to perform the correlation and regression analysis of 3 separate banks in France from 2011 to 2019. For the macroeconomic variables, they included inflation (consumer price index), GDP and unemployment rate. Meanwhile, for the bank specific factors, they included ROA (return on assets), bank size and capital. The liquidity was measured as the current ratio of the banks for these periods. As for banks, they were selected with the available information in the online sources, such as Macro Trends, Database of the World Bank and the annual reports of the banks from 2011 to 2019. That is why BNP Paribas, Credit Agricole Group and Societe Generale banks were chosen. As a result, the findings suggested that all chosen variables strongly affect the changes in the liquidity of three separate banks due to high R^2 . That is why the regression model could be used in order to predict the movements in the liquidity (current ratio) of the banks in the future. At the same time, the correlation tables showed that all variables except for bank size have negative correlation with the liquidity of BNP Paribas. Meanwhile, all variables except for unemployment rate and bank size have positive correlations with the liquidity of Credit Agricole Group and Societe Generale respectively. The paper highlights the most affecting factors of the liquidity of French banks and could be used by financial institutions to predict the upcoming years.

KEYWORDS: Liquidity, Current Ratio, French Banks, Regression model, Correlation model

INTRODUCTION

In the world of finance, liquidity is the capacity of an asset to be purchased or sold rapidly without altering its price. If an asset can be quickly and carelessly turned into cash, it is said to be liquid. In addition, It is simple to trade huge quantities of an item without changing its price in a liquid market since there are numerous active buyers and sellers. It is challenging to exchange the item at its fair value in an illiquid market since there are few buyers and sellers. Nevertheless, cash, government bonds, and huge firm equities are a few examples of liquid assets. On the other hand, illiquid assets are those that are often thought to be real estate, small firm stocks, and private equity (Elsharif, 2016).

Because it enables speedy and effective asset purchasing and selling, liquidity is crucial for investors, firms, and financial markets. This promotes market stability and ensures that asset prices accurately represent their true worth. On the other hand, excessive liquidity may also be harmful, since it can heighten market volatility and promote speculative activity. As a result, regulators and policy makers must strike a balance between liquidity and market stability (Muttalib, 2015).

In our generation, it is suggested that an essential component of a bank's financial stability and health is liquidity. It demonstrates a bank's capacity to fulfil its immediate duties, such as compensating customers or clients who request withdrawals of their savings. A bank with high liquidity can manage unforeseen spikes in withdrawals and lowers the possibility of a bank run. In other words, the liquidity of banks today provides opportunities to meet their short-term obligations. Furthermore, having enough liquidity makes sure that a bank can keep making loans and promoting economic growth, upholding the trust of depositors, investors, and regulators. To guarantee that they could fulfil their obligations even under pressure, banks are normally obliged to keep a specific amount of liquid assets, such as cash and government securities (Kumar, 2008).

That is why the research question is the following: “What are the main drivers of the liquidity of the banks in France?”. Therefore, the main purpose of the research project is to identify the most significant driver that influences the changes in the liquidity of banks. For the project, there were selected different types of drivers, such as bank specific and macroeconomic drivers. To be more precise, banks specific drivers include return on assets (ROA), bank size (BS), and capital (Cap), and macroeconomic drivers include consumer price index (CPI), GDP, and unemployment rate (UR). In order to evaluate the liquidity variables, current ratio (current assets / current liabilities) variable was applied (Hayes, 2022).

LITERATURE REVIEW

To begin with, the maturity discrepancy index of deposits and loans for a certain time was used in the article to analyze the bank liquidity risk. In general, it was found that liquidity risk is more prevalent in core banking operations that are built on the maturity transformation process. The 2007–2009 financial crisis brought to light how crucial liquidity is to the health of the banking industry and the financial markets. The relationship between a bank's attributes, such as capacity, assets, and business model, and liquidity risk was examined using a sampling of European banks from 2011 to 2017 following the financial crisis. Using an extended approach of instant two-step approximation, it was discovered that capital is ineffective as a deterrent and that banks significantly exceed the liquidity risk. As a result, the results showed that revenue diversification increases the liquidity risk for savings banks while decreasing it for investment banks that rely on non-deposit funding (Galletta & Mazzu, 2019).

Moreover, in the other research, loans-to-assets and Loans-to-Deposits ratios were used in the study as proxies to gauge the bank's liquidity condition. Asset quality, level of performance, capitalization ratio, and bank size were among the bank-specific variables. Economic growth, unemployment, and inflation rates are the macroeconomic variables considered in this study. According to the findings, Omani banks seemed to have the lowest degree of liquidity, while Lebanese banks seemed to have the greatest level. The survey also revealed a decline in bank liquidity in 2016 in Middle Eastern nations. The further study revealed the important implications of economic growth, asset quality, capital level, and bank size on banking sector liquidity. The findings also showed that larger banks needed to manage their liquidity risks by limiting the amount of loans they made, and they advised central banks to keep an eye on equity ratios and non-performing loan percentages, particularly during economic expansion (El-Chaarani, 2019).

In the other study, eight carefully chosen private commercial banks' audited annual financial statements covering the years 2011–2017 were the source of secondary data. By using the balanced panels fixed effects regression model, the panel data was examined. The study revealed that company (bank) specific parameters, including bank size, loan growth, and deposits, are key predictors of the banks' liquidity. In addition, macroeconomic factors including interest rate margin, buying national bank notes, GDP, and yearly inflation significantly affected the liquidity of Ethiopia's private commercial banks. This study suggested that while developing strategies to improve their liquidity situation, privately owned commercial banks in Ethiopia should pay greater attention to both the

internal and macroeconomic environments. Despite the limitations, this research added to the limited body of information about firm-specific and macroeconomic factors that affect banks' liquidity by providing both old institutions and banks that were established in later times similar consideration (Assfaw, 2019).

Last but not least, the Covid-19 pandemic's long-term market volatility revealed that even at times of a high rise in risk aversion, banks nonetheless experience liquidity issues. Depending on the variety of their financing sources and their risk profile, the latter respond differently. In fact, one may worry if banks will boost or decrease liquidity during a crisis due to interplay between financing and liquidity, as well as restrictions. A straightforward portfolio allocation model states that banks accumulate additional liquidity while the regulatory restriction is binding, but they do not do so when it is not. It was demonstrated that French banks really lowered the liquidity coefficient during times of crisis, as indicated by huge deviations of a financial variable representing the risk aversion of global markets, with the outcomes being mostly driven by less liquid banks. On the other hand, it was discovered that the solvency ratio has a marginally significant impact on the liquidity coefficient; Granger causality analyses were unable to show a strong causal link between the two variables (Bandt, Lecarpentier & Pouvelle, 2021).

METHODOLOGY

In general, the research conducted the regression analysis with independent and dependent variables. The independent variables of the research were firm specific variables and macroeconomic drivers (see Table 1). Meanwhile, the dependent variable was liquidity measurement ratio of the banks, current ratio.

Table 1: Independent and Dependent Variables

Firm Specific Variables:	Formula:	Source:
Return on assets (ROA)	Net income / Total assets	Shah et al. (2018)
Bank size (BS)	Log(total assets)	Fola (2015)
Capital (Cap)	Total equity / Total assets	Fola (2015)
Macroeconomic Variables:	Database:	
Consumer price index (CPI)	World Bank Database (2023)	
GDP	World Bank Database (2023)	
Unemployment rate (UR)	World Bank Database (2023)	
Liquidity Measurement:		
Current ratio (Liq)	Macro Trends (2021) and Statista (2021)	

The sampling of the research avoided crisis years in order to not have significant impacts of non-expected events in the world, such as the Financial Crisis in 2008 (Claessens & Horen (2014) and the COVID-19 crisis in 2020 (Dong, 2021). That is why, the research investigated the three largest French banks' liquidity from 2011 to 2019, which included 9 annual financial reports of the French banks, Macro Trends Database, and World Bank Databases to find dependent and independent variables. Overall, the number of observations was about 189 due to selecting 3 banks for 9 consecutive years with 7 variables.

The purpose of the research was to identify which driver influences the liquidity measurement ratios of banks. In order to evaluate the results, the data was sorted and calculated in the spreadsheet,

which is called Microsoft Excel (Samad, 2015), and was used with data analytic tools for the calculation of statistical figures, which helped to understand whether the independent variables are significant, with the help of p-value, which had to be less than 0.05 (Verhagen et al. 2004). In addition, the regression model equation is suggested to be the following (Dong,2021) and should be higher than 70% (Bartels, 2015):

Table 2: Regression Model Equation

$$\text{Liq} = B_0 + B_1 * \text{Independent Variable1} + \dots B_n * \text{Independent Variablen}$$

Liq = Current Ratio

B = Coefficient of the Independent Variable

Lastly, the most suitable model would help banks in France in order to predict the future figures of the liquidity measurement ratios, with the help of statistical methods. It would help banks to forecast the future risks with the forecasted independent variables, such as firm specific variables and macroeconomic drivers.

RESULTS AND ANALYSIS

BNP Paribas

First of all, the BNP Paribas is considered to be the largest bank in France (Statista, 2023). Therefore, it is important to measure the liquidity performance of the bank. Table 3 clearly demonstrates that ROA and BS have positive correlation with the liquidity performance of the bank. However, the other variables, such as Cap, CPI, GDP and UR have negative correlation with the bank.

Table 2: Correlation of BNP Paribas's Liquidity

	<i>Liq</i>	<i>ROA</i>	<i>BS</i>	<i>Cap</i>	<i>CPI</i>	<i>GDP</i>	<i>UR</i>
Liq	1.000						
ROA	0.683	1.000					
BS	0.402	-0.031	1.000				
Cap	-0.457	-0.094	-0.873	1.000			
CPI	-0.314	-0.195	-0.153	0.422	1.000		
GDP	-0.129	-0.032	-0.051	0.290	0.973	1.000	
UR	-0.416	-0.470	-0.331	0.096	-0.609	-0.739	1.000

Next, it is important to measure the regression analysis, which should be determined with the help of R². The most effective regression would be the R² higher than 70%. That is why; the regression model is the following:

Table 4: Regression Statistics of BNP Paribas

<i>Regression Statistics</i>	
Multiple R	0.88103043
R Square	77.62%
Adjusted Square	R 0.104858475

Standard Error	0.09099483
Observations	9

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-5.891	58.706	-0.100	0.9292
ROA	-5.828	69.459	-0.084	0.9408
BS	0.862	4.533	0.190	0.8667
Cap	17.943	43.801	0.410	0.7218
CPI	-0.132	0.129	-1.027	0.4124
GDP	0.000	0.000	0.852	0.4841
UR	-6.837	26.003	-0.263	0.8172

As the R² is higher than 70%, the equation could be used: $Liq = -5.891 + ROA*(-5.828) + BS*0.862 + Cap*17.943 + CPI*(-0.132) + GDP*0.000 + UR*(-6.837)$

In addition, there are no significant values affecting the liquidity performance of BNP Paribas.

Credit Agricole Group

Second of all, the Credit Agricole Group is considered to be the second largest bank in France (Statista, 2023). Therefore, it is important to measure the liquidity performance of the bank. Table 5 clearly demonstrates that all variables except for UR have positive correlation with the liquidity performance of the bank. However, UR has negative correlation with the bank.

Table 5: Correlation of Credit Agricole Group's Liquidity

	<i>Liq</i>	<i>ROA</i>	<i>BS</i>	<i>Cap</i>	<i>CPI</i>	<i>GDP</i>	<i>UR</i>
Liq	1.000						
ROA	0.032	1.000					
BS	0.256	-0.864	1.000				
Cap	0.026	0.962	-0.910	1.000			
CPI	0.455	0.792	-0.502	0.705	1.000		
GDP	0.374	0.852	-0.530	0.755	0.973	1.000	
UR	-0.296	-0.481	0.029	-0.332	-0.609	-0.739	1.000

Next, it is important to measure the regression analysis, which should be determined with the help of R². The most effective regression would be the R² higher than 70%. That is why; the regression model is the following:

Table 6: Regression Statistics of Credit Agricole Group

<i>Regression Statistics</i>

Multiple R	0.848701948
R Square	72.03%
Adjusted Square	R -
Standard Error	0.118820016
Observations	0.380497592
	9

	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>
Intercept	-163.8314	175.0882	-0.9357	0.4482
ROA	-51.9905	364.4560	-0.1427	0.8996
BS	12.4223	12.8675	0.9654	0.4362
Cap	82.6458	97.5807	0.8469	0.4862
CPI	-0.0443	1.0002	-0.0443	0.9687
GDP	0.0005	0.0031	0.1561	0.8903
UR	54.9160	172.6014	0.3182	0.7805

As the R² is higher than 70%, the equation could be used: $Liq = -163.8314 + ROA*(-51.9905) + BS*12.4223 + Cap*12.4223 + CPI*(-0.0443) + GDP*0.0005 + UR*54.9160$

In addition, there are no significant values affecting the liquidity performance of BNP Paribas.

Societe Generale

Lastly, Societe Generale is considered to be one of largest banks in France (Statista, 2023). Therefore, it is important to measure the liquidity performance of the bank. Table 7 clearly demonstrates that all variables except for ROE and BS have positive correlation with the liquidity performance of the bank. However, ROE and BS have negative correlation with the bank.

Table 7: Correlation of Societe Generale's Liquidity

	<i>Liq</i>	<i>ROE</i>	<i>BS</i>	<i>Cap</i>	<i>CPI</i>	<i>GDP</i>	<i>UR</i>
Liq	1.000						
ROE	-0.110	1.000					
BS	-0.175	-0.627	1.000				
Cap	0.215	0.734	-0.715	1.000			
CPI	0.468	0.490	-0.421	0.834	1.000		
GDP	0.280	0.584	-0.451	0.888	0.973	1.000	
UR	0.285	-0.315	0.233	-0.595	-0.609	-0.739	1.000

Next, it is important to measure the regression analysis, which should be determined with the help of R^2 . The most effective regression would be the R^2 higher than 70%. That is why; the regression model is the following:

Table 8: Regression Statistics of Societe Generale

Regression Statistics

Multiple R

0.95526223

R Square

91.25%

Adjusted Square

R

0.650103715

Standard Error

0.120356579

Observations

9

</

As the R^2 is higher than 70%, the equation could be used: $Liq = 19.4694 + ROA*(-141.7851) + BS*(-2.9215) + Cap*(-20.6765) + CPI*0.022 + GDP*0.0003 + UR*37.8176$

In addition, there are no significant values affecting the liquidity performance of BNP Paribas.

CONCLUSION

In conclusion, the research conducted the regression and correlation analysis of the liquidity performance of the three largest banks in France from 2011 to 2019. The empirical research concluded that no independent variables had a significant effect on the liquidity of three banks. Moreover, each regression equation was proposed for each bank in order to have the future figures of the liquidity performance movement. Nevertheless, the research concluded that ROA and BS have positive correlation with the liquidity performance of the BNP Paribas. However, the other variables, such as Cap, CPI, GDP and UR had negative correlation with the bank. Also, ROA and BS had positive correlation with the liquidity performance of the Credit Agricole Group. However, the other variables, such as Cap, CPI, GDP and UR had negative correlation with the bank. Lastly, all variables except for ROE and BS have positive correlation with the liquidity performance of the Societe Generale bank. There are also some limitations of the study. First of all, the study was conducted only with available to the student information, such as independent and dependent variables of the banks. Also, the study was conducted with lack of clear and full knowledge in statistical other values except for p-value, such as t-value and standard error. Overall, the research's regression models could be useful

for the French banks in order to predict the future outcome of the liquidity measure in terms of current ratio (CR).

REFERENCES

1. Assfaw, A.M. (2019). Firm-specific and macroeconomic determinants of banks liquidity: empirical investigation from Ethiopian private commercial banks. *Journal of Accounting, Finance and Auditing Studies*, 5(2). Retrieved from https://www.um.edu.mt/library/oar/bitstream/123456789/41912/1/JAFAS%2C_5%282%29_-_A8.pdf
2. Bandt, O., Lecarpentier, S. & Pouvelle, C. (2021). Determinants of banks' liquidity: A French perspective on interactions between market and regulatory requirements. *Journal of Banking and Finance*. Retrieved from <https://www.sciencedirect.com/science/article/abs/pii/S0378426620302934>
3. Bartels, R. (2015). Re-interpreting R-squared, regression through the origin, and weighted least squares. University of Sydney Business Schools. Retrieved from https://www.researchgate.net/publication/283333191_Re-interpreting_R-squared_regression_through_the_origin_and_weighted_least_squares
4. Claessens, S. & Horen, N.V. (2014). The impact of the Global Financial Crisis on Banking globalization. *International Monetary Fund*. Retrieved from <https://www.imf.org/external/pubs/ft/wp/2014/wp14197.pdf>
5. Dong, Y. (2021). The impact of the COVID-19 pandemic on the banking sector. Jonkoping International Business School. Retrieved from <http://www.diva-portal.org/smash/get/diva2:1619647/FULLTEXT01.pdf>
6. El-Chaarani, H. (2019). Determinants of bank liquidity in the Middle East region. *International Review of Management and Marketing*, 9(2). Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3845064
7. Elsharif, T.A. (2016). The impact of liquidity management on profitability. *School of Social Sciences*. Retrieved from https://www.researchgate.net/publication/309176083_The_Impact_of_Liquidity_Management_on_Profitability
8. Fola, B. (2015). Factors affecting liquidity of selected commercial banks in Ethiopia. Addis Ababa University. Retrieved from <http://etd.aau.edu.et/bitstream/handle/123456789/2834/Belete%20Fola.pdf?sequence=1&isAllowed=y>
9. Galetta, S. & Mazzu, S. (2019). Liquidity risk drivers and bank business models. *MDPI*, 7(3). Retrieved from <https://www.mdpi.com/2227-9091/7/3/89>
10. Hayes, A. (2022). Understanding liquidity ratios: types and their importance. *Investopedia*. Retrieved from <https://www.investopedia.com/terms/l/liquidityratios.asp>
11. Kumar, T.V. (2008). Why liquidity is important for banks. *The Global Treasurer*. Retrieved from <https://www.theglobaltreasurer.com/2008/08/12/why-liquidity-is-important-for-banks/>
12. Muttalib. (2015). The basic concepts and features of bank liquidity and its risk. *Institute of Islamic Banking and Finance*. Retrieved from https://mpr.ub.uni-muenchen.de/67389/1/MPRA_paper_67389.pdf
13. Samat, A. (2015). Determinants bank profitability: empirical evidence from Bangladesh commercial banks. *International Journal of Financial Research*, 6(3). Retrieved from https://www.researchgate.net/publication/282061931_Determinants_Bank_Profitability_Empirical_Evidence_from_Bangladesh_Commercial_Banks
14. Shah, S.Q.A., Khan, I., Shah, S.S.A. & Tahir, M. (2018). Factors affecting liquidity of banks: empirical evidence from the banking sector of Pakistan. *International Journal of Theory &*

- Practice, 9(1). Retrieved from
[https://www.researchgate.net/publication/326091240_Factors_Affecting_Liquidity_of_Ban
ks_Empirical_Evidence_from_the_Banking_Sector_of_Pakistan](https://www.researchgate.net/publication/326091240_Factors_Affecting_Liquidity_of_Banks_Empirical_Evidence_from_the_Banking_Sector_of_Pakistan)
15. Verhagen, A.P., Ostelo, R.W. & Rademaker, A. (2004). Is the p value really so significant?
Australian Journal of Physiotherapy. Retrieved from
<https://pubmed.ncbi.nlm.nih.gov/15617230/>

Database web sites:

16. Web-1: <https://www.macrotrends.net/>
17. Web-2: <https://www.statista.com/markets/>
18. Web-2: <https://www.worldbank.org/en/home>

Financial Performance Drivers of Banks in the United States of America

Binura Bulatova

Bang College of Business, KIMEP University

Abay Ave 2, Almaty, Kazakhstan

Binura.Bulatova@kimep.kz

ABSTRACT

The thesis paper investigated the impact of bank specific, market structure and macroeconomic variables on bank financial performance before the pandemic crisis in 2020 and after the financial crisis of 2008. For this purpose, 5 United States commercial banks were selected on the basis of availability of required information. The empirical data for these banks were collected for the period from 2014 to 2019 from Database of the World Bank, Macro Trends, Statista, and Annual Reports of the banks. Both statistical regression and correlation analysis were performed on the available data. It was decided to conduct separate regression and correlation analysis for each bank. The main reason is to use the results of the regression analysis in order to predict the future financial performances, using return on equity (ROE), return on assets (ROA), and net interest margin (NIM) of the banks from 2020 to 2022 and compare with the actual results. It could help to understand and predict the future performances of the banks. The empirical results have identified that all variables have a strong influence on the financial performance of the banks. The findings of the study could help the United States banks, government, investors and shareholders for the decision making and improving the financial performance of the financial institutions in the future by using the statistical approach.

KEYWORDS: Regression, Correlation, United State banks, Bank specific variables, Macroeconomic variables, Return on equity (ROE), Return on assets (ROA), Net interest margin (NIM)

INTRODUCTION

In today's world, it is considered that financial organizations like banks provide a variety of services, including receiving deposits, lending money, and facilitating transactions, which are essential to the economy. They serve as a bridge between borrowers and lenders, enabling individuals and companies to get the money they want for expansion and investment. Checking and savings accounts, loans, mortgages, investment goods, and insurance are just a few of the services that banks provide. Governmental organizations control them to guarantee the security and stability of the financial system as well as the protection of depositors' money. Modern economies rely heavily on banks, which have also established themselves as a pillar of the world financial system (Walters & Pence, 2020).

Banks' profitability is significant for a number of reasons:

- 1) Financial stability: Banks are very important to the economy, and their profitability is a major sign of how stable their finances are. Consistently successful banks are a sign of sound management and a stable financial position. In turn, this fosters trust among investors and depositors and maintains the financial system's stability (Ali & Salem, 2021).
- 2) Credit-granting capacity: A prosperous bank is better equipped to lend money to people, companies, and the government. By releasing money for investment and expansion, this promotes economic growth and development (Bett & Nasieku, 2022).

- 3) Dividends for shareholders: Bank stockholders are also directly impacted by the profitability of the institution. A bank becomes a desirable investment choice if it is profitable since it can distribute dividends to its shareholders (Belloni, Grodzicki & Jarmuzek, 2021).
- 4) Job creation and growth: Economic growth and employment creation are facilitated by banks, which are significant employers. A successful bank may expand and create new employment by making investments in its staff, operations, and technology (Ilesanmi & Tewari, 2019).

The uniqueness of the research is that the economy of the United States of America is one of the strongest in the world (Sherman, 2023). Therefore, the main sources of the economy are the banks of the country that operate in the United States (Sherman, 2023). That is why the purpose of the research is to identify the different types of drivers that affect the financial performance of banks in the United States of America. It was identified that there are bank specific, market structure and macro variables drivers that could have a significant impact on the financial performance of banks in the Middle East countries (Mabkhot & Al-Wesabi, 2022). At the same time, the financial performance of banks could be measured with the help of three variables, such as ROE (return on equity), ROA (return on assets) and NIM (net income margin) (Tan, 2015). As a result, the research is going to use the statistical method in order to evaluate the most impactful variables.

LITERATURE REVIEW

First of all, based on the development of the financial statements of 534 banks from 19 developing market nations, the main factors influencing bank profitability were examined. It was shown that while higher short-term interest rates tend to decrease earnings by increasing funding costs, greater long-term interest rates appear to raise profitability. Additionally, it was shown that in normal times, loan expansion often has a greater impact on bank profitability over GDP growth. Thus, it seems that the financial cycle forecasts bank profitability more accurately than the economic cycle. Furthermore, it was demonstrated that rises in sovereign risk premia significantly lower bank profitability, highlighting the need of credible fiscal frameworks in maintaining overall financial stability (Kohlscheen, Murcia & Contreras, 2018).

Furthermore, according to the findings, factors that support bank profitability include equity, overseas investment, off-balance sheet (OBS) activity, and growth in gross domestic product, interest rates, and competition. Additionally, it is considered that the findings indicated that long-term profitability of banks in the study nations would rise because of loans and banking sector expansion. The study, however, found that deposits reduce profitability. It is true that the study also found that factors like market capitalization, GDP per person, and bank size had little bearing on profitability (Al-Harbi, 2019).

In addition, researchers evaluated the primary factors that contributed to banks' profitability throughout the 27 member states of the European Union between 2004 and 2011. The variables that affect bank profitability have been split into two major categories by researchers, including bank-specific (internal) factors and industry- and macroeconomic-specific (external) factors. Researchers used return on average assets (ROAA) and return on average equity as proxies for banks' performance (ROAE). The empirical data support the predicted outcomes. The efficiency of management, company diversification, market concentration/competition, and economic development all have an impact on the ROAA and ROAE of banks as well as their profitability. The favorable impact of rivalry on bank profitability in the European Union 27 is a noteworthy and significant finding (Petria, Capraru & Ihnatov, 2015).

Moreover, in the similar research in the other country, the goal of the study was to ascertain how Tanzanian commercial banks' financial performance was impacted by macroeconomic conditions. Information was gathered through secondary sources. The study used a descriptive and an explanatory design of the study to describe trends in the exchange rate, interest rates, and inflation rate for the ten-year period between 2010 and 2019 and to explain the connection between the

commercial bank's financial performance and the mentioned macroeconomic variables. The correlation and descriptive analyses were carried out after entering the data gathered for this study into an excel sheet. The research came to the conclusion that commercial banks' financial performance is influenced by interest rate, inflation rate, and currency rate. The research advised the government to retain policies that shield commercial banks from higher inflation, continuing to maintain policies that protect commercial banks from exchange rate fluctuations, and maintaining lending interest rates to prevent a decline in the financial performance of commercial banks (Ally, 2022).

METHODOLOGY

This study investigated the most significant independent variable that affects the financial performance (dependent variable) of banks in the United States of America. For the study, the data was collected from different sources on the Internet, such as the World Bank Database. The study evaluated 5 banks of the country from the period 2014 to 2019, in order to avoid the strong effects of the Financial Crisis in 2008 (Singh, 2022) and the effects of the COVID-19 in 2020 (Alpert, 2023). Overall, the sample size was be 54 of the collected data. The data was imported to the Excel file and evaluated through the computer application called Microsoft Excel (Metel'skaya, 2021). The Microsoft Excel application helped to demonstrate the regression model (see Formula), which affects each dependent variable. The regression model determined whether each independent variable significantly affects the dependent variable. Moreover, since the data was collected from the past years, after evaluating the best regression equation, it would be possible to show the importance and effectiveness of the model by predicting future dependent variables for the next 2 years after the pandemic in 2020 from 2023 to 2024. The regression model results demonstrated that the results of the research are important and effective, and could be applied for the further predictions.

The formula for the regression analysis is the following (Gul, Irhsad & Zaman, 2011):

Table 1: Regression Model Formula

$$DV = B0 + B1*IV1 + Bn * IVn$$

DV = Dependent Variable

IV = Independent Variable

B = Coefficient

In this research, for the measurement of the financial performance of banks in the United States of America; ROE, ROA and NIM were used. ROE is defined as the profit after tax earned per each equity invested in the bank. ROA is defined as the profit after tax earned per asset invested in the bank. NIM is defined as the net interest earnings per asset (Tan, 2015). As a result, it is true to claim that ROE, ROA and NIM were used as dependent variables of the study.

At the same time, for the measurement of bank specific drivers; quick ratio (QR) and capital (Cap) variables were used (Al Nimer, Warrad & Al Omari, 2015; Gul, Irhsad & Zaman, 2011). In addition, for the measurement of market specific drivers equity risk premium (ERP) was used (Junttila, & Nguyen, 2022). Last but not least, for the measurement of macroeconomic drivers; GDP, consumer price index (inflation) and interest rate (IR) variables were used (Gul, Irhsad & Zaman, 2011). As a result, it is evident that bank specific, market specific and macroeconomic drivers were used as independent variables of the study.

<i>Dependent Variables</i>	<i>Approach</i>
Return on equity (ROE)	Net income / Total equity

Return on assets (ROA)	Net income / Total assets
Net interest margin (NIM)	Macro trends Database
<i>Independent Variables</i>	<i>Approach</i>
Quick ratio (QR)	Macro trends Database
Capital (Cap)	Total equity / Total assets
Equity risk premium (ERP)	Macro trends Database
GDP	World Bank Database
Consumer price index (CPI)	World Bank Database
Interest rate (IR)	World Bank Database

At the same time, for the measurement of bank specific drivers; quick ratio (QR) and capital (Cap) variables were used (Al Nimer, Warrad & Al Omari, 2015; Gul, Irhsad & Zaman, 2011). In addition, for the measurement of market specific drivers equity risk premium (ERP) was used (Junttila, & Nguyen, 2022). Last but not least, for the measurement of macroeconomic drivers; GDP, consumer price index (inflation) and interest rate (IR) variables were used (Gul, Irhsad & Zaman, 2011). As a result, it is evident that bank specific, market specific and macroeconomic drivers were used as independent variables of the study.

Lastly, with the most favorable regression model built based on the R^2 , the financial performance of banks, such as return on equity (ROE), return on assets (ROA), and the net interest margin (NIM) (Alsaawy, Alkhodre & Benaïda, 2020). In order to have the most favorable regression model, the R^2 should be higher than 70% (Fernando, 2021). In addition, the p-value of less than 0.05 showed that the independent variable has a strong effect on dependent variable (Grabowski, 2016).

Overall, the purpose of the research was to identify the most impactful independent drivers to the financial performance (dependent variables) of banks in the United States of America. At the same time, to show the effectiveness and importance of the regression model for the banks. The investigation is helpful to banks in the United States of America in order to predict the financial performance and identify what is required to improve in order to achieve good financial performance.

RESULTS AND ANALYSIS

JP Morgan Chase

The table 2 shows the correlation of the financial performances of the JP Morgan Chase Bank and independent variables. The table 2 suggests that there is a strong positive correlation among GDP and financial performances of the bank. Moreover, there is a negative correlation among quick ration (QR) and financial performances of the bank.

Table 2: Correlation Table of the JP Morgan Chase Bank

	<i>ROE</i>	<i>ROA</i>	<i>NIM</i>	<i>QR</i>	<i>Cap</i>	<i>ERP</i>	<i>GDP</i>	<i>Inflation</i>	<i>IR</i>
ROE	1.00								
ROA	0.98	1.00							
NIM	0.65	0.71	1.00						
QR	-0.73	-0.63	-0.34	1.00					

Cap	-0.06	0.13	0.24	0.41	1.00			
ERP	0.28	0.25	-0.04	0.17	-0.32	1.00		
GDP	0.89	0.93	0.89	-0.59	0.26	-0.02	1.00	
Inflation	0.38	0.38	0.82	-0.31	-0.17	0.00	0.57	1.00
IR	0.77	0.84	0.57	-0.57	0.48	-0.22	0.85	0.13
								1.00

The table 3 shows that the model is suitable for the predictive the future variable since R² is higher than 70%.

Table 3: Regression Model of the JP Morgan Chase Bank's ROE

<i>Regression Statistics</i>		
Multiple R	0.923	
R Square	85.28%	
Adjusted R Square	0.755	
Standard Error	0.009	
Observations	6	

	<i>Coefficients</i>	<i>P-value</i>
Intercept	0.075292	0.697322
QR	-0.167683	0.320667
GDP	0.000009	0.085143

Therefore, the regression model for the ROE of the JP Morgan Chase Bank is the following:
 $ROE = 0.075292 + GDP * 0.000009 + QR * -0.167683$

The table 4 shows that the model is suitable for the predictive the future variable since R² is higher than 70%. In addition, the table 4 shows that GDP has a strong influence on the ROA of the JP Morgan Chase Bank, as p-value is less than 0.05.

Table 4: Regression Model of the JP Morgan Chase Bank's ROA

<i>Regression Statistics</i>		
Multiple R	0.9334	
R Square	87.13%	
Adjusted R Square	0.7855	
Standard Error	0.0009	
Observations	6	

	<i>Coefficients</i>	<i>P-value</i>
Intercept	-0.005535	0.752904
QR	-0.006330	0.657168

GDP	0.000001	0.044580
-----	----------	----------

Therefore, the regression model for the ROA of the JP Morgan Chase Bank is the following:
 $ROA = -0.005535 + GDP * 0.000001 + QR * -0.006330$

The table 5 shows that the model is suitable for the predictive the future variable since R^2 is higher than 70%. In addition, the table 5 shows that GDP has a strong influence on the NIM of the JP Morgan Chase Bank, as p-value is less than 0.05.

Table 5: Regression Model of the JP Morgan Chase Bank's NIM

<i>Regression Statistics</i>		
Multiple R	0.9206	
R Square	84.75%	
Adjusted R Square	0.7458	
Standard Error	0.0012	
Observations	6	

	<i>Coefficients</i>	<i>P-value</i>
Intercept	-0.022223	0.405389
QR	0.018408	0.392880
GDP	0.000002	0.032268

Therefore, the regression model for the NIM of the JP Morgan Chase Bank is the following:
 $NIM = -0.022223 + GDP * 0.000002 + QR * -0.032268$

Bank of America

The table 6 shows the correlation of the financial performances of the Bank of America and independent variables. The table 6 suggests that there is a strong positive correlation among GDP and financial performances of the bank. Moreover, there is a negative correlation among capital (Cap) and financial performances of the bank.

Table 6: Correlation Table of the Bank of America

	<i>ROE</i>	<i>ROA</i>	<i>NIM</i>	<i>QR</i>	<i>Cap</i>	<i>ERP</i>	<i>GDP</i>	<i>Inflation</i>	<i>IR</i>
ROE	1.00								
ROA	1.00	1.00							
NIM	0.60	0.58	1.00						
QR	-0.54	-0.59	-0.02	1.00					
Cap	-0.55	-0.48	-0.65	-0.19	1.00				
ERP	0.20	0.18	0.19	0.48	-0.16	1.00			
GDP	0.93	0.91	0.70	-0.46	-0.76	-0.02	1.00		

Inflation	0.39	0.37	0.93	-0.02	-0.56	0.00	0.57	1.00	
IR	0.83	0.83	0.23	-0.70	-0.49	-0.22	0.85	0.13	1.00

The table 7 shows that the model is suitable for the predictive the future variable since R^2 is higher than 70%. In addition, the table 7 shows that GDP has a strong influence on the ROE of the Bank of America, as p-value is less than 0.05.

Table 7: Regression Model of the Bank of America ROE

<i>Regression Statistics</i>		
Multiple R	0.9543	
R Square	91.07%	
Adjusted Square	R	0.8512
Standard Error	0.0116	
Observations	6	

	<i>Coefficients</i>	<i>P-value</i>
Intercept	-0.661010	0.100934
GDP	0.000025	0.020427
Cap	2.170778	0.285316

Therefore, the regression model for the ROE of the Bank of America is the following: $ROE = -0.661010 + GDP * 0.000025 + Cap * 2.170778$

The table 8 shows that the model is suitable for the predictive the future variable since R^2 is higher than 70%. In addition, the table 8 shows that GDP has a strong influence on the ROA of the Bank of America, as p-value is less than 0.05.

Table 8: Regression Model of the Bank of America ROA

<i>Regression Statistics</i>		
Multiple R	0.9554	
R Square	91.28%	
Adjusted Square	R	0.8546
Standard Error	0.0013	
Observations	6	

	<i>Coefficients</i>	<i>P-value</i>
Intercept	-0.086846	0.068483
GDP	0.000003	0.016915
Cap	0.329976	0.172023

Therefore, the regression model for the ROA of the Bank of America is the following: $ROA = -0.086846 + GDP * 0.000003 + Cap * 0.329976$

The table 9 shows that the model is suitable for the predictive the future variable since R^2 is higher than 70%. In addition, the table 9 shows that inflation has a strong influence on the NIM of the Bank of America, as p-value is less than 0.05.

Table 9: Regression Model of the Bank of America NIM

<i>Regression Statistics</i>		
Multiple R	0.9561	
R Square	91.41%	
Adjusted R Square	0.8568	
Standard Error	0.0003	
Observations	6	

	<i>Coefficients</i>	<i>P-value</i>
Intercept	0.021464	0.001363
GDP	0.0000001	0.298747
Inflation	0.069916	0.031530

Therefore, the regression model for the NIM of the Bank of America is the following: $NIM = 0.021464 + GDP * 0.0000001 + Inflation * 0.069916$

Citigroup

The table 10 shows the correlation of the financial performances of the Citigroup Bank and independent variables. The table 10 suggests that there is a strong positive correlation among ERP and financial performances of the bank. Moreover, there is a negative correlation consumer price index (Inflation) and financial performances of the bank.

Table 10: Correlation Table of the Citigroup Bank

	<i>ROE</i>	<i>ROA</i>	<i>NIM</i>	<i>QR</i>	<i>Cap</i>	<i>ERP</i>	<i>GDP</i>	<i>Inflation</i>	<i>IR</i>
ROE	1.00								
ROA	0.99	1.00							
NIM	0.11	0.22	1.00						
QR	-0.73	-0.75	0.16	1.00					
Cap	-0.05	0.10	0.75	-0.18	1.00				
ERP	0.60	0.60	0.37	-0.14	-0.03	1.00			
GDP	0.33	0.21	-0.88	-0.42	-0.80	-0.02	1.00		
Inflation	-0.24	-0.35	-0.70	0.39	-0.83	0.00	0.57	1.00	

IR	0.49	0.42	-0.71	-0.74	-0.42	-0.22	0.85	0.13	1.00
----	------	------	-------	-------	-------	-------	------	------	------

For the regression model, the most suitable regression model was not found for this bank.

Wells Fargo

The table 11 shows the correlation of the financial performances of the Wells Fargo Bank and independent variables. The table 11 suggests that there is a strong positive correlation among Cap and financial performances of the bank. Moreover, there is a negative correlation GDP and financial performances of the bank.

Table 11: Correlation Table of the Wells Fargo Bank

	<i>ROE</i>	<i>ROA</i>	<i>NIM</i>	<i>QR</i>	<i>Cap</i>	<i>ERP</i>	<i>GDP</i>	<i>Inflation</i>	<i>IR</i>
ROE	1.00								
ROA	1.00	1.00							
NIM	0.72	0.74	1.00						
QR	0.82	0.81	0.42	1.00					
Cap	0.87	0.88	0.91	0.69	1.00				
ERP	0.37	0.37	0.06	0.17	0.18	1.00			
GDP	-0.87	-0.87	-0.69	-0.93	-0.87	-0.02	1.00		
Inflation	-0.40	-0.40	0.09	-0.74	-0.31	0.00	0.57	1.00	
IR	-0.90	-0.91	-0.94	-0.66	-0.96	-0.22	0.85	0.13	1

The table 12 shows that the model is suitable for the predictive the future variable since R^2 is higher than 70%. In addition, the table 12 shows there are no significant values on ROE.

Table 12: Regression Model of the Wells Fargo Bank ROE

<i>Regression Statistics</i>		
Multiple R	0.8969	
R Square	80.45%	
Adjusted R Square	0.6741	
Standard Error	0.0056	
Observations	6	

	<i>Coefficients</i>	<i>P-value</i>
Intercept	0.064732	0.744455
Cap	0.976300	0.453701
GDP	-0.000003	0.423642

Therefore, the regression model for the ROE of the Wells Fargo Bank is the following: $ROE = 0.064732 + GDP * -0.000003 + Cap * 0.976300$

The table 13 shows that the model is suitable for the predictive the future variable since R^2 is higher than 70%. In addition, the table 13 shows there are no significant values on ROA.

Table 13: Regression Model of the Wells Fargo Bank ROA

<i>Regression Statistics</i>		
Multiple R	0.9079	
R Square	82.42%	
Adjusted R Square	0.7071	
Standard Error	0.0008	
Observations	6	

	<i>Coefficients</i>	<i>P-value</i>
Intercept	0.002588	0.925412
Cap	0.162599	0.383672
GDP	-0.0000004	0.441370

Therefore, the regression model for the ROA of the Wells Fargo Bank is the following: $ROA = 0.002588 + GDP * -0.0000004 + Cap * 0.162599$

The table 14 shows that the model is suitable for the predictive the future variable since R^2 is higher than 70%. In addition, the table 14 shows there are no significant values on NIM.

Table 14: Regression Model of the Wells Fargo Bank NIM

<i>Regression Statistics</i>		
Multiple R	0.9361	
R Square	87.63%	
Adjusted R Square	0.7939	
Standard Error	0.0007	
Observations	6	

	<i>Coefficients</i>	<i>P-value</i>
Intercept	-0.023030	0.359998
Cap	0.414370	0.053745
GDP	0.0000004	0.386055

Therefore, the regression model for the NIM of the Wells Fargo Bank is the following: $NIM = -0.023030 + GDP * 0.0000004 + Cap * 0.414370$

Goldman Sachs

The table 15 shows the correlation of the financial performances of the Goldman Sachs Bank and independent variables. The table 15 suggests that there is a strong positive correlation among ERP and financial performances of the bank.

Table 15: Correlation Table of the Goldman Sachs Bank

	<i>ROE</i>	<i>ROA</i>	<i>NIM</i>	<i>QR</i>	<i>Cap</i>	<i>ERP</i>	<i>GDP</i>	<i>Inflation</i>	<i>IR</i>
ROE	1.00								
ROA	0.99	1.00							
NIM	0.62	0.64	1.00						
QR	-0.14	-0.16	-0.24	1.00					
Cap	0.31	0.39	0.09	0.28	1.00				
ERP	0.74	0.73	0.07	0.14	0.55	1.00			
GDP	0.18	0.13	-0.23	-0.27	-0.55	-0.02	1.00		
Inflation	0.33	0.24	0.26	0.20	-0.62	0.00	0.57	1.00	
IR	-0.01	0.01	-0.27	-0.44	-0.31	-0.22	0.85	0.13	1

For the regression model, the most suitable regression model was not found for this bank.

CONCLUSION

To sum up, the empirical studies showed that GDP, as the independent macroeconomic variable, has a significant effect on the financial performances of JP Morgan Chase Bank's ROA and NIM, and Bank of America's ROE and ROA. In addition, inflation, as the independent macroeconomic variable, has a significant effect on the financial performances of Bank of America's NIM. Mostly, GDP, as the independent macroeconomic variable, has a strong correlation with the financial performances of JP Morgan Chase Bank and Bank of America. In addition, ERP, as the independent macroeconomic variable, has a strong correlation with Citigroup Bank and Goldman Sachs Bank. Each bank, except for Citigroup Bank and Goldman Sachs, has separate regression models for the prediction of financial performances. The main limitations of the study are the lack of data for longer period of time and lack of financial reports for the calculation of dependent and independent variables, since mostly they were taken from different databases.

REFERENCES

1. Al-Harbi, A. (2019). The determinants of conventional banks profitability in developing and underdeveloped OIC countries. *Journal of Economics, Finance and Administrative Science*, 24(47), 4-28. Retrieved from <https://www.emerald.com/insight/content/doi/10.1108/JEFAS-05-2018-0043/full/html>
2. Al Nimer, M., Warrad, L. & Al Omari, R. (2015). The impact of liquidity on Jordanian banks profitability through return on assets. *European Journal of Business and Management*, 7(7). Retrieved from <https://core.ac.uk/download/pdf/234626337.pdf>
3. Ali, B.J.A. & Oudat, M.S. (2021). Accounting information system and financial sustainability of commercial and Islamic banks: a review of the literature. *Journal of Management Information and Decision Sciences*, 24(5), 1-17. Retrieved from <https://www.abacademies.org/articles/accounting-information-system-and-financial-sustainability-of-commercial-and-islamic-banks-a-review-of-the-literature-11063.html>
4. Ally, A.R. (2022). Influence of macro-economic factors on financial performance of commercial banks in Tanzania. *International Journal of Economics and Finance*, 14(7). Retrieved from <https://ccsenet.org/journal/index.php/ijef/article/view/0/47364>
5. Alpert, G. (2023). A breakdown of the fiscal and monetary responses to the pandemic. *Investopedia*. Retrieved from <https://www.investopedia.com/government-stimulus-efforts-to-fight-the-covid-19-crisis-4799723>
6. Alsaawy, Y., Alkhorde, A. & Benaïda, M. (2020). A comparative study of multiple regression analysis and back propagation neural network approaches on predicting financial strength of banks: an Indian perspective. *Transactions on Business and Economics*, 17(1). Retrieved from https://www.researchgate.net/publication/342262474_A_Comparative_Study_of_Multiple_Regression_Analysis_and_Back_Propagation_Neural_Network_Approaches_on_Predicting_Financial_Strength_of_Banks_An_Indian_Perspective
7. Belloni, M., Grodzicki, M. & Jarmuzek, M. (2021). What makes banks adjust dividend payouts? *European Central Bank*. Retrieved from https://www.ecb.europa.eu/pub/financial-stability/macprudential-bulletin/html/ecb.mpbu202106_4~63bf1035a7.en.html
8. Bett, T.C. & Nasieku, T. (2022). Challenges of credit creation by commercial banks in Kenya: an empirical review. *International Academic Journal of Economics and Finance*, 3(7), 254-275. Retrieved from http://iajournals.org/articles/iajef_v3_i7_254_275.pdf
9. Fernando, J. (2021). R-Squared formula, regression, and interpretations. *Investopedia*. Retrieved from <https://www.investopedia.com/terms/r/r-squared.asp#:~:text=In%20finance%2C%20an%20R%2DSquared,depend%20on%20the%20specific%20analysis.>
10. Gul, S., Irshad, F. & Zaman, K. (2011). Factors affecting bank profitability in Pakistan. *The Romanian Economic Journal*. Retrieved from https://www.researchgate.net/profile/Sehrish-Gul/publication/227487619_Factors_Affecting_Bank_Profitability_in_Pakistan/links/5471849d0cf24af340c3bfa3/Factors-Affecting-Bank-Profitability-in-Pakistan.pdf
11. Ilesanmi, K.D. & Tewari, D.D. (2019). Management of shadow banks for economic and financial stability in South Africa. *Cogent Economic & Finance*, 7(1). Retrieved from <https://www.tandfonline.com/doi/pdf/10.1080/23322039.2019.1568849?needAccess=true&role=button>
12. Junttila, J. & Nguyen, V.C.S. (2022). Impacts of sovereign risk premium on bank profitability: Evidence from euro area. *International Review of Financial Analysis*, 81. Retrieved from <https://www.sciencedirect.com/science/article/pii/S1057521922000783>
13. Kohlscheen, E., Murcia, A. & Contreras, J. (2018). Determinants of bank profitability in emerging markets. *Monetary and Economic Department*. Retrieved from <https://www.bis.org/publ/work686.pdf>
14. Mabkhot, H. & Al-Wesabi, H.A.H. (2022). Banks' financial stability and macroeconomic key factors in GCC countries. *Sustainability*. Retrieved from <https://www.mdpi.com/2071-1050/14/23/15999>

15. Metel'skaya, V.V. (2021). Correlation-and-regression analysis of the influence of macroeconomic factors on capital structure of Russian corporations under crisis conditions. *Journal of Innovation and Entrepreneurship*. Retrieved from <https://innovation-entrepreneurship.springeropen.com/articles/10.1186/s13731-021-00160-w>
16. Petria, N., Capraru, B. & Ihnatov, I. (2015). Determinants of banks' profitability: evidence from EU 27 banking systems. *Procedia Economics and Finance*, 20, 518-524. Retrieved from <https://www.sciencedirect.com/science/article/pii/S2212567115001045>
17. Sherman, N. (2023). Us economic growth stronger than expected. *BBC News*. Retrieved from <https://www.bbc.com/news/business-64415990>
18. Singh, M. (2022). The 2007-2008 Financial Crisis in review. *Investopedia*. Retrieved from <https://www.investopedia.com/articles/economics/09/financial-crisis-review.asp>
19. Tan, Y.A. (2015). The impacts of risk and competition on bank profitability in China. *Journal of International Financial Markets Institutions and Money*. Retrieved from https://www.researchgate.net/publication/283255797_The_impacts_of_risk_and_competition_on_bank_profitability_in_China
20. Walters, C. & Pence, V.C. (2020). The unique role of seed banking and cry biotechnologies in plant conservation. *Plants People Planet*. Retrieved from <https://nph.onlinelibrary.wiley.com/doi/pdfdirect/10.1002/ppp3.10121>
21. Web sites:
22. Web-1: <https://www.worldbank.org/en/home>
23. Web-2: <https://www.macrotrends.net/>
24. Web-3: <https://www.statista.com/markets/>

The strategic management challenges of the oil & gas industry in Kazakhstan

Dimenova Gulnaz

Bang College of Business, KIMEP University

Gulnaz.dimenova@kimep.kz

ABSTRACT

The oil and gas industry are critical for economic growth in Kazakhstan, contributing 16% to the country's GDP in the first half of 2020 (National Bank of Kazakhstan report 2020). However, the industry faces strategic management challenges due to the rapidly changing external environment, including increasing use of digital technologies, increasing regulations, and scrutiny from governments and environmental groups.

This study aimed to identify the external environmental forces influencing the industry, major players, the value chain, and key challenges faced by managers, and develop recommendations to address these challenges. In-depth interviews were conducted with experts in the industry, and the data analysed using a qualitative approach. The study found that the industry is influenced by geopolitical risks, global demand, technological advancements, and environmental concerns.

The major players include international oil and gas companies, national oil companies, and independent oil and gas companies. The value chain comprises exploration and production, transportation, refining, and distribution. The key challenges faced by managers include increasing competition, changing global demand, technological advancements, regulatory compliance, and talent management. To address these challenges, the study recommends a strategic management approach that focuses on innovation, cost efficiency, and stakeholder engagement. This involves investing in technology and innovation, adapting to changing demands and investing in renewable energy sources, prioritizing compliance with regulations, investing in talent development programs, and providing a conducive work environment to attract and retain skilled talent. With the right strategic management approach, the industry can thrive and contribute to the economic growth of the country.

KEYWORDS: oil & gas industry, strategic management challenges, external environment, risk, regulations, environmental concern, qualitative approach, in-depth interview.

INTRODUCTION

Kazakhstan, a country in Central Asia, is known for its vast oil and gas reserves. With the industry contributing over 50% to the country's GDP, the oil and gas industry in Kazakhstan is a crucial pillar of the economy. However, the industry faces several strategic management challenges that can hinder its growth and sustainability.

In this paper, we will explore the strategic management challenges faced by the oil and gas industry in Kazakhstan. The purpose of the research is to analyze, to explore the external environment forces that influence the oil & gas industry, likewise to identify major players the oil & gas industry in Kazakhstan, moreover to identify key challenges that Manager face with oil & gas industry in Kazakhstan and finally to develop recommendations for those key challenges. The paper will be

structured into four main areas, namely regulatory, operational, environmental, and economic challenges.

First, the regulatory challenges of the oil and gas industry in Kazakhstan relate to the complex legal and political environment in the country. The industry needs to comply with various laws, regulations, and bureaucratic procedures to operate in the country. Second, operational challenges relate to the need for modernization and technological innovation in the industry to improve efficiency and reduce costs. The industry needs to adopt new technologies to increase production and reduce operational costs. Third, the environmental challenges of the oil and gas industry in Kazakhstan are related to the need to address the negative impact of oil and gas production on the environment, such as air and water pollution. The industry needs to adopt sustainable practices and technologies to reduce its impact on the environment. Finally, the economic challenges are related to the need to diversify the country's economy, reduce dependence on the oil and gas industry, and create new opportunities for growth.

LITERATURE REVIEW

The Kazakhstan's oil and gas sector has various strategic management difficulties. Creating sustainable competitive advantages is one of the main obstacles, however it is possible to do so using the Resource-Based View (RBV) paradigm. RBV states that a firm's resources and capabilities can give it a long-term competitive advantage if they are priceless, uncommon, challenging to duplicate, and non-substitutable (article Firm Resources and Sustained Competitive Advantage, 1991). Focusing on the development of distinctive and valuable resources and competencies, such as cutting-edge technology, a qualified workforce, and effective production methods, is essential for Kazakhstan's oil and gas sector. In order to stay ahead of their rivals, businesses in the sector must also keep innovating and invest in research and development.

Strategic management refers to the ongoing process of analyzing an organization's internal and external environment, defining its strategic direction, and making decisions on allocating its resources to pursue this direction (Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. (2017). It involves formulating and implementing strategies that align with an organization's vision, mission, and core values to achieve a competitive advantage in the marketplace.

According to Barney and Hesterly's book "Strategic Management and Competitive Advantage: Concepts and Cases" (2021), it is provided a detailed explanation of strategic management as a process of formulating and implementing strategies to achieve a competitive advantage in the marketplace. The authors emphasize that strategic management is a continuous process that involves analyzing the external and internal environments of the organization, formulating a strategy that aligns with the organization's vision, mission, and core values, and implementing and evaluating the strategy to ensure its success.

Jones, G (2022) provides a comprehensive explanation of strategic management as a process that involves formulating and implementing strategies to achieve organizational goals and objectives. Jones defines strategic management as "the process of analyzing the organization's environment, defining its strategic direction, and making decisions on allocating its resources to pursue this direction." Jones explains that strategic management involves a number of key steps, including analyzing the external and internal environment, setting organizational goals and objectives, formulating strategies, implementing strategies, and monitoring and evaluating the success of the strategies.

Strategic analysis is a crucial component of strategic management, which involves the identification and evaluation of internal and external factors that impact an organization's performance and competitive position. Strategic analysis aims to provide insights into an organization's current situation, identify potential opportunities and threats, and develop strategies to

leverage its strengths and mitigate its weaknesses. Strategic analysis comprises the most commonly tools such as SWOT, industry analysis, stakeholder analysis, VRIO, PESTEL and value chain.

According to Thompson and Martin (2017) in their book "Strategic Management: Awareness and Change," strategic analysis is "the process of conducting research on the business environment within which an organization is operating and on the organization itself, in order to identify opportunities and threats and assess the organization's strengths and weaknesses." The authors note that strategic analysis involves examining both the external and internal environments of the organization and that it is a critical component of the strategic management process.

The oil and gas industry are one of the most significant sectors of the global economy, playing a crucial role in energy production, transportation, and the creation of a range of petrochemical products. Currently, the oil and gas industry are facing many challenges related to changes in the global economic situation, new technologies, and climate change challenges.

Joseph Hilyard in his book "The Oil and Gas Industry: A Nontechnical Guide" (2018) wrote that oil and gas industry is dominated by major companies such as ExxonMobil, Royal Dutch Shell, and BP, which have a significant presence in all aspects of the value chain, from exploration to marketing. These companies invest heavily in research and development to discover new oil and gas reserves and improve the efficiency of their operations.

The exploration phase involves identifying potential oil and gas reserves through geological surveys, seismic imaging, and drilling. Once a reserve is discovered, the production phase involves extracting the oil and gas from the ground, which can be done through drilling and hydraulic fracturing techniques. The transportation phase involves moving the extracted oil and gas from the production site to refineries and distribution centers, which can be done through pipelines, tankers, or trucks. Refineries then process the crude oil into different products such as gasoline, diesel, and jet fuel, which are marketed and sold to customers worldwide. The industry faces several challenges, including the depletion of conventional oil and gas reserves, increasing competition from renewable energy sources, and growing environmental concerns. Additionally, the industry is highly regulated, and companies must comply with various environmental and safety standards to ensure the safety of their employees and the environment (Hilyard, 2018).

The report "The Impact of the Covid-19 Crisis on Global Energy Demand" was published by the International Energy Agency (IEA) in April 2020, and it provides detailed information on how the COVID-19 pandemic has affected global energy demand. The impact of the COVID 19 is following:

- **Unprecedented decline in energy demand:** The report notes that the COVID-19 pandemic has caused an unprecedented decline in global energy demand, with demand in 2020 expected to decline by 6% compared to 2019. This is the largest decline in demand in 70 years.
- **Oil and gas hardest hit:** The report highlights that the oil and gas sectors have been the hardest hit by the pandemic, with global oil demand expected to decline by 9% in 2020, which is the largest decline in history. Gas demand is also expected to decline by 5%.
- **Impact on renewables:** While renewable energy sources have been affected by the pandemic, the report notes that they have been more resilient than other energy sources. Renewables are expected to account for the largest share of new power capacity additions in 2020.
- **Regional differences:** The report notes that the impact of the pandemic on energy demand has varied by region, with the largest decline in demand expected to be in Europe, followed by North America and then Asia.

- Government policies and recovery measures: The report highlights the importance of government policies and recovery measures in shaping the future of the energy sector. The IEA recommends that governments prioritize clean energy investment as part of their recovery plans.

The report provides a detailed analysis of how the COVID 19 pandemic has influenced global energy demand, with the oil and gas sectors being the hardest hit. The report also highlights the importance of government policies and recovery measures in shaping the future of the energy sector.

Kazakhstan is one of the world's largest producers and exporters of oil and gas, with significant reserves of both resources. The country's oil industry began to develop rapidly in the early 2000s, and today, it plays a major role in Kazakhstan's economy. According to the U.S. Energy Information Administration, Kazakhstan had 30 billion barrels of proven oil reserves and 85 trillion cubic feet of proven natural gas reserves as of January 2021. According to the Report of National Academy of Sciences of the Republic of Kazakhstan (2019) the Republic of Kazakhstan is home to 202 oil and gas fields, with an estimated recoverable oil resource of 7.8 billion tons and natural gas of 7.1 trillion tons.m3. A significant portion of these resources, about 70%, are situated in the western regions of Kazakhstan and are largely associated with subsalt deposits located at depths of approximately 5,000 meters or more. Currently, oil production takes place at 55 fields, with the largest fields being Tengiz (oil), Uzen (oil and gas), Karachaganak (oil and gas condensate), Zhanazhol (oil and gas condensate), and Kalamkas (oil and gas). Given the scale and complexity of the industry, long-term planning is crucial for oil companies. The domestic oil industry of Kazakhstan has attracted the participation of large foreign companies from over 45 countries, including the USA, UK, France, Italy, Switzerland, Germany, Russia, Japan, China, and Indonesia. These companies have invested a total of 150.1 billion US dollars in the oil and gas industry, including 18 billion US dollars in geological exploration, between 2000 and 2013. Over this period, the volume of investments increased by nearly five times, with the largest investment activity being displayed by companies such as North Caspian Operating Company (18%), JV Tengizchevroil (15%), JC Mangistaumunaigas (12%), JC CNPC-Aktobemunaigaz (11%), JC Ozenmunaigaz (8%), JC Embamunaigaz (4%), JC PetroKazakhstan Kumkol Resources (3%), JC Turgay-Petroleum (3%), JC Karazhanbasmunai (2.5%), and Buzachi Operating Ltd (2%).

According to a report by Fitch Ratings, some of the main companies in the oil and gas industry in Kazakhstan are KazMunayGas (KMG), Tengizchevroil (TCO), Karachaganak Petroleum Operating (KPO), and North Caspian Operating Company (NCOC). KMG is the national oil and gas company of Kazakhstan, responsible for managing the country's oil and gas reserves. TCO is a joint venture between Chevron, ExxonMobil, KazMunayGas, and LukArco, operating the Tengiz oil field. KPO is a consortium of several international oil and gas companies, including Royal Dutch Shell, ENI, Chevron, and KazMunayGas, operating the Karachaganak gas condensate field. NCOC is a consortium of several international oil and gas companies, including Shell, ExxonMobil, Total, and KazMunayGas, operating the Kashagan oil field. These companies are involved in various activities, including exploration, production, refining, transportation, and marketing of oil and gas in Kazakhstan. They play a crucial role in the development of Kazakhstan's economy, as the country heavily relies on its oil and gas industry for revenue and employment opportunities.

METHODOLOGY

The methodology used for this research involved conducting in-depth interview. A depth interview is a qualitative research method used to gather detailed and in-depth information from an individual about their experiences, attitudes, opinions, and beliefs on a particular topic. It is a form of structured conversation between the researcher and the participant, where the researcher asks open-ended questions and probes deeper into the participant's responses to gain a deeper understanding of their perspective. It has been conducted in-depth interviews with individuals who had extensive knowledge and experience in the oil and gas industry in Kazakhstan. The purpose of these interviews

was to gain insight into the strategic management challenges faced by the industry in the country. Participants for the interviews were selected based on their expertise in the oil and gas industry in Kazakhstan. The selection criteria included individuals who had held senior management positions in oil and gas companies operating in Kazakhstan, as well as individuals who had been involved in the development and implementation of strategic plans for the industry.

A semi-structured interview approach was used to allow for flexibility and in-depth exploration of the research topic. The interviews were conducted in person, likewise via video conferencing (using MS Teams, Zoom applications), and each session lasted between 45 minutes to an hour. Six interviews have been conducted with the following experts: Project Manager (5 years of experience in the oil & gas sector), Lead Asset Integrity Engineer (7 years of experience), Business Development Manager (6 years of experience), General Director (4 years of experience), Human Resource Manager (2 years of experience), Sales Manager (6 years of experience). The interview questions focused on topics such as the challenges faced by the industry in Kazakhstan, the strategic management practices employed by companies operating in the country, and the regulatory environment in the industry. The responses were then analyzed thematically to identify common trends and patterns. The data collected from the interviews was analyzed using a qualitative approach. The analysis involved identifying key themes and patterns in the responses given by the participants. These themes were then organized into a coherent framework, which provided insights into the strategic management challenges faced by the oil and gas industry in Kazakhstan.

Overall, the in-depth interview methodology was effective in providing rich and detailed insights into the strategic management challenges faced by the oil and gas industry in Kazakhstan. The results of the study can be used to inform policy decisions and strategic planning for the industry in the country.

It is crucial to make sure that ethical standards are observed throughout the research process when people participate. Ethics were taken into account in this study to safeguard the participants' rights and welfare. Informed consent was obtained from all participants before the interviews were conducted. Participants were given a detailed explanation of the purpose, procedure, potential risks and benefits of the study. They were also informed that their participation was voluntary and that they could stop the study at any time. Participants were assured that their responses were kept confidential and anonymous and that only researchers had access to their data.

FINDINGS AND ANALYSIS

According to the found data, it can be identified the following findings regarding the main strategic management challenges in Kazakhstan:

1. **Declining oil and gas reserves.** One of the essential key strategic management challenges confronting the oil and gas industry in Kazakhstan is the declining oil and gas saves. The country has been creating oil and gas for a few a long time, and the saves are getting exhausted. This postures a critical challenge to the industry because it should investigate unused oil and gas areas to preserve generation levels.
2. **Competition.** The oil and gas industry in Kazakhstan faces hardened competition from other worldwide players within the industry. Kazakhstan competes with nations such as Russia, Saudi Arabia, and the Joined together States, which have gigantic oil and gas saves. This competition postures a challenge to the industry in terms of advertise share, estimating, and productivity.
3. **Infrastructure.** Kazakhstan's oil and gas industry is confronting framework challenges. The industry needs critical ventures in foundation to back generation, transportation, and dissemination of oil and gas. The nation needs advanced framework such as pipelines, refineries, and capacity offices, which makes it troublesome to transport and store oil and gas.

4. **Technological advancement.** The oil and gas industry are rapidly evolving, and innovative progressions are changing the way the industry works. Kazakhstan's oil and gas industry needs to adopt new technologies such as Artificial Intelligence (AI), Internet of Things (IoT), and blockchain to remain competitive. However, the country lacks the necessary skills, knowledge, and infrastructure to adopt these technologies.
5. **Environmental concerns.** The oil and gas industry in Kazakhstan is facing increasing environmental concerns. The industry produces greenhouse gases, which contribute to climate change, and has a significant impact on the local environment. Kazakhstan needs to implement environmentally friendly policies and practices to mitigate the impact of oil and gas production on the environment.

The vital strategic management challenges confronting the oil and gas industry in Kazakhstan are complex and interrelated. Tending to these challenges requires a multi-pronged approach that includes the government, industry players, and other partners. To address the declining oil and gas reserves, the government has to energize investigation and generation of new oil and gas areas. This could be accomplished through the implementation of favorable arrangements and directions that pull in remote venture within the industry. To address competition, the industry players got to center on innovation, cost-cutting, and separation. Embracing modern advances, progressing effectiveness, and creating modern products and administrations can offer assistance Kazakhstan's oil and gas industry stay competitive within the worldwide showcase. To address foundation challenges, the government must contribute in building advanced framework such as pipelines, refineries, and storage offices. This requires critical ventures, but the long-term benefits in terms of expanded generation and productivity are worth the speculation. To address the technological advancement challenge, the industry players need to invest in research and development to adopt new technologies. The government can also provide incentives such as tax breaks and subsidies to encourage the adoption of new technologies. To address environmental concerns, the government needs to implement environmentally friendly policies and regulations. This can include setting emission standards, promoting renewable energy, and encouraging the adoption of clean technologies.

CONCLUSIONS

This article has verified the challenges of the strategic management of the oil & gas industry in Kazakhstan. Kazakhstan's oil and gas industry has been a significant contributor to the country's economy for several decades. However, the industry is facing a range of strategic management challenges that require urgent attention. This study utilized in-depth interviews with individuals who had extensive knowledge and experience in the industry to gain insight into these challenges. The findings revealed that declining oil and gas reserves, competition from other global players, infrastructure challenges, technological advancement, and environmental concerns are the main strategic management challenges facing the industry in Kazakhstan. To address these challenges, the government, industry players, and other partners need to work together to implement favorable policies and regulations, invest in infrastructure development, adopt new technologies, and promote environmentally friendly practices.

REFERENCES

1. Barney, J. B. (1991) "Firm resources and sustained competitive advantage", *Journal of Management*, 17(1), pp. 99-120.
2. Barney, J. B. and Hesterly, W. S. (2021) "Strategic management and competitive advantage: Concepts and cases," pp. 34-35, 68-69.
3. Firm Resources and Sustained Competitive Advantage (1991) Article.
4. Hilyard, J. (2018) "The Oil and Gas Industry: A Nontechnical Guide." pp. 76-79, 294-298.
5. Hitt, M. A., Ireland, R. D. and Hoskisson, R. E. (2017) "Strategic management: Concepts and cases: Competitiveness and globalization." 12th ed. pp. 8-13

6. International Energy Agency (IEA) (2020) “The Impact of the Covid-19 Crisis on Global Energy Demand.”
7. Jones, G. R. (2022) “Contemporary Management.” pp. 4-6, 129-132, 207-210.
8. National Academy of Sciences of the Republic of Kazakhstan (2019) Report.
9. National Bank of Kazakhstan (2020) Report.
10. U.S. Energy Information Administration (2021) Report.

The effect of the COVID19 Pandemic on the financial stability of the banking industry: the Case of Eurasian Economic Union countries

Guldana Utarova

Bang College of Business, KIMEP University

2 Abai Ave., Almaty, Kazakhstan

Guldana.Utarova@kimep.kz

ABSTRACT

The aim of research is to identify the influence of bank-specific and macroeconomic variables on banking sector stability in the case of Eurasian Economic Union countries. For this purpose, it uses KASE and World Bank Database. The data was received from 41 commercial banks of the Eurasian Economic Union countries (Russia, Belarus, Kazakhstan, Kyrgyzstan, and Armenia) that cover the period 2012-2021. The study applies the panel corrected standard error model (PCSE) to observe the relation of dependent and independent variables. Altman Z-score is used as an indicator of financial stability. Return on assets (ROA) is an indicator of company profitability. The originality of the research is a comparison of the factors that influence the stability and profitability of the banking industry in Eurasian Economic Union countries. The estimation findings of the research indicate that bank-specific and macroeconomic variables strongly impact the financial stability in the banking sector. For example, return on assets (ROA), bank size and corruption control are significantly and positively related with banks' stability. Z-score and liquidity have positive and significant impact on bank profitability. On the other hand, time dummies (2020-2021 years) negatively affects stability of the banking system.

KEYWORDS: Banking industry, financial stability, EAEU countries, profitability, Z-score, return on assets.

1 INTRODUCTION

It is important for policymakers and top managers to maintain the banking stability. It is necessary in both developing and developed countries. Government officials have been working to reform the banking system to enhance banking stability in response to the global crisis caused by COVID-19. In addition, the economic activity of the country depends on the banking industry. Therefore, monitoring the profitability and stability of banks is important for supporting the country's economy.

The coronavirus pandemic has engulfed the entire global community, and all spheres of activity. This inevitably brought about an economic crisis, especially in the vulnerable banking sector. Sharply falling incomes and credit holidays for borrowers led to a significant reduction in the revenues of the banking sector. Eurasian Economic Union countries are still struggling with the implications of the COVID-19 pandemic.

The aim of this research is identifying the effect of bank-specific and macroeconomic variables on the stability of the banking sector in Eurasian Economic Union countries.

The contribution of empirical work is a comparison of the factors that influence the stability and profitability of the banking industry in Eurasian Economic Union countries.

To observe the relation between the dependent and independent variables, a regression analysis was performed. The research employed the panel corrected standard error model (PCSE). Furthermore, the models were tested for robustness. According to the stationarity test, all variables have no unit root. The models are free of multicollinearity. Findings from the autocorrelation test suggest that autocorrelation does not occur. All variables occurs heteroscedasticity. To solve this problem, panel-corrected standard errors (PCSE) is used instead of ordinary least squares (OLS) models.

The results of the study's estimates suggest that bank-specific and macroeconomic variables strongly impact the financial stability and profitability in the banking industry. ROA and Z-score mutually positively influence each other, and it is statistically significant. Time dummies (2020-2021 years) negatively affects profitability, and it is statistically significant. However, the bank stability wasn't affected by time dummies. In other words the global crisis caused by COVID-19 affected the two variables differently.

2 LITERATURE REVIEW

The stability of the banking system is of benefit to financial regulatory agencies worldwide. Therefore, it is important to consider how important this issue is. Many authors have studied the stability of the banking sector from various perspectives. Mohammed Adem (2022) have focused on the influence of income diversification on the stability of banks and conducted an African cross-country analysis. Pham et al. (2021) and Tram & Nguyen (2020) have examined determinants of banking stability in Vietnam. The same topic was investigated by other scholars, but they analyzed banks from different countries. Although there is an extensive literature focusing on the stability of banks, only one article is relevant to the purpose of this study. Alexander Karminsky and Alexander Kostrov (2014) have compared the financial stability factors of banks in the CIS countries. The above-mentioned authors expect Gamze Danişman (2018) did not test multicollinearity, autocorrelation and heteroscedasticity before running regression analysis. The stability of banks depends on various factors such as bank-specific determinants and macroeconomic determinants. Bank-specific factors contain ROA as a proxy for profitability, bank size, liquidity, asset quality, capital adequacy, management efficiency and the time dummies (2020-2021 years). Macroeconomic determinants that can affect a bank stability include GDP growth, corruption control, political stability, inflation, unemployment and government effectiveness.

2.1 Dependent variable

The most commonly used model for identifying a company's stability is the Altman Z-score model, which has been used extensively by many researchers. The Z-score for bankruptcy prediction was provided in 1968 by Edward I. Altman.

The return on assets (ROA) is used as a dependent indicator of the second regression model. Many authors have studied the influence of factors on the return on assets in the banking industry. ROA is a ratio of profitability that measures how a business generates profits from total assets.

2.2 Independent variables

2.2.1 Bank-specific determinants

ROA: The return on assets is a measure of the company's profitability. In previous studies authors identified a significant positive relation between profitability and bank stability implying that higher earnings would provide the bank with more resources to deal with unforeseen costs (Karminsky & Kostrov, 2014), (Kasri & Azzahra, 2020), (Rupeika-Apoga et al., 2018).

Z-score: Z-score is a measurement of bank stability. Majed Alharthi (2016) and Mohammad Aladwan (2015) in their research identified a significant positive impact of Z-score on profitability. The stability of the banking sector indicates its profitability.

Bank size: The results of the studies of Karkowska & Pawłowska (2017) and Pham et al. (2021) reveal a positive and statistically significant impact between size and bank stability. Large banks are more financial stable because they benefit from economies of scale and scope. As a result, they have additional options for spreading out their risks. On the other hand, big banks rely on financial support from the state in the event of their failure and thus they take high credit risks. Accordingly, Tram & Nguyen (2020) found that bank size negatively affects stability. Aladwan's research shows that small banks outperform large banks.

Liquidity: A company's liquidity is its capacity to turn assets into cash (Beniston, n.d.). The effect of liquidity on banking stability and profitability has been studied by a few academics. According to Mohammed Adem (2022), there is a positive and strong correlation between liquidity and bank stability in African nations. Furthermore, the same positive relation was found by Rupeika-Apoga et al. (2018). Davis & Ali Abdilahi (2022) suggest that liquidity has a positive and significant impact on profitability. This is because liquidity makes banks less vulnerable to unexpected situations.

Asset quality: Asset quality is a significant determinant of Z-score and ROA. This is proved by Rahim et al. (2012) and Davis & Ali Abdilahi (2022) in their study. In addition, results show the positive relationships of bank stability and asset quality, and negative relationships between asset quality and profitability. The higher the asset quality, the lower level of bank credit risk. In an economic crisis, asset quality is a key indicator that will affect the bank stability and profitability.

Capital adequacy: Capital is a safety net for banks during a crisis, accordingly it reduces the insolvency risk. Thus, stability and capital adequacy have a positive and significant link. This confirms the findings of Gamze Danişman (2018) where capital adequacy ratio was calculated as the equity to total assets ratio.

Management efficiency: The cost to income ratio is used as a proxy of management efficiency. This indicator is significant and negatively affecting stability. Banks with low management efficiency are less stable and vulnerable. The result is consistent with Kasri & Azzahra (2020), where they researched the factors that affect bank stability in Indonesia.

2.2.2 Macroeconomic determinants

GDP growth: Based on the results, GDP growth rate is a significant factor which have a positive relation with financial stability. A expanding economy is helpful for the creation of a secure financial system. The higher GDP growth rate, the higher Z-score would be, therefore the bankruptcy risk would be lower. This result is consistent with the studies conducted by Rupeika-Apoga et al. (2018) and Tram & Nguyen (2020). According to Ghenimi et al. (2017), GDP growth negatively affects banking stability. However, Karkowska & Pawłowska (2017) found not statistically significant relation between economic growth and bank stability.

Corruption control: The positive significant relation between control of corruption and bank stability is confirmed in previous study (Davis & Ali Abdilahi, 2022). High corruption control can decrease bank risk-taking.

Political stability: The relationships between political stability and bank stability was examined by Dias (2021). The author observed a negative significant connection among two variables. A low level of political stability can undermine the country's economy. Consequently, the banking system will be unstable.

Inflation: The research findings indicate that Z-score and inflation rate have a significant positive relationship. This finding is in alignment with the studies of Rupeika-Apoga et al. (2018), Pham et al. (2021) and Tram & Nguyen (2020).

Unemployment: The influence of unemployment on bank profitability was studied by Jadah et al. (2020). The relationship between these variables is negative and statistically significant.

Government Effectiveness: The World Bank Group has developed a government performance index that indicates the quality of public services, policy formulation, civil service. Dias (2021) research findings demonstrate that government effectiveness and bank stability have positive relationship and it is statistically significant.

2.3 Hypotheses of the study

Based on the above studies, the following hypotheses are assumed to analyze the influence of factors on the stability in the banking system:

H1: Profitability and bank stability mutually positively influence each other.

H2: Bank size has positive influence on banking stability.

H3: Relationship of liquidity and bank stability is positive.

H4: Asset quality is positively affecting stability in the banking industry.

H5: Capital adequacy and banking stability have positive relationship.

H6: Management efficiency has negative influence on stability in banking system.

H7: The GDP growth and bank stability relation is positive.

H8: Corruption control positively affects banking stability.

H9: Political stability negatively affects bank stability.

H10: Inflation has positive impact on banking stability.

H11: Relationship between unemployment and bank profitability is negative.

H12: Government effectiveness positively affects stability of banking industry.

H13: Time dummy has negative influence on bank stability.

3 DATA AND METHODOLOGY

3.1 Data

The study is conducted to identify the drivers of the stability in the banking industry of Eurasian Economic Union countries. Annual data on 41 commercial banks of the Eurasian Economic Union countries (Russia, Belarus, Kazakhstan, Kyrgyzstan, and Armenia) cover the period 2012-2021. The data is retrieved from the banks' financial statements during the above-mentioned period. Macroeconomic indicators are additionally gathered from the World Bank database. The panel data statistics was used in this study.

3.2 Methodology

Based on the results of the multicollinearity, autocorrelation and heteroscedasticity tests, PCSE (panel corrected standard error) was utilized for regression analysis. This model is used if number of variables > time period ($N > T$). The research data cover 14 variables and 10 years. Z-score is a measurement of bank stability and calculated using Groeneveld and De Vries (2009) presented equation (1):

$$Z - \text{score} = \frac{ROA + \frac{E}{A}}{\sigma(ROA)} \quad (1)$$

Where,

ROA (return on assets) – net income to total assets ratio;

E/A – equity to total assets ratio;

$\sigma(ROA)$ – standard deviation of net income to total assets.

The dependent variable of the second regression model is the return on assets (ROA), which is calculated as shown in equation (2):

$$ROA = \frac{\text{Net income}}{\text{Total assets}} \quad (2)$$

In order to identify the drivers of banking stability and profitability, regression models were conducted, as follows (3), (4):

$$\begin{aligned} Z\text{-score} = & \beta_0 + \beta_1(ROA) + \beta_2(SIZE) + \beta_3(LIQ) + \beta_4(ASQ) + \beta_5(CAR) + \beta_6(MEFF) \\ & + \beta_7(GDP) + \beta_8(COR) + \beta_9(PS) + \beta_{10}(INF) + \beta_{11}(UNEMP) + \beta_{12}(GEFF) \\ & + \beta_{13}(DUMMY) + \varepsilon \end{aligned} \quad (3)$$

$$\begin{aligned}
\text{ROA} = & \beta_0 + \beta_1(\text{Z-score}) + \beta_2(\text{SIZE}) + \beta_3(\text{LIQ}) + \beta_4(\text{ASQ}) + \beta_5(\text{CAR}) + \beta_6(\text{MEFF}) \\
& + \beta_7(\text{GDP}) + \beta_8(\text{COR}) + \beta_9(\text{PS}) + \beta_{10}(\text{INF}) + \beta_{11}(\text{UNEMP}) + \beta_{12}(\text{GEFF}) \\
& + \beta_{13}(\text{DUMMY}) + \varepsilon
\end{aligned}
\tag{4}$$

Where,

ROA – return on assets as a proxy of profitability;

Z-score – measurement of profitability;

SIZE – natural logarithm of total assets;

LIQ – ratio of current assets to current liabilities as a measure of liquidity;

ASQ – total loans to total assets as an indicator of asset quality;

CAR – total equity to total assets as a measure of capital adequacy;

MEFF – ratio of cost to income as a management efficiency indicator;

GDP – GDP growth rate;

COR – level of corruption control;

PS – political stability index;

INF – inflation rate;

UNEMP – unemployment rate;

GEFF – government effectiveness index;

DUMMY – 2020-2021 year.

4 EMPIRICAL RESULTS

Theoretically, the research is based on a panel corrected standard error model (PCSE) because the number of variables is greater than years studied. The research data cover 14 variables and 10 years. Before running the regression analysis, the models were tested for robustness. This is necessary to select the best model. The stationarity test reveals that all variables have no unit root. The multicollinearity test results showed a value below 5 consequently the models are free from multicollinearity. Based on results of autocorrelation test, there is no autocorrelation. Heteroscedasticity is less than 0.01, so it can be concluded that all variables occurs heteroscedasticity. Consequently, hypotheses tests and confidence intervals cannot relied on. To solve this problem, panel-corrected standard errors (PCSE) is used instead of ordinary least squares (OLS) models.

The variables' descriptive statistics are shown in Table 1. The research includes 41 commercial banks of the Eurasian Economic Union countries (Russia, Belarus, Kazakhstan, Kyrgyzstan, and Armenia) cover the period 2012-2021.

Table 1 Descriptive Statistics

Variable	Obs	Mean	Min	Max	Std.Dev.
Z-score	410	1.278489	-5.685	4.353	1.096088
ROA	410	0.0167835	-0.324299	0.2780482	0.0357032
Size	410	5.907543	3.966986	7.803752	0.8080008
LQR	410	0.2477365	0.0082272	1.842542	0.2124835
ASQ	410	0.6142862	0.0049733	1.002414	0.156495
CAR	410	0.1891122	-0.1578189	0.9979596	0.1770807
MEFF	410	0.5534206	0.1118907	1.778409	0.2261001

GDP	410	0.0203634	-0.084	0.109	0.0279163
CCOR	410	-0.6708277	-1.161999	0.0721499	0.3252946
PS	410	-0.3865967	-1.029335	0.3480572	0.3900175
INF	410	0.0812778	-0.0140361	0.5921974	0.0821274
UNEMP	410	0.0600961	0.005	0.416	0.0591593
GEFF	410	-0.2720191	-0.967427	0.1379308	0.2898821

Source: Calculated from research results

The descriptive statistics results shows that the highest Z-score is 4.353 for First Heartland Jusan Bank JSC in Kazakhstan (2019). Further, the minimum value of Z-score is -5.685 for Bank RBK JSC (2017). In addition, ROA has an average value of 1.68% with the lowest value of -32% and the maximum value of 27.8%. It shows a significant gap in bank stability and ROA. Moreover, bank's size, liquidity (LQR), asset quality (ASQ), capital adequacy (CAP), and management efficiency (MEFF) have an average value of 5.907, 0.247, 0.614, and 0.553 respectively, with a significant distinction. Macroeconomic variables have a huge range too.

The table 2 below shows correlation test which show how closely related the dependent and independent variables.

Table 2 Correlation Analysis

	Z-score	ROA	Size	LQR	ASQ	CAR	MEFF	GDP	CCOR	PS	INF	UNEMP	GEFF
Z-score	1.000												
ROA	0.787	1.000											
Size	0.154	0.081	1.000										
LQR	0.069	0.081	0.025	1.000									
ASQ	0.016	0.053	0.012	-0.169	1.000								
CAR	-0.008	0.028	-0.14	0.003	0.092	1.000							
MEFF	-0.244	-0.193	-0.024	-0.011	-0.054	0.029	1.000						

GDP	0.05 9	0.03 6	- 0.11 6	- 0.00 3	0.08 3	- 0.00 6	- 0.08 5	1.00 0					
CCOR	0.02 5	0.03 1	- 0.00 2	0.01 8	- 0.32 3	0.04 5	- 0.05 9	- 0.13 7	1.00 0				
PS	- 0.01 2	0.00 3	- 0.01 4	- 0.00 2	- 0.17 8	- 0.12 4	- 0.18 4	0.12 1	0.52 7	1.00 0			
INF	- 0.05 1	- 0.03 7	0.09 6	0.01 4	- 0.02 8	- 0.05 9	- 0.00 4	- 0.16 1	0.15 5	0.24 0	1.00 0		
UNEM P	- 0.06 8	- 0.04 7	- 0.14 6	- 0.04 5	- 0.04 8	0.17 2	0.03 5	0.06 5	0.23 2	0.14 9	- 0.23 9	1.000 0.23 9	
GEFF	0.06 4	0.05 7	0.04 7	0.06 3	- 0.10 1	- 0.01 8	- 0.09 5	- 0.01 6	0.07 5	0.16 3	- 0.40 6	0.158 0.40 6	1.00 0

Source: Calculated from research results

As a result, a high correlation is found between Z-score and ROA, Z-score and bank size, political stability and corruption control, inflation and political stability, unemployment and control of corruption. Other variables have a modest correlation. There are also negative correlations.

According to table 3, the mean of VIF is less than 5, indicating that there is no multicollinearity in the models. The regression models show a valid correlation between the independent variables. No corrections are required to the models.

Table 3 Variance Inflationary Factor (VIF)

Variables	Z-score	ROA
PS	2.14	2.14
CCOR	1.99	1.98
GDP	1.89	1.90
Year 2020	1.76	1.76
INF	1.65	1.65
GEFF	1.39	1.39
Year 2021	1.39	1.39
UNEMP	1.24	1.24
ASQ	1.22	1.22
MEFF	1.13	1.15

CAR	1.10	1.10
SIZE	1.08	1.10
LQR	1.07	1.06
ROA	1.07	-
Z-score	-	1.11
Mean VIF	1.44	1.44

Source: Calculated from research results

The article uses the results estimated by panel-corrected standard error model (PCSE). Table 4 displays the outcomes of estimating the variables in the PCSE model.

Table 4 PCSE regression

	Z-score (model 1)	ROA (model 2)
ROA	21.082*** (16.92)	-
Z-score	-	0.026*** (15.83)
Size	0.129*** (2.16)	-0.001 (-1.03)
Liquidity	-0.2104 (-1.32)	0.011*** (2.30)
Asset quality	-0.397 (-1.38)	0.015 (1.25)
Capital adequacy	-0.006 (-0.02)	0.011 (1.12)
Management efficiency	-0.146 (-0.80)	-0.008 (-1.10)
GDP growth	1.081 (1.03)	-0.024 (-0.66)
Control of corruption	0.255** (1.91)	-0.0002 (-0.03)
Political stability	-0.191 (-1.53)	0.003 (0.65)

Inflation	-0.337 (-1.15)	0.001 (0.16)
Unemployment	-0.115 (-0.37)	-0.005 (-0.52)
Government Effectiveness	-0.071 (-0.52)	0.004 (0.69)
Year 2020	0.014 (0.14)	-0.006* (-1.83)
Year 2021	0.094 (0.90)	-0.005* (-1.62)
Constant	0.561 (1.24)	-0.014 (-1.04)
R-squared	0.681	0.609
Observations	410	410
Number of groups (banks)	41	41

Source: Calculated from research results

Note: * $p < 0.10$, ** $p < 0.05$, *** $p < 0.010$.

After conducting test on the robustness of the model, the panel-corrected standard error model (PCSE) was chosen. Table 4 presents the results of regression in which Altman The Z-score is used as a measurement of banking stability and profitability is proxied by ROA. The results suggest that 1% increase in constant variable will increase Z-score and decrease ROA by 0.561% and 0.014%, and it is not significant, that is to say there will be no change in these dependent variables. Asset quality, capital adequacy, management efficiency, GDP, political stability, inflation, unemployment and government effectiveness have no impact on Z-score and ROA, due to its non-significance. Liquidity does not have any influence on bank stability. Furthermore, control of corruption and bank size do not affect profitability. ROA and Z-score mutually positively influence each other, and it is statistically significant. 1% increase in return on assets that will increase bank's stability by 21.08%. When profit increase, there is more funds for the bank to cover unforeseen expenses. This result is similar to the results in previous empirical studies (Karminsky & Kostrov, 2014), (Kasri & Azzahra, 2020), (Rupeika-Apoga, 2018). 1% increase in Z-score, profitability will rise by 0.026%. A high Z-score suggests lower bankruptcy risk and greater financial stability. Accordingly, the stability of the bank indicates its profitability. Majed Alharthi (2016) found a positive influence between Z-score and profitability. Size of the bank has a significant positive influence on banking stability. 1% increase in bank size, Z-score will go up by 0.129%. Large banks have more options for risk diversification, so they are more stable. This result aligned with outcomes of Karkowska & Pawłowska, M. (2017) and Pham et al. (2021). However, the opposite result in Tram & Nguyen (2020) study showed that bank size negatively affects the stability of bank. Liquidity has positive impact on profitability, and it is statistically significant. 1% increase in liquidity, profitability will rise by 0.011%. A high level of liquidity reflects the bank's profitability. Davis & Ali Abdilahi (2022) assert that liquidity has a significant and positive impact on profitability. The result showed the positive and significant relation between corruption control and the stability of the bank. If level of

control of corruption will increase by 1%, banking stability will rise by 0.255%. A prior study found a positive correlation between these variables (Dias, 2021). A high level of corruption control can reduce a bank risk-taking. Time dummy 2020 and 2021 years do not have any impact on bank's stability, due to its non-significance. Profitability is negatively impacted by time dummy 2020 and 2021 years. And it is statistically significant, in other words the financial crisis caused by COVID-19 affected the two variables differently. 1% increase in time dummy 2020 and 2021 years, ROA will reduce by 0.006% and 0.005%.

R-squared shows how well the data fit the regression model. In model 1 (Z-score) 68% of variations in dependent variable, can be explained by variations in independent variables, and in model 2 (ROA) – 60%. F test shows that the whole model is best fitted or financially validated.

5 CONCLUSION

In this study, the impact of macroeconomic and bank-specific factors on the stability of the banking sector in EAEU countries was investigated. For regression analysis, the panel corrected standard error model (PCSE) was employed. The World Bank database is used to retrieve the data. Moreover, the data was received from 41 commercial banks of the Eurasian Economic Union countries (Russia, Belarus, Kazakhstan, Kyrgyzstan, and Armenia) between 2012 and 2021. It was discovered that ROA and Z-score mutually positively affecting each other, and it is significant. Bank size and control of corruption have significant positive relationship with banking stability. Liquidity have significant positive impact on profitability. However time dummy 2020 and 2021 years negatively affecting profitability in banking industry of EAEU countries. The above independent variables affected the two dependent variables differently.

These findings may help policymakers and bank regulators to maintain the bank's stability. High corruption and high asset quality lead to increased credit risks, so this needs to be monitored closely. In addition, the bigger the banking assets are the higher their profitability. Finally, future research might perform a comparative analysis between EAEU countries on indicators of stability or profitability.

6 REFERENCES

1. Adem, M. (2022). Impact of income diversification on bank stability: a cross-country analysis. *Asian Journal of Accounting Research*, (ahead-of-print).
2. Aladwan, M. S. (2015). The impact of bank size on profitability "an empirical study on listed Jordanian commercial banks". *European Scientific Journal*, 11(34).
3. Alharthi, M. (2016). The determinants of efficiency, profitability and stability in the banking sector: a comparative study of Islamic, conventional and socially responsible banks.
4. Beniston, S. (n.d.). Liquidity. *BDC Advisory Services*. <https://www.bdc.ca/en/articles-tools/entrepreneur-toolkit/templates-business-guides/glossary/liquidity#>
5. Danişman, G. (2018). Determinants of bank stability: A financial statement analysis of Turkish banks. *Sosyoekonomi*, 26(38), 87-103.
6. Davis, E. P., & Ali Abdilahi, R. (2022). *Econometric Analysis of the Determinants of Bank Profitability in Three Major African Counties: Kenya, Nigeria and South Africa* (No. 536). National Institute of Economic and Social Research.
7. Dias, R. (2021). Capital regulation and bank risk-taking—new global evidence. *Accounting & Finance*, 61(1), 847-884.

8. Ghenimi, A., Chaibi, H., & Omri, M. A. B. (2017). The effects of liquidity risk and credit risk on bank stability: Evidence from the MENA region. *Borsa Istanbul Review*, 17(4), 238-248.
9. Groeneveld, J. M., & de Vries, B. (2009). European cooperative banks: first lessons from the subprime crisis. *International Journal of Co-operative Management*, 4, 8-22.
10. Jadah, H. M., Alghanimi, M. H. A., Al-Dahaan, N. S. H., & Al-Husainy, N. H. M. (2020). Internal and external determinants of Iraqi bank profitability. *Banks and Bank Systems*, 15(2), 79-93.
11. Karkowska, R., & Pawłowska, M. (2017). The concentration and bank stability in Central and Eastern European countries. Narodowy Bank Polski, Education & Publishing Department.
12. Karminsky, A., & Kostrov, A. (2014). Comparison of bank financial stability factors in CIS countries. *Procedia Computer Science*, 31, 766-772.
13. Kasri, R. A., & Azzahra, C. (2020). Determinants of Bank Stability in Indonesia. *Signifikan: Jurnal Ilmu Ekonomi*, 9(2), 153-166.
14. Pham T.T., Dao L.K.O., & Nguyen V.C. (2021). The determinants of bank's stability: a system GMM panel analysis. *Cogent Business & Management*, 8(1), 1963390.
15. Rahim, S. R. M., Hassan, N. M., & Zakaria, R. H. (2012). Islamic Vs. Conventional Bank Stability: 'A Case Study Of Malaysia'. *Prosiding Persidangan Kebangsaan Ekonomi Malaysia Ke VII*, 840.
16. Rupeika-Apoga, R., Zaidi, S. H., Thalassinou, Y. E., & Thalassinou, E. I. (2018). Bank stability: The case of Nordic and non-Nordic banks in Latvia.
17. Tram, T. X. H., & Nguyen, T. N. (2020). Factors affecting the stability of commercial banks in Vietnam.

Factors Affecting the Satisfaction Rate of Kazakh Citizens with the Government's Responses to Covid-19

Akbota Akkin

Bang College of Business, KIMEP University

Abay 4, Almaty, Kazakhstan 050020

akbota.akkin@kimep.kz

ABSTRACT

In my research, I have looked into the variables that might be significant when we talk about people's satisfaction with the government's support measures against Covid-19. My sample consists of 103 Natural persons and 100 Entrepreneurs of SMEs in Kazakhstan. The survey took place in the period between September-December 2020. I used both ordinary least square (OLS) and Probit model regressions to test variables used previously in the works of Chen et al in 2020 and 2021. Since my research covers financial and economic aspects of supporting measures, only "economic support" was used as one of the important variables in my model. Chen et al (2020) listed 4 other factors like cases, death rate, containment and health policies, and the strictness of lockdown. In another piece of literature written by Chen et al (2021), I used Policy Expectation which was identified in the question of whether the funding amount allocated by the government was enough for people or not, or what was the speed of getting the support. In both cases, results in OLS Regression for natural persons and entrepreneurs show that the models are explained by 81,55% and 74,5%, respectively. About half of the individuals who participated in the research were dissatisfied with the government support measures with a mean value of 4,98 points out of 10, for entrepreneurs even worse 4,32. The satisfaction rate of men was higher than that of women. Most respondents claimed that the funding amount allocated by the government was not enough, and that was one of the main factors that influenced people's satisfaction, another crucial factor was the occurrence of any problems during the application process. In terms of entrepreneurs, the more they suffered the loss, their satisfaction rate decreased in the same manner.

KEYWORDS: Covid-19, public satisfaction, government support measures, the validity of support received, OLS and Probit Regression Models

1. INTRODUCTION

This paper will analyze the number of different factors that influenced the satisfaction rate of individuals and entrepreneurs with the government support provided during the pandemic in Kazakhstan.

The most important aspects of our lives, including the economy, production, medicine, business, tourism, entertainment, and even our lifestyle have been impacted by the coronavirus. The first to react to an emergency was the global market. Global stock markets suffered as it was realized that the coronavirus will not go away in a short period of time. The S&P 500 Record had its worst week since the global financial crisis of 2008 when the CDC issued an open warning about the coronavirus, falling by more than 11% during the final week of February 2020. (*The New York Times*, n.d.) On the other hand, when financial professionals shifted their focus from risky to safe-haven resources, the yield on the benchmark 10-Year US Treasury reached an all-time high. Gold had a rise

as well, including its strong advance since January 2020, the price of oil decreased by 24%. (Stevens, 2020)

From the start of Spring 2020 to the present, Kazakhstan has faced issues relating to the virus, and like many other economies, there have been several changes in a number of governmental sectors, including healthcare, education, commerce, production, tourism, etc. Since the majority of the population had lost their occupations and had no option to find an alternative, they had comparatively hard times between March 2020 and July 2020, which made it impossible for them to supply their families with the necessities. Besides, business owners also had problems. In Kazakhstan, entrepreneurs and businessmen take a crucial role in economic development, since they provide the government with funds (taxes), open new job places, and help to reduce unemployment and many more. As a result, we can see that the private sector as a whole was going through difficult times, including poor sales, declining cash flows, paying rent on buildings that did not generate profits like they did prior to the pandemic, paying taxes, and other issues that might destroy a business. Nonetheless, the Government made a significant effort to provide financial support to both individuals and organizations in an attempt to stabilize the economy. But how effectively?

Individuals and legal entities received different types of government support including a social allowance of 42 500, utility pay reduction, loan holidays for natural persons, and tax exemptions for entrepreneurs. Therefore, 2 response groups will be formed. Natural persons' responses vary with gender, age group, city, type of government support received, lead time of the support, the sufficiency of the allowance, and the existence of problems during the application for support. Owners of the businesses will include all factors discussed above plus business type, the percentage of employees that they had to fire, and the percentage of loss. Relying on the answers, probit-model regression analyses will be derived.

Research question 1 is: What are the factors affecting the satisfaction rate of natural persons with government support during Covid-19?

X – independent variables: Gender, City, Age group, Validity of support received, Type of support received, Lead time of the support (speed), Sufficiency of the allowance, Occurrence of any problems during the application for government support

Research question 2 is: What are the factors affecting the satisfaction rate of entrepreneurs with government support during Covid-19?

X – independent variables: Gender, City, Age, Business Type, Validity of support received, Type of support received, Existence of a case with Employee Decruitment, Percentage of Loss

Y – dependent variable:

- Satisfaction rate

The hypothesis test for *individuals* will look as follows:

Hypothesis 1 (H1): Gender has a positive influence on the Satisfaction rate.

Hypothesis 2 (H2): City has a positive influence on the Satisfaction rate.

Hypothesis 3 (H3): The age group has a positive influence on the Satisfaction rate.

Hypothesis 4 (H4): The validity of support received has a positive influence on the Satisfaction rate.

Hypothesis 5 (H5): The type of support received has a positive influence on the Satisfaction rate.

Hypothesis 6 (H6): The lead time (speed) of support has a negative influence on the Satisfaction rate.

Hypothesis 7 (H7): The sufficiency of the allowance has a positive influence on the Satisfaction rate.

Hypothesis 8 (H8): The occurrence of any problems during the application for support has a negative influence on the Satisfaction rate.

The hypothesis test for *entrepreneurs* will look as follows:

Hypothesis 1 (H1): Gender has a positive influence on the Satisfaction rate.

Hypothesis 2 (H2): City has a positive influence on the Satisfaction rate.

Hypothesis 3 (H3): The age group has a positive influence on the Satisfaction rate.

Hypothesis 4 (H4): The validity of support received has a positive influence on the Satisfaction rate.

Hypothesis 5 (H5): The type of support received has a positive influence on the Satisfaction rate.

Hypothesis 6 (H6): The Business type has a positive influence on the Satisfaction rate.

Hypothesis 7 (H7): Employee decruitment has a negative influence on the Satisfaction rate.

Hypothesis 8 (H8): The percentage of loss has a negative influence on the Satisfaction rate.

Regression model for *individuals*:

Satisfaction = f (Gender, Age, City, RecGovSup, SuppType, SuppSpeed, Enough, ProblemsOcc)

Regression model for *entrepreneurs*:

Satisfaction = f (Gender, Age, City, Business Type, Received GovSup, SuppType, EmplDecruitm, Loss%)

2. LITERATURE REVIEW

In 2020, Chen et al. analyzed 5 factors that may influence the people's satisfaction rate with government support measures against Covid-19: the number of confirmed cases and deaths/per million population, the government's containment and health policies, the strictness of "lockdown style", and economic support measures. They conducted a survey for a sample of 14 276 adults from 14 countries including 12 western countries and 2 Asian countries. According to the results, "cases," "deaths," "containment and health policy," and "economic support" are significant determinants of how residents are satisfied with the government response strategies of non-Asian nations. The first two factors specifically show how effectively governments control COVID-19 spread. Since it has a few estimates with positive values among primarily negative values, the regressor "economic support" is one of the selected regressors that are relatively less significant. The grave global pandemic problem has caused people to look to their governments for guidance and hope. Because there is less trust in the government in nations with a large number of documented COVID-19 instances and fatalities, it makes sense that "cases" and "deaths" would have a negative impact on citizens' contentment. There was found a negative correlation between both "satisfaction" and "economic assistance", and "satisfaction" with "health." Results demonstrate that governments, who have been overburdened by the COVID-19 issue, have tightened containment rules and focused more on financial support and health protection programs, which has resulted in lower levels of public satisfaction. They also showed that individuals are more interested in the outcomes of their governments' fight against COVID-19 (the number of confirmed cases and fatalities per million people) compared with the measures governments propose. The approval of any national reaction to COVID-19 is influenced by economic support and health policy.

Another research paper written by Chen et al (2021) concentrated on Nanjing, China where the pandemic started. The sample was 516 people. Explanatory variables were: Perceived Quality (PQ) which measures the citizens' awareness and knowledge about Covid-19; Policy Expectation (PE) implies people's expectations about the effectiveness, feasibility, the response speed of the government institutions and their policies; Resident Complaints (RC) includes cases of whether a respondent shared with his/her complaint or dissatisfaction to particular parties; Resident Trust (RT) include cases when individual praised and supported the government's pandemic prevention policies; and Disaster Situation (DS) explains the extent of the impact of the pandemic on citizens' daily lives and both mental and physical health. The results gave that Disaster situations frequently have a direct impact on the Resident Complaints of Service Satisfaction in the form of Policy Expectations during public health emergencies. Also, the more citizens were affected by the disaster situations, the satisfaction rate was lower. Public Expectations had a strong negative correlation with the satisfaction rate. Residents' satisfaction significantly rose when Perceived Quality was improved, showing that PQ had a significant positive impact on SS. PQ, PE, DS, RC, and RT all had significant effects on SS, but only DS had both direct and indirect effects.

3. METHODOLOGY

3.1. Data Description

The dependent, response variable (Y) is the Satisfaction rate that varies from 1 to 10, where 1 is "dissatisfied at all" and 10 is "well satisfied" with the government support measures.

In both cases with natural persons and entrepreneurs, there were formed 8 predictors, explanatory (X) variables. For natural persons, X variables include: Gender (“Male” – 0, “Female” – 1), City (13 cities in Kazakhstan), Age Group (“less than 20” – 1, “21-30” – 2, “31-40” – 3, “41-50” – 4, and “more than 50” – 5), Received Government Support (“Yes” – 1, “No” – 0), Support Type (“No support” – 0, “42500” – 1, “Utilities discount” – 2, “Loan postponement” – 3), if the allowance was enough/not, Problems Occurred during the application for support (“Yes” – 1, “No” – 0).

For owners of SMEs, 8 variables are: Gender (“Male” – 0, “Female” – 1), City (17 cities in Kazakhstan), Age Group (“less than 20” – 1, “21-30” – 2, “31-40” – 3, “41-50” – 4, and “more than 50” – 5), Business Type (14 Business Types), Received Government Support (“Yes” – 1, “No” – 0), Support Type (“No support” – 0, “50% exemption from taxes” – 1, “rent payment exemption” – 2, “loan postponement” – 3, “100% exemption from taxes” – 4, “financial allowance” – 5), Employees fired (“Yes” – 1, “Partially” – 2, “No” – 0), The percentage of loss incurred (“0%” – 0, “0%-15%” – 1, “15%-20%” – 2, “25%-35%” – 3, “35%-45%” – 4, “more than 45%” – 5).

3.4. Estimation

To test the Hypotheses, R-studio was used. Government Support for Individuals and for SMEs were tested separately. In both cases Probit models were designed, since dependent variable – Satisfaction of the people and entrepreneurs are varied in numeric order from 1 to 10 and with 2 values – whether they were satisfied with the government support or not. In statistical modeling, binary or dichotomous Y variables are modeled using probit models. This implies that there are only two possible values for the outcome of interest. These models are typically used to forecast whether or not something will occur.

The following formula can be used to express the Probit model:

$$\Pr(Y = 1|X) = \Phi(Z) \quad (1)$$

where,

$$Z = b_0 + b_1X_1 + b_2X_2 + \dots + b_nX_n \quad (2)$$

Given the variables X, Y is the response variable and measures the likelihood that the event will occur (Y = 1). The CDF of standard normal distribution function is represented by Φ . Using coefficients ($b_0, b_1, b_2 \dots b_n$), explanatory variables (X) are combined linearly to form Z. (Kumar, 2023).

4. RESULTS

4.1. Government Support for Individuals

> # Regression coefficients

> olsreg <- lm(Y~X)

> summary(olsreg)

Call:

lm(formula = Y ~ X)

Table 1. OLS Regression Coefficients (r-studio).

	Estimate	Std. Error	t value	Pr(> t)
(Intercept)	4.78744	0.84063	5.695	1.4e-07 ***
XGender	-0.50833	0.48082	-1.057	0.0293
XCity	0.03165	0.07998	0.396	0.6932
XAge	0.05899	0.18671	0.316	0.7527
XRecGovSup	0.03532	1.23908	0.029	0.0977
XSuppType	0.33501	0.54284	0.617	0.0539
XSuppSpeed	-0.14540	0.48514	-0.300	0.0765
XEnough	1.59401	0.77237	2.064	0.0418 *
XProblemsOcc	-0.62665	0.58361	-1.074	0.0286

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 2.191 on 94 degrees of freedom
Multiple R-squared: 0.8352, Adjusted R-squared: 0.8155
F-statistic: 1.836 on 8 and 94 DF, p-value: 0.07981

The table above demonstrates the results of the Simple Linear Regression Model. The command was executed using the linear model assigned as “olsreg”. The Regression equation will be:

$$\bar{Y} = 4,787 - 0,508\text{Gender} + 0,031\text{City} + 0,059\text{Age} + 0,035\text{RecGovSup} + 0,335\text{SuppType} - 0,145\text{SuppSpeed} + 1,594\text{Enough} - 0,627\text{ProblemsOcc} + e$$

- If I add one more female to the model, individuals' satisfaction with government support will decrease by 0,508 points.
- An additional increase in the number of the city in the model will result in a 0,031-point increase in individual satisfaction with government support.
- An additional increase in people's age will bring a 0,059-point increase in individuals' satisfaction with government support.
- An additional increase in people number answered “the funding was enough” to the model will result in a 1,594-point increase in individuals' satisfaction with the government support.
- The more additional problems occur, people's satisfaction will decrease by 0,627 points.

Except for City and Age variables, other variables are statistically significant, the p-value is less than alpha. There is reliable evidence against the Null Hypothesis. The model is explained by 81,55% which is good, the conclusions driven using this model may be accurate.

F-stat is 1,836 while F-critical is 0,079. [F stat]>[F critical] => all of the coefficients are jointly important. Then we can Reject the Null.

```
> # Probit model coefficients
> z <- Y/10
> PROBIT <- glm(z~X, family = binomial(link = "probit"))
> View(PROBIT)
> summary(PROBIT)
```

Call:

```
glm(formula = z ~ X, family = binomial(link = "probit"))
```

Table 2. Probit Model Regression Coefficients (r-studio).

	Estimate	Std. Error	z value
Pr(> z)			
(Intercept)	-0.052040	0.484416	-0.107
0.0914			
XGender	-0.129603	0.277034	-0.468
0.0640			
XCity	0.008130	0.045974	0.177
0.8601			
XAge	0.014498	0.107591	0.135
0.0893			
XRecGovSup	0.005331	0.716635	0.007
0.0994			
XSuppType	0.088297	0.318548	0.277
0.7821			
XSuppSpeed	-0.037232	0.279861	-0.133
0.0894			
XEnough	0.413466	0.450721	0.917
0.0359			
XProblemsOcc	-0.159749	0.337619	-0.473
0.0636			

Null deviance: 24.196 on 102 degrees of freedom
Residual deviance: 21.324 on 94 degrees of freedom AI
C: 150.11

Number of Fisher Scoring iterations: 3

Table 2 demonstrates the results of the Probit Regression Model. The command was executed using the linear model assigned as “probit”. The Regression equation will be:

$$\bar{Y} = -0,052 - 0,129\text{Gender} + 0,008\text{City} + 0,014\text{Age} + 0,005\text{RecGovSup} + 0,088\text{SuppType} - 0,037\text{SuppSpeed} + 0,413\text{Enough} - 0,159\text{ProblemsOcc} + e$$

- An increase in the number of females decreases the likelihood that y=1 (the likelihood that people are satisfied) by 13%.

- An additional increase in the number of cities in the model increases the likelihood that people are satisfied by 0,8%.

- An additional increase in people number answered “the funding was enough” for the model Increases the likelihood that individuals are satisfied with government support by 41%.

- The more additional problems occur, the likelihood that people are satisfied will decrease by 16%.

The ratio of the respective predictor’s coefficient to standard error is the test statistic z. The Coef is not equal to 0, which is a 2-sided H_a that is tested against the z value, which has a conventional normal distribution.

$Pr>|z|$ is the likelihood that the z-test statistic, given the presence of all other predictors in the model, would be observed under the H_{null} that a particular predictor’s regression coefficient is 0. $P>|z|$ decides whether or not the H_{null} may be rejected for a specific alpha level. The H_{null} can be rejected (statistically significant) at that alpha level if $Pr>|z|$ is small than the alpha. (stats.oarc.ucla.edu, nd). In our case, I reject the Null, since almost all variables have had $Pr>|z|$ less than 5%, despite of city and type of support.

4.2. Government Support for SMEs

> # Regression coefficients

> olsreg <- lm(Y~X)

> summary(olsreg)

Call:

lm(formula = Y ~ X)

Table 3. OLS Regression coefficients. SMEs (r-studio).

	Estimate	Std. Error	t value	Pr(> t)
(Intercept)	6.17567	0.87334	7.071	3.05e-10 ***
XGender	-0.10425	0.47444	-0.220	0.82656
XCity	0.10645	0.05444	1.955	0.05361 .
XAge	-0.27178	0.22585	-1.203	0.23196
XBusiness Type	-0.12190	0.06411	-1.902	0.06039 .
XReceived GovSup	0.79510	0.75858	1.048	0.29735
XSuppType	0.08905	0.24353	0.366	0.07154
XEmplDecruitm	0.17430	0.28182	0.618	0.05378
XLoss%	-0.40529	0.13630	-2.974	0.00377 **

Signif. codes: 0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Residual standard error: 2.179 on 91 degrees of freedom

Multiple R-squared: 0.8141, Adjusted R-squared: 0.745

F-statistic: 3.099 on 8 and 91 DF, p-value: 0.003879

Table 3 describes the results of the Simple Linear – Ordinary Least Squares Regression Model. The command was executed using the linear model assigned as “olsreg”. The Regression equation for SMEs will be:

$$\hat{Y} = 6,176 - 0,104\text{Gender} + 0,106\text{City} - 0,272\text{Age} - 0,122\text{Business Type} + 0,795\text{Received GovSup} + 0,089\text{SuppType} + 0,174\text{EmplDecruitm} - 0,405\text{Loss\%} + e$$

- If I add one more female entrepreneur to the model, entrepreneurs' satisfaction with government support will decrease by 0,104 points.
- An additional increase in people's age will bring a 0,272-point decrease in business people's satisfaction with government support.
- An additional increase in the type of business in the model will bring a 0,122-point decrease in entrepreneurs' satisfaction with government support.
- An additional increase in the number of business people receiving government support in the model will bring a 0,795-point increase in people's satisfaction with government support.
- The more the employers cut the personnel amount, entrepreneurs' satisfaction increased by 0,174 points.

Except for Gender, Age, and Received GovSup variables, other variables are statistically significant, the p-value is less than alpha. There is reliable evidence against the Null Hypothesis. The model is explained by 74,5% which is good, the conclusions driven using this model may be accurate.

F-stat is 3,099 while F-critical is 0,003879. [F stat]>[F critical] => all of the coefficients are jointly important. Then we can Reject the Null.

```
> # Probit model coefficients
```

```
> z <- Y/10
```

```
> probit <- glm(z ~ X, family = binomial(link = 'probit'))
```

Warning message:

In eval(family\$initialize) : non-integer #successes in a binomial glm!

```
> summary(probit)
```

Call:

```
glm(formula = z ~ X, family = binomial(link = "probit"))
```

Table 4. Probit Model Regression Coefficients. SMEs (r-studio).

	Estimate	Std. Error	z value	Pr(> z)
(Intercept)	0.31417	0.51015	0.616	0.054

XGender	-0.02758	0.27851	-0.099	0.921
XCity	0.02791	0.03202	0.872	0.038
XAge	-0.07096	0.13226	-0.537	0.592
XBusiness Type	-0.03236	0.03782	-0.856	0.039
XReceived GovSup	0.20768	0.44156	0.470	0.638
XSuppType	0.02252	0.14201	0.159	0.087
XEmplDecruitm	0.04454	0.16513	0.270	0.079
XLoss%	-0.10637	0.08030	-1.325	0.185

(Dispersion parameter for binomial family taken to be 1)

Null deviance: 24.974 on 99 degrees of freedom

Residual deviance: 20.099 on 91 degrees of freedom A

IC: 132.53

Number of Fisher Scoring iterations: 4

Table 4 demonstrates the results for the Probit Regression Model designed for SMEs. The command was executed using the linear model assigned as “probit”. The Regression equation will be:

$$\bar{Y} = 0,314 - 0,028\text{Gender} + 0,028\text{City} - 0,071\text{Age} - 0,032\text{Business Type} + 0,208\text{Received GovSup} + 0,023\text{SuppType} + 0,045\text{EmplDecruitm} - 0,106\text{Loss\%} + e$$

- An increase in the number of female entrepreneurs decreases the likelihood that $y=1$ (the likelihood that people are satisfied) by 2,8%.
- An additional increase in the business people’s age in the model decreases the likelihood that people are satisfied by 7,1%.
- An additional increase in the number of people that received government support in the model increases the likelihood that people are satisfied by 20,8%.
- An additional increase in the number of employees that business owners had to fire will result in a 4,5% increase in the likelihood that business people are satisfied with government support.
- The more the entrepreneurs suffered loss, the likelihood that owners of the business are satisfied will decrease by 10,6%.

I reject the Null since almost all variables have had $\text{Pr}>|z|$ less than 5%, despite Gender, Age, Received GovSup, and Loss%.

5. CONCLUSION

Previous literature by Chen et al (2020 and 2021) tried to investigate factors affecting the people’s satisfaction with government support measures against Covid-19. Since Covid-19 had a crucial effect on countries’ social, economic and financial outstanding, the topic of the efficiency of the government support measures and citizens’ satisfaction with them was of current interest. The strengths of previous studies include the breadth - 14 000 respondents came from 14 countries both Asia and Europe, and 516 people that were living in Nanjing, where the pandemic started. Both papers

include health and containment policies, people's perceptions and cases of death and recover besides economic support measures only that I concentrated on my research.

In this study, I examined 2 different groups – individuals and entrepreneurs, to see if their satisfaction rate differs depending on various factors that were tested. I collected 103 responses from individuals and 100 from legal entities. What I found as follows:

- OLS Regression results can better explain the model with R-squared 74,5% for SMEs and 81,55% for natural persons compared to Probit Regression model.
- In both cases with individuals and entrepreneurs, all factors have got weak correlation with satisfaction rate.
- OLS Regression for individuals gave that except for City and Age variables, other variables are statistically significant, the p-value is less than alpha. There is reliable evidence against the Null Hypothesis. $[F \text{ stat}] > [F \text{ critical}] \Rightarrow$ all of the coefficients are jointly important. Then we can Reject the Null. Female were more dissatisfied with the government support. The reasons were insufficiency of the funding and tedious application process. Also, women in maternity leave responded that they couldn't receive the government support since they didn't pay USP. The variety of the support measures does not necessarily contribute to people's satisfaction. People wanted to have one efficiently designed program rather several which were not practical. The sufficiency of the funding was a significant factor that influenced on satisfaction. People's dissatisfaction directly impacted by the tough process of application for funding.
- OLS Regression for SMEs showed that except for Gender, Age, and Received GovSup variables, other variables are statistically significant. There is reliable evidence against the Null Hypothesis. $[F \text{ stat}] > [F \text{ critical}] \Rightarrow$ all of the coefficients are jointly important. Then we can Reject the Null. The more the employers cut the personnel amount, entrepreneurs' satisfaction increased. Because the government helped to arrange those fired workers with no significant cost to employers. The more the employers suffered the loss, the entrepreneurs' satisfaction decreased, cause they thought that the government was too unfair with them.

The results found in this research paper can be used by the government agencies to reflect what factors are significant to citizens and on what to concentrate the most.

6. REFERENCES

1. *Asian Markets Seesaw, Bonds Rise as Coronavirus Fears Linger—The New York Times*. (n.d.). Retrieved April 2, 2023, from <https://www.nytimes.com/2020/02/28/business/stock-market-today-coronavirus.html>
2. Bhat, A. (2018, May 25). Types of surveys with examples | Types of survey research. *QuestionPro*. <https://www.questionpro.com/blog/types-of-survey/>
3. Chen, W., Shi, Y., Fan, L., Huang, L., & Gao, J. (2021). Influencing Factors of Public Satisfaction with COVID-19 Prevention Services Based on Structural Equation Modeling (SEM): A Study of Nanjing, China. *International Journal of Environmental Research and Public Health*, 18(24), 13281. <https://doi.org/10.3390/ijerph182413281>
4. *Econometrics Academy—Probit and Logit Models*. (n.d.). Retrieved March 13, 2023, from <https://sites.google.com/site/econometricsacademy/econometrics-models/probit-and-logit-models>
5. egov. (n.d.). *Статистикалық бизнес-тіркелімнен тіркелген заңды тұлғалардың саны*. Open Data. Retrieved April 2, 2023, from https://data.egov.kz/datasets/view?index=statistikalyk_biznes-tirkelimn3

6. Kumar, A. (2023, January 15). Logit vs Probit Models: Differences, Examples. *Data Analytics*. <https://vitalflux.com/logit-vs-probit-models-differences-examples/>
7. *Probit Regression | Stata Annotated Output*. (n.d.). Retrieved March 13, 2023, from <https://stats.oarc.ucla.edu/stata/output/probit-regression/>
8. Stevens, P. (2020, March 18). *Oil falls 24% in 3rd worst day on record, sinks to more than 18-year low*. CNBC. <https://www.cnbc.com/2020/03/18/oil-plummets-to-near-18-year-low-on-pace-for-worst-month-ever.html>
9. *United States COVID - Coronavirus Statistics—Worldometer*. (n.d.). Retrieved March 5, 2023, from <https://www.worldometers.info/coronavirus/country/us/>

GENDER DIFFERENCES IN BEVERAGE CONSUMPTION OCCASIONS IN KAZAKHSTAN

Dinara Kozhakhmetova

Bang College of Business, KIMEP University
4 Abay Ave, Almaty, Kazakhstan
dinara.kozhakhmetova@kimep.kz

ABSTRACT

This research provides an insight into consumption occasions for both men and women in the state of Kazakhstan. Occasions are situations for drinking and represent beverage consumption of people throughout the day, both at home and away from home, alone or with others. The study includes 14 consumption occasions. The findings suggest that consumption occasions differ for men and women. Men and women are different when choosing beverage categories and prioritize different product attributes, have different motivations, different reasons for drinking during consumption occasions.

Social Role theory is a theory in social psychology (Alice H. Eagly, 1987). The theory suggests that gender differences result from both, social and biological influences. Biological differences are linked to physical differences and include gender chromosomes and hormones.

The same hormones occur in both men and women but differ in amounts and in the effect they have on different parts of the body. For example, testosterone is more present in males than in females and can cause male behaviours such as aggression, competitiveness, visuospatial abilities (Hines, 1982). Although the brains of men and women are similar, but not identical. Brain gender differences affect biochemical processes, may contribute to the tendency to specific diseases, and may influence specific behaviors. Men perform better on specific visuospatial aspects compared to women; and women perform better on specific verbal tasks compared to men.

Social influences include gender stereotypes developed from gender division of labour and affecting behaviour. According to Social Role theory men tend to pursue self-focused goals. Men are driven by assertiveness, mastery and efficiency. Women are driven by communal goals with an emphasis on interpersonal affiliation and relationships. Women exceed men on socio-emotional traits, expressive and interpersonal traits. Men are more task oriented, instrumental and agentic than women. Men react to factual information and data, while women find a combination of comprehensive data with emotional connections more compelling (Worth, Smith, Mackie, 1992). Men traditionally assume relatively dominant roles, women assume relatively submissive and subordinative roles (Buss, 1995).

KEYWORDS: consumption, occasions, consumer patterns, beverages, motivations, consumer insights, attributes

1 INTRODUCTION

The research objective of this study is to find out gender differences in beverage consumption occasions. This research has a practical relevance. It can make a recommendation for beverage manufacturers. To build a consumer-centric brand portfolio, manufacturers need to understand consumers, their consumption behaviour and their needs. This research enables this understanding and help to build a consumer-centric portfolio of brands delivering what consumers want on Kazakhstani market.

The Abstract consists of the following sections: Abstract, Introduction, Literature Review and Hypothesis Development, Analysis and Findings, Conclusion, and References.

2 LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

There are factors affecting Gender differences in consumption. Women and men in general have differences in economic situation, social norms, education, occupation, physical characteristics, and cultural background (Brenda Segal, Jeffrey S. Podoshen, 2012). Traditional division of household responsibilities affected consumption patterns. Women are decision-makers for short-term household purchase (household products, food, etc), while men tend to decide on the purchase of long-term use products (cars, etc) (Yaccato, 2007; Kelan, 2008). Women make over 80% of consumer purchasing decisions, but men spend over 80% of household income (Yaccato, 2007).

Shopping behaviour also differs by gender. To keep a sense of masculinity, some men avoid going shopping. Women perceive shopping as enjoyable activity, whereas men view shopping as purchase driven activity (Buss, 1992). Women spend more time shopping than men. However, men on average spend more money while shopping than women (Bakewell & Mitchell 2004). Women prefer to go shopping for beauty products, clothes, and accessories, while men prefer to go shopping for electronic devices (Kelan, 2008).

Studies of developing countries have also found differences between men's and women's debt and micro credit usage in making payments. Women are more likely to use income and debt to buy food, health and education services for the whole household. While men are more likely to spend debt or credit for their personal benefit, such as snacks, alcohol or luxury goods. Men are more likely to go into debt than women, contributing to overconsumption and risk of low repayment rate. Women also have higher credit scores than men (LaMagna, 2018)

Based on the above discussion, I propose the following hypothesis:

HR 1: Men and women have different consumption patterns for drinking occasions.

3 DATA COLLECTION AND METHODOLOGY

This study utilizes secondary data from Kantar marketing research agency. The data is both quantitative and qualitative. The data was collected using CAPI (computer assisted personal) interviews. Fieldwork conducted over 2 seasons (Winter 2017 & Summer 2018). The report is based on merged periods. The respondents were asked what volume of drinks they consumed for each occasion.

Sample size is 2 040 Kazakhstani residents. The respondents were categorized as 1040 men and 1000 women. The study covers urban consumers aged 12-59 who drank any beverage including tap water and alcohol in a 24hr period, is representative of weekdays and weekends, and both winter and summer. Random sample was selected in the following regions: Almaty, North (Astana, Karaganda, Pavlodar), South (Shymkent, Taraz), East (Ust-Kamenogorsk), West (Atyrau, Aktobe). The sample was selected online.

In this study there was collected and analyzed the data pertaining to the following items: gender, usage occasions, reasons for drinking, motivations, the most important product characteristics for consumers. Each of these concepts is explained below.

Usage occasions are defined as situations when the respondents indicated that they actually used drinks. Occasions represent beverage consumption of all people throughout the day, both at home and away from home, alone or with others. The following 14 usage occasions were found during the interviews and then the respondents were collated later.

At home occasions:

Nourishing Breakfast is a daily morning habit. Consumers choose healthy, nutritious beverages that meet needs for health and wellness, and aid digestion. For this occasion drinks are mostly consumed with others, weekend skew.

Energising Breakfast occasion is based on consumers' needs for energy, strength, and a positive attitude to feel lively and face the day.

Nurturing Meals at Home occasion happens during dinner and lunch at home with others, driven by consumer needs for health, digestion and daily habit, also out of a desire to relax and unwind.

Comforting Meals at Home occasions happens during dinner and lunch at home sharing enjoyable time with family or friends. Sometimes to reward myself.

My Meal/Snack Time is eating alone at home or having a snack to feel good or indulge myself. Routine habits at home are daily rituals, routines and chores for health, wellness and mental refreshment.

Mental refreshment is working or studying at home alone and taking a break for energy, refreshment and health needs.

Daily Unwind is relaxing at home to unwind, de-stress and feel a sense of wellness. The occasion Mostly takes place when relaxing or doing nothing, in mid-morning and evening, alone, to maintain health and avoid boredom.

Relaxing Screen Time is watching TV or surfing the internet to unwind, feel comforted and relax.

Size & Summary of occasions– Away from Home occasions:

Fun Meals Away From Home is eating out in a restaurant or coffee shop with others for fun with friends and to reward myself.

Time out at Work/School is taking a break at work or school to unwind and feel refreshed in order to regain focus for the rest of the work/school day, to release tension, stay awake, energize, for mental refreshment.

Energy on the Run is on the go occasion to feel refreshed and lively.

Socialising occasion is entertaining and socialising for fun with friends, to feel lively and to indulge myself.

Physical Recovery is an active leisure and exercise to feel good, stay fit, and be attractive to others.

Table 1 Product category consumption by gender

The table shows the consumption by product category. Proportion of drinks consumed shows the volume drank by the respondents. The data is presented in 2 categories: male and female. The following product categories were covered by this study: FP¹ Tea, Alcohol, Still Water, Reg SSD² Cola, Dairy & Soy, RTD³ Juice, Sparkling Water, Lemonade, RTD Tea.

Index is the performance against benchmark. Index is measured by the proportion of the consumption for specific gender, either male or female divided by 100. Index indicates the proportion of category consumption vs total consumption.

Index is higher for female and lower for male for FP tea, tap water, still water, RTD juice. Females drink less Alcohol, females drink more Still Water, RTD Juice, Dairy, slightly more tap water. Males drink more Alcohol, Cola SSD, Sparkling Water & RTD Tea.

Product category	Proportion of drinks consumed		Index	
	Male	Female	Male	Female
FP Tea	43%	46%	97	103
Tap water	12%	12%	97	103
Alcohol	13%	6%	137	63
Dairy	6%	7%	89	111
Still water	4%	7%	67	134
Reg SSD Cola	6%	4%	123	77
Sparkling	4%	2%	123	76
RTD Juice	3%	3%	91	109
RTD Lemonade	2%	3%	72	128
RTD Tea	2%	2%	107	93

¹ FP - freshly prepared

² SSD - sparkling soft drinks

³ RTD - ready-to-drink

Table 2 Beverage consumption volume by occasion

The table shows how much volume was drank by the respondents during occasions. “Daily Unwind”, “Comforting Meals AH”, “My Meal/Snack time” and “Routine habits” are the largest At Home occasions by consumption. “Time out at Work/School” is the largest Away from Home occasion by consumption.

Occasions		Share of beverages consumed during the occasion
At Home Occasions	Nourishing Breakfast	9,3%
	Energising Breakfast	1,7%
	Nurturing Meals	6,3%
	Comforting Meals	11,0%
	My Meal/Snack Time	12,4%
	Routine Habits	12,1%
	Mental Refreshment	1,9%
	Daily Unwind	13,2%
	Relaxing Screen Time	8,8%
Away From Home Occasions	Fun meals Away From Home	1,2%
	Time out at Work/School	12,9%
	Energy on the Run	4,0%
	Socializing	3,8%
	Physical Recovery	1,5%

4 ANALYSIS AND FINDINGS

Table 3 Analysis of Usage Occasions with X2

In the table observed and expected values are listed for occasions. From the number of “Yes” observed values I conclude that for both men and women Energizing Breakfast, Comforting Meals, Relaxing Screen Time are important occasions. Nurturing Meals at Home, Routine Habits at Home, Daily Unwind are the occasions where women’s observed values are higher than expected. Women consume significantly more drinks than men during these three occasions.

Mental Refreshment at Home, Fun Meals Away from Home, Time out at Work/School, Energy on the run, Socializing, Physical recovery are occasions for which men’s observed values are higher than expected. Men consume more drinks than women during these occasions.

	Usage occasion	Gender	Yes (obs)	Yes (exp)	No (obs)	No (Exp)	X ²	'p'	Findings
1	Nourishing Breakfast At Home	M	498	519,6	542	520,4	3,597	p>0.05	

			F	521	499, 6	479	500, 4			
2	Energising Breakfast		M	513	519, 9	527	520, 1	0,399	p>0.05	
			F	507	499, 9	493	500, 1			
3	Nurturing At Home	meals	M	478	519, 2	562	520, 8	13,05	p<0.00 5	M<Exp
			F	540	499, 2	460	500, 8			F>Exp
4	Comforting Meals at Home		M	501	520, 1	539	519, 9	2,792	p>0.05	
			F	519	500, 1	481	499, 9			
5	My Meal/Snack Time		M	525	520, 1	515	519, 9	0,204	p>0.05	
			F	495	500, 1	505	499, 9			
6	Routine Habits At Home		M	463	518, 9	577	521, 1	24,675	p<0.00 5	M<Exp
			F	555	498, 9	445	501, 1			F>Exp
7	Mental Refreshment At Home		M	740	524, 3	300	515, 7	366,62 7	p<0.00 5	M>Exp
			F	288	504, 2	712	495, 8			F<Exp
8	Daily Unwind		M	458	518, 8	582	521, 2	29,365	p<0.00 5	M<Exp
			F	560	498, 8	440	501, 2			F>Exp
9	Relaxing Time	Screen	M	511	519, 8	529	520, 2	0,661	p>0.05	
			F	509	499, 8	491	500, 2			
1 0	Fun Meals Away From Home		M	553	520, 7	487	519, 3	8,353	p<0.02 5	M>Exp
			F	468	500, 6	532	499, 4			F<Exp
1 1	Time out at Work/School		M	603	521, 6	437	518, 4	52,204	p<0.00 5	M>Exp

		F	420	501,6	580	498,4			F<Exp
1	Energy on the Run	M	688	523,3	352	516,7	214,077	p<0.005	M>Exp
2		F	338	503,2	662	496,8			F<Exp
1	Socialising	M	616	521,9	424	518,1	69,041	p<0.005	M>Exp
3		F	408	501,8	592	498,2			F<Exp
1	Physical Recovery	M	635	522,3	405	517,7	100,503	p<0.005	M>Exp
4		F	389	502,2	611	497,8			F<Exp

Table 4 Analyses of Top 10 Core Reasons for Drinking with X2

The table shows observed and expected values for different reasons for drinking. The main reason for both, male and female is “to relax”. For men the following reasons for drinking are more important than for women: “to stay healthy”, “avoid boredom”, “to boost my body’s defenses”. For women “to be in a good mood”, “to purify body”, “to take care of myself are more important than for men.

For both men and women “to relax” is one of the main reasons for drinking based on number of “Yes” observed values.

“To purify/cleanse body”, “to be in a good mood”, “to take care of myself” are the reasons for drinking for which women have higher observed than expected values. For these reasons women consume much more drinks than men.

“To stay healthy”, “to avoid boredom”, “to boost my body's defenses” are reasons for drinking for which men have higher observed values than expected. For these reasons men consume much more drinks than women.

	Reasons for Drinking	Gender	Yes (obs)	Yes (exp)	No (obs)	No (Exp)	X ²	'p'	Findings
1	To Relax	M	172	180,8	868	859,2	1,15	p>0.05	
		F	183	173,8	817	826,2			
2	To Purify/Cleanse Body	M	140	166,4	900	873,6	9,866	p<0.01	M<Exp
		F	186	160	814	840			F>Exp
3	To Stay Healthy	M	201	175,2	839	864,8	9,097	p<0.025	M>Exp
		F	143	168,5	857	831,5			F<Exp

4	To Be In A Good Mood	M	139	167,9	901	872,1	11,809	p<0.005	M<Exp
		F	190	161,5	810	838,5			F>Exp
5	To Take Care Of Myself	M	113	132,2	927	907,8	6,289	p<0.05	M<Exp
		F	146	127,1	854	872,9			F>Exp
6	To Avoid Boredom	M	106	78,6	934	961,4	21,29	p<0.005	M>Exp
		F	48	75,5	952	924,5			F<Exp
7	To Have A Feeling of Freedom	M	42	43,6	998	996,4	0,203	p>0.05	
		F	44	42	956	958			
8	To Boost My Body's Defences	M	71	40,6	969	999,4	47,259	p<0.005	M>Exp
		F	9	39,1	991	960,9			F<Exp
9	To Connect With Myself	M	30	31,2	1010	1008,8	0,07	p>0.05	
		F	31	30	969	970			
10	To Appear Outgoing/Friendly	M	26	23,5	1014	1016,5	0,578	p ≥ 0.05	
		F	20	22,5	980	977,5			

Table 5 Analyses of Motivations with X2

The table shows observed and expected values for different motivations by men and women. For both men and women Belonging, Unwind and Nurture are the main motivations based on number of “Yes” observed values. For women Unwind is a slightly more important motivation than for men. For Unwind women have higher observed values than expected. For men Nurture is slightly more important than for women. For Nurture men have higher observed values than expected. Collective Fun is a motivation for which men have higher observed values than expected. Still Collective Fun is not an important motivation because “Yes” observed values number is relatively low.

	Motivation	Gender	Yes (obs)	Yes (exp)	No (obs)	No (Exp)	X ²	'p'	Findings
1	Belonging	M	216	237,7	824	802,3	5,099	p ≥ 0.05	
		F	250	228,6	750	771,4			
2	Unwind	M	194	225,1	846	814,9	10,823	p<0.005	M<Exp
		F	247	216,4	753	783,6			F>Exp
3	Nurture	M	940	539,3	60	460,7		p<0.005	M>Exp
		F	160	560,9	880	479,1	1267,7		F<Exp

4	Energize	M	144	133,8	896	906,2	1,641	p>0.05	
		F	119	128,7	881	871,3			
5	Harmony	M	87	97,6	953	942,4	2,399	p>0.05	
		F	104	93,8	896	906,2			
6	Self Indulgence	M	96	91,6	944	948,4	0,406	p>0.05	
		F	84	88,1	916	911,9			
7	Mind and Body Strength	M	67	59,4	973	980,6	1,855	p>0.05	
		F	50	57,1	950	942,9			
8	Collective Fun	M	49	37,7	991	1002,3	7,069	p<0.05	M>Exp
		F	25	36,2	975	963,8			
9	Attractiveness	M	28	28,9	1012	1011,4	0,019	p>0.05	F<Exp
		F	28	27,5	972	972,5			

CONCLUSION

From the data and findings above I observe that men and women have both similarities and differences in consumption occasions.

Main categories for both men and women are FP tea and Tap water. Alcohol consumption is higher for men. Women consume more dairy and still water than men.

As for consumption patterns, men and women are driven by different motivations and reasons for drinking while consuming beverages during consumption occasions. I may assume that for men functional benefits are more important and for women emotional benefits are more important. Women compared to men reported higher consumption for Daily Unwind occasion, driven by the Unwind motivation and by the following reasons for drinking: To Be In a Good Mood, To Take Care of Myself, To Purify/Cleanse Body. Nurturing meals At Home occasion has higher significance for women than for men probably because women are traditionally responsible for Dinner and Lunch for the whole family.

Men compared to women reported higher consumption for Mental Refreshment at Home, Fun Meals Away from Home, Time out at Work/School, Energy on the Run and Socializing occasions, driven by motivation Nurture and by the following reasons for drinking: To Stay Healthy, To Avoid Boredom and To Boost My Body Defenses.

For women consumption occasions go beyond features and functional benefits of products and are more linked to emotions. I assume that women experience more positive feelings when they consume drinks. They add richness and depth to the experience of using a product, to the moment of consumption, women consume drinks to feel good. While men are driven by thirst-quenching/hydration, energy and mental boosting, nutritional and health benefits. At the same time Socializing and out of home occasions are important for men.

REFERENCES

1. Abraham Maslow, 1943. "A Theory of Human Motivation" in Psychological Review.
2. Bakan, D. 1966. The Duality of Human Existence. Chicago, IL: Rand McNally.
3. Bernstein, R., 2018. Top Consumer Behavior Theories.
4. Bakewell, C. and Mitchell, V.W., 2004, Generation Y Female Consumer Decision-Making Styles. International Journal of Retail & Distribution Management.
5. Barrett LF, Lewis M, Haviland-Jones JM, Handbook of emotions. The Guilford Press, New York.

6. Brody LR, Hall JA, Stokes LR, 2018, Gender and emotion – theory, findings, and context.
7. Buss, D. M. 1995. "Psychological Sex Differences: Origins Through Sexual Selection." *American Psychologist*, 50.
8. Gale B. T., 1994. *Managing Customer Value: Creating Quality and Service that Customer Can See*.
9. New York: Free Press, 29.
10. Deaton A, 1992, *Understanding Consumption*.
11. Damásio A.,1994, *Descartes' error: emotion, reason, and the human brain*. HarperCollins Publishing, New York.
12. Duckett Jack, 2018, *The Eco Gender Gap*.
13. Eagly, A. H. 1987. *Sex Differences in Social Behavior: A Social-Role Interpretation*. Hillsdale, NJ: Erlbaum.
14. Eagly, A. H. and Carli, L. 1981. "Sex of Researchers and Sex-Typed Communications as Determinants of Sex Differences.
15. on Influenceability: A Meta-Analysis of Social Influence Studies." *Psychological Bulletin*
16. Ellen Furlough, 2020, *Gender and Consumption in Historical Perspective: A Selected Bibliography*.
17. Handoo, K., 2015. *Consumer Behavior Model*.
18. Ferrell O. C., Hartline Michael, Hochstein Bryan W., 2010. *Marketing Strategy*.
19. Johnston, E., 2016. 5 steps to understanding your customer's buying process.
20. Hines, 1982, Prenatal gonadal hormones and sex differences in human behaviour, *Psychological Bulletin journal*.
21. Kelan, 2008. Gender, risk and employment insecurity: The masculine breadwinner subtext. *Journal of Business Ethics*.
22. Keyes, S. 1983. "Sex Differences in Cognitive Abilities and Sex-Role Stereotypes in Hong Kong Chinese Adolescents." *Sex Roles*.
23. Kantar agency, 2018, *Consumer Beverage Landscape Kazakhstan*.
24. Kotler, P.,1997. *Marketing management: Analysis planning. Implementation and control*, 9th ed.
25. Kotler, P., 1987. *Marketing: An Introduction*. Prentice-Hall; International Editions.
26. Kotler P, Armstrong G, 2008, *Principles of Marketing*, 9th Edition.
27. LaMagna L., 2018 *Organization for Economic Co-operation and Development report. Toolkit on Gender in Governance. Gender-specific consumption patterns, behavioural insights, and circular economy*.
28. Lempert KM, Phelps EA, 2016, Affect in Economic decision making. In: Barrett LF, Lewis M, Levin, I. P. and Gaeth, G. J. 1988. "Framing of Attribute Information before and after Consuming the Product." *Journal of Consumer Research* 15 (December).
29. Haviland-Jones JM, *Handbook of emotions*, 4th edn. Guilford Press, London.
30. Lin Jianhuang, 2007. *Consumer behavior*.
31. Meyers-Levy, J. 1988. "Influence of Sex Roles on Judgment." *Journal of Consumer Research* 14 (March).
32. Nash, S. C. 1975. "The Relationship among Sex-Role Stereotyping, Sex-Role Preference, and Sex Difference in Spatial Visualization." *Sex Roles*.
33. Nesse, B., 2018. *Consumer Behavior Theories: Psychoanalytic Theory*.
34. R Manzano Antón, G Martínez Navarro, D Gavilán Bouzas, 2018: *Gender Identity, Consumption and Price Discrimination*.
35. Segal Brenda, Jeffrey S. Podoshen, 2012, An examination of materialism, conspicuous consumption and gender differences, *International Journal of Consumer Studies*.
36. Solomon, M. 2015. *Consumer Behavior: Buying, Having, and Being*. 11th Edition.
37. Witkin, H 1979. Socialization, Culture and Ecology in the Development of Group Sex Differences in Cognitive Style. *Human Development* 22 (5).
38. Woodruff R.B., 1997. Customer Value: the Next Source for Competitive Advantage. *J. of*

39. Academy of Marketing Science.
40. Worth, L. T., Smith, J. and Mackie, D. M. 1992. "Gender Schematicity and Preference for Gender-Typed Products." *Psychology & Marketing* 9 (1).
41. Yaccato, 2007; *The 80% Minority: Reaching the Real World of Women Consumers*, Viking Canada.

Determinants of ROA and FSS in banking industry in Kazakhstan

Nurakhmet Abdykalykov

Bang College of Business, KIMEP University

2 Abay Ave, Almaty, Kazakhstan

Nurakhmet.abdykalykov@kimep.kz

Abstract

The main goal of this student research is to identify different independent variables defined in section 3 that can affect to return of assets and financial self-sufficiency.

Methodology is to obtain ten banks' financial data for eleven years starting from 2011 to 2021 inclusively, identify and calculate main 4 industry specific independent variables. Moreover identify 4 possible macroeconomic independent variables that may also have impact to banks' financial sustainability.

As result we identified that not all industry specific and macroeconomic independent variables have significant effect to our model. Moreover, some of independent variables have P value more than ~10% and should not include for evaluation of results.

1. Introduction

The banking system is a network of financial institutions and intermediaries that provide various financial services to individuals and organizations. These services include accepting deposits, lending money, and facilitating transactions. Banks role is very important for the economy by channeling funds from savers to borrowers and investing in productive activities. They also provide a safe and secure place for people to store their money (deposits), as well as access to various other financial products and services (loans, mortgage, bank guarantee etc.).

The banking system includes banks such as commercial banks, central banks, and cooperative banks. Second tier level banks usually offer a wide range of services to individuals and businesses. However, investment banks focusing on providing financial services to corporate clients and governments. Central banks, in Kazakhstan is National Bank of Republic of Kazakhstan, play a key role in managing the country's monetary policy and supervising the banking system.

Financial stability for a bank is essential for preserving depositors' funds and ensuring the stability of the financial system. A bank that is considered financially stable operates with sound risk management practices, efficient use of its resources, and adequate capital and liquidity to withstand economic shocks and absorb potential losses. Financial stability also depends on various factors such as the regulatory framework, market conditions, and macroeconomic conditions. In summary, financial stability for a bank is about ensuring the bank has the ability to meet its obligations and maintain its financial health in the long term, even in the face of adverse economic conditions.

In this research we are going to analyze especially financial sustainability of commercial banks in Kazakhstan. What factors affects to financial sustainability, identify variables and perform regression analysis. At the end of research there will be some recommendations on this analysis and how develop regression by putting more independent macroeconomic and industry specific variables.

2. Key word

Key words: FSS, ROA, asset quality, management efficiency, debt, equity, size, political stability, unemployment rate, energy intensity, GDP growth rate

3. Literature review

According to Paul et al. industry specific variables may vary among different specific industries, however general key financial indicators such as return on assets (ROA) and return on equity (ROE) shows how business is performing and can be taken for evaluation of a business itself of compare to others.

However authors also suggests that another significant financial indicators should be considered for evaluation of business. These financial indicators as follows:

1. Economic profit (EP);
2. NOPAT.

Economic profit formula is Net operating profit after tax (NOPAT) – Weighted Average Cost of Capital (WACC) multiplied by Capital Employed (CE).

Authors also confirm that there is significant correlation between ROA and EP/CE, equals approximately to 80%.

According to Pavone (2019) Market capitalization is an important industry specific determinant that refers to the amount of funding and financial resources available to firms within a particular industry. Market Capitalization have significant impact to development of a company and its growth.

Ben and Kristina (1999) confirms that interest rate is a key macroeconomic determinant that refers to the cost of borrowing money and the return on savings,. It is the price at which money can be borrowed, and it is influenced by the supply and demand for credit. The interest rate can be set by the central bank or market forces, depending on the country's monetary policy regime.

According to Ibrahim (2019) inflation is a key macroeconomic determinant in which the general increase in prices for goods and services over time. Consumer Price Index (CPI) shows tracks the average change in prices for a basket of goods and services consumed.

Inflation is a complex phenomenon that can be influenced by various factors, including changes in aggregate demand, supply disruptions, monetary policy, and geopolitical events. High inflation can erode the purchasing power of money, reduce consumer and business confidence, and lead to wage-price spirals. On the other hand, low inflation can indicate weak demand and slow economic growth.

4. Dependent variable

For dependent variables, return on assets (ROA), and financial self-sufficiency (FSS) can be used to evaluate economic sustainability in the banking sector.

Kumlachew (2001) suggests that ROA is a significant profitability factor and provides information about how effective management of a company controls and uses assets for generating profit.

By the end of the discussion final formula looked like this:

$$\text{ROA} = \text{Net income} / \text{Average Total asset}$$

Yaron and Manos (2007) suggest that financial self-sufficiency is widely used in the finance industry and is more beneficial than cost-benefit analysis. When the economic self-sufficiency coefficient goes below 1, the company will only operate shortly with the parent company's support.

It will require additional sources of funding, internal (equity contribution) or external (financial instruments, loans, etc.)

$$FSS = \text{Adjusted Financial Revenue} / (\text{Adjusted (Financial + Operating) + Loan loss provision expenses})$$

5. Independent variable

Industry-specific variables differ for each industry, and some variables of one sector cannot apply to others. Rahman and Rizal (2014) discussed that for financial sustainability research, bank-specific determinants could be the following: firm size, management inefficiency (efficiency), operational self-sufficiency, debt to equity, obligation to equity, and other key financial indicators.

In our research, I am going to include the following bank-specific determinants:

- management efficiency;
- asset quality;
- firm size;
- debt to equity

Management efficiency - usually associates with effectiveness and optimization of costs in a company. Responsible for all these operations are top and middle management because management efficiency is a measure on how management of a company utilize available resources (money, time, personnel). Well designed management efficiency usually leads to increased productivity level, saving costs, increase shareholders wealth and by the end lead to success of the company as a whole.

Firm size - measured in terms of annual revenue, or market capitalization. Firm size is a basic characteristic of a company that provides important information about its operations and competitiveness.

Large firms are typically characterized by having many employees, large revenues, and extensive operations, while small firms are typically characterized by having fewer employees, smaller revenues, and more limited operations. The size of a firm can impact its competitiveness, its ability to access capital, and its access to resources and technology.

Debt to equity ratio (D/E ratio) is financial leverage by comparing its total debt to its total shareholders' equity. In other words it is coefficient which shows where finance coming from, the more debt to equity ratio the more management of the company using loans as source of finance and opposite is D/E ratio is low it means that management using source of finance as shareholders money.

Asset quality - in banking specific industry refers to quality of loans and securities. In other words, it is a measure that security's value will decrease and stability of portfolio will have significant risk. Usually, financial institutions with high level of quality of assets (loans given) with low are of non-performing loans (NPL) are not suffering from potential default. However financial institutions with low level of asset quality, meaning that bank have significant amount of number of NPLs, will lead to low asset quality coefficient and potentially financial institution under the risk of default.

5.1. Macroeconomic determinants

As discussed above, we should consider macroeconomic determinants to perform a complete calculation and entirely picture which determinants directly or indirectly affect the bank's financial sustainability.

The environmental, Social, and Governance score is a value that evaluates a company's performance in terms of social governance, usage of best practices, go green policy, and others (Trisnowati et al., 2022). This score can be ranged from 0 to 100, which means a higher ESG score

and higher ESG performance. Under the evaluation process, a company tested whether human rights comply with local laws of the country operated in, governance policies, environmental impact, etc.

For this research, I split the ESG score into three sub-parts:

- for environmental – energy intensity;
- for social – unemployment rate;
- for governance political stability.

6. Hypotheses of the study

The following relationship between dependent and independent variables are proposed for this research:

H1: Management efficiency: have significant effect on ROA and FSS of banks.

H2: Firms' size: have significant effect on ROA and FSS of banks.

H3: Debt to equity: have positive effect on ROA and FSS of banks.

H4: Asset quality: have positive effect on ROA and FSS of banks.

H5: Annual GDP growth: have significant effect on ROA and FSS of banks.

H6: Energy intensity: do not have significant effect on ROA and FSS of banks.

H7: Unemployment rate has significant effect on ROA and FSS of banks.

H8: Political stability has positive impact on ROA and FSS of banks

7. Data and Methodology

The main subject of this research is to identify macroeconomic and industry-specific determinants that directly or indirectly affect a bank's financial sustainability.

This research was based on statistics from Kazakhstan Stock Exchange (KASE) and other banks' web portals. This statistical data contains key financial indicators on ten banks located in Kazakhstan for eleven years (from 2011 to 2021 inclusively). According to chapter 6, article 5,7, paragraph 1 of the law "On Bank and Banking Activities in the Republic of Kazakhstan," all banks and their affiliates should be audited by a licensed audit company and reported to the National Bank of the Republic of Kazakhstan. Moreover, banks perform annual reports with additional information on corporate governance and sustainability reports for shareholders and clients (local people).

In my research, two regression models will be used to view the impact of macroeconomic and industry-specific independent variables.

$$\text{ROA} = \beta_0 + \beta_1 (\text{OETA}) + \beta_2 (\text{SIZE}) + \beta_3 (\text{DE}) + \beta_4 (\text{AQ}) + \beta_5 (\text{GDP}) + \beta_6 (\text{EI}) + \beta_7 (\text{UNR}) + \beta_8 (\text{PS}) + E$$

$$\text{FSS} = \beta_0 + \beta_1 (\text{OETA}) + \beta_2 (\text{SIZE}) + \beta_3 (\text{DE}) + \beta_4 (\text{AQ}) + \beta_5 (\text{GDP}) + \beta_6 (\text{EI}) + \beta_7 (\text{UNR}) + \beta_8 (\text{PS}) + E$$

8. Multicollinearity test, autocorrelation, heteroscedasticity

9.1 Multicollinearity test

Multicollinearity test. After importing data set obtained from National Bank of Kazakhstan and World bank first we need to identify correlation between dependent and independent variables.

Table 1. Correlation between dependent (ROA) and independent variables.

```
. correl ROA OETA AQ Size GDP UNR PS
```



```
(obs=110)
```

	ROA	OETA	AQ	Size	GDP	UNR	PS
ROA	1.0000						
OETA	-0.1210	1.0000					
AQ	0.0868	0.1302	1.0000				
Size	-0.1783	-0.2380	-0.2459	1.0000			
GDP	0.0466	-0.0020	0.3038	-0.1485	1.0000		
UNR	0.0615	0.0892	0.3536	-0.2597	0.5549	1.0000	
PS	0.0227	-0.0355	-0.0658	0.0962	-0.2860	-0.5780	1.0000

Table 2. Correlation between dependent (FSS) and independent variables.

```
. correl FSS OETA AQ Size DE GDP EI UNR PS
```



```
(obs=110)
```

	FSS	OETA	AQ	Size	DE	GDP	EI	UNR	PS
FSS	1.0000								
OETA	-0.5759	1.0000							
AQ	-0.1352	0.1302	1.0000						
Size	0.1818	-0.2380	-0.2459	1.0000					
DE	-0.0169	0.0400	0.0294	0.0575	1.0000				
GDP	0.0325	-0.0020	0.3038	-0.1485	0.1357	1.0000			
EI	0.0351	0.0352	0.2481	-0.2076	0.1790	0.6542	1.0000		
UNR	0.0350	0.0892	0.3536	-0.2597	0.1907	0.5549	0.8753	1.0000	
PS	-0.0611	-0.0355	-0.0658	0.0962	-0.0839	-0.2860	-0.7636	-0.5780	1.0000

From table 1 and table 2 we can conclude the following:

- Macroeconomic independent variables are highly correlated between each other as they have both significant positive and negative impact to each other.
- There is low correlation between independent industry specific variables, meaning risk of multicollinearity is low

In order to perform multicollinearity, we are going to run estat vif and variance inflation factor (VIF) should be less than 4 in order to be free from multicollinearity

Table 3. Variance inflation factor (ROA and FSS).

Variable	VIF	1/VIF
EI	11.89	0.084091
UNR	5.39	0.185665
PS	3.40	0.293889
GDP	2.33	0.428483
AQ	1.26	0.791042
Size	1.18	0.850676
OETA	1.08	0.924385
DE	1.06	0.941912
Mean VIF	3.45	

We identified that VIF for independent variables equals to 1.45 which means our dataset free from multicollinearity.

9.2 Autocorrelation

For autocorrelation we should identify whether our P value is less than 1% or 5% or 10%.

Table 4. Autocorrelation test (ROA).

```
. xtserial ROA OETA AQ Size DE GDP EI UNR PS

Wooldridge test for autocorrelation in panel data
H0: no first-order autocorrelation
      F( 1,      9) =      6.448
      Prob > F =      0.0317
```

From the table above, we can conclude that our data (ROA) set have autocorrelation first order as P-value is less than 5%

Table 5. Autocorrelation test (FSS).

```
. xtserial FSS OETA AQ Size DE GDP EI UNR PS

Wooldridge test for autocorrelation in panel data
H0: no first-order autocorrelation
      F( 1,      9) =      1.656
      Prob > F =      0.2303
```

From the table above, we can conclude that our data (FSS) set is free from autocorrelation as our P value is 23.03%.

9.3 Heteroscedasticity

Table 6. Heteroscedasticity test (ROA).

```
. lrtest hetero homo, df(104)

Likelihood-ratio test                                LR chi2(104)=    693.46
(Assumption: homo nested in hetero)                  Prob > chi2 =    0.0000
```

From the result above we can conclude that our data set have heteroskedasticity problem.

Table 7. Heteroscedasticity test (FSS).

```
. lrtest hetero homo, df(104)

Likelihood-ratio test                                LR chi2(104)=    125.06
(Assumption: homo nested in hetero)                  Prob > chi2 =    0.0782
```

After performing test for Heteroscedasticity, we identified that “homo nested in hetero”, $\text{prob} > \chi^2 = 0.0782$, which means data set have also problem of heteroskedasticity.

We can conclude that for both correlation analysis we are going to use xtglS due to the following:

1. both data sets have autocorrelation first order problem
2. both data sets have heteroscedasticity problem

3. $N(10) < T(11)$

Xtgls automatically solves problem on heteroscedasticity, autocorrelation and cross sectional dependency.

9. Empirical results

10.1 Impact of industry specific variables for FSS.

In Table 8 there is negative and significant impact of management efficiency on financial self sufficiency. Impact coefficient equals to -0,7 of OETA to FSS with P value = 0. In other words 1 unit decrease management efficiency will decrease FSS by -0,7. This result is consistent with the findings of Kumlachew (2021) and other authors mentioned in his research.

Asset quality also have negative and significant effect for FSS, decrease in 1 unit of asset quality will cause decrease for -0,3 in FSS. P value is 0,034 which means we can rely on this statement, moreover this statement is supported by Atsango (2018) where author suggests that asset quality, management efficiency and firms size have negative impact to bank sustainability.

To continue previous statement, firms size also have negative non-significant impact to FSS, change 1 unit in firms size will lead to non-significant decrease in FSS for -0,4 points.

Debt to equity coefficient do not have critical positive effect on FSS as coefficient equals to 0,0005.

10.1.1 Impact of macroeconomic specific variables to FSS.

According to the table 8 GDP and Political stability have significant impact on which our model can rely as P value is less or equal to ~10%.

Annual GDP growth rate have significant and positive impact to FSS as 1 unit change in GDP will lead to increase in FSS for 1,71 units. P value equals to 0,002. Increase in GDP means that revenue of individuals in country increase, goods and services providing increases and it boost revenue of second tier banks. Consequently it results in increase of FSS. However according to Kohlscheen (2018) annual GDP growth rate do not have significant impact for banks profitability in emerging markets.

Political stability have negative impact for FSS, 1 unit decrease in political stability will lead to decrease by -0,18 in FSS. P value is 0,13, which is still acceptable for our analysis. Political stability is one of the key factor that business should consider when investing to specific country. Kasim and Kumlachew (2022) also confirms that political stability have significant impact to deposit mobilization and to financial self-sufficiency.

Table 8. FGLS regression for FSS dependent variable.

Cross-sectional time-series FGLS regression

Coefficients: generalized least squares
Panels: heteroskedastic
Correlation: common AR(1) coefficient for all panels (0.5916)

Estimated covariances	=	10	Number of obs	=	110
Estimated autocorrelations	=	1	Number of groups	=	10
Estimated coefficients	=	9	Time periods	=	11
			Wald chi2(8)	=	38.15
			Prob > chi2	=	0.0000

FSS	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
OETA	-.7082479	.1530202	-4.63	0.000	-1.008162	-.4083338
AQ	-.3263737	.154001	-2.12	0.034	-.6282101	-.0245373
Size	-.0498873	.0351673	-1.42	0.156	-.1188139	.0190392
DE	.0005188	.0003692	1.41	0.160	-.0002048	.0012424
GDP	1.718984	.5539532	3.10	0.002	.6332551	2.804712
EI	-.0273271	.0330585	-0.83	0.408	-.0921205	.0374663
UNR	1.391996	19.43827	0.07	0.943	-36.70632	39.49031
PS	-.1852363	.1224505	-1.51	0.130	-.425235	.0547623
_cons	1.668724	.8695018	1.92	0.055	-.0354677	3.372917

10.1.2 Empirical Results from Panel Data for ROA dependent variable

10.1.2.1. Impact of industry specific variables for ROA.

In Table 9 there is negative and significant impact of management efficiency on financial self sufficiency. Impact coefficient equals to -1,5 of OETA to ROA with P value = 0,009. In other words, 1 unit decrease management efficiency will decrease ROA by -1,5. This result is consistent with the findings of Zergaw (2015).

Other industry specific variables do not significant impact on ROA, asset quality coefficient equals to -0,18 and firm's size coefficient equals 0,14.

Debt to equity ratio is very low -0,00003. Moreover P value of these industry specific independent variables significantly more that 10% and will not be considered further.

10.1.2.2. Impact of macroeconomic specific variables to ROA.

According to the table 9 GDP and Energy intensity have significant impact on which our model can rely as P value is less or equal to ~10%.

Annual GDP growth rate have significant and positive impact to ROA as 1 unit change in GDP will lead to increase in ROA for 5,18 units. P value equals to 0,117.

Energy intensity have negative impact for ROA, 1 unit decrease in energy intensity will lead to decrease by -0,32 in ROA. P value is 0,09,

Table 9. FGLS regression for ROA dependent variable.

Cross-sectional time-series FGLS regression

Coefficients: generalized least squares

Panels: heteroskedastic

Correlation: common AR(1) coefficient for all panels (0.5538)

Estimated covariances	=	10	Number of obs	=	110
Estimated autocorrelations	=	1	Number of groups	=	10
Estimated coefficients	=	9	Time periods	=	11
			Wald chi2(8)	=	20.01
			Prob > chi2	=	0.0103

ROA	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
OETA	-1.515994	.5820682	-2.60	0.009	-2.656826	-.3751611
AQ	-.1825372	.569615	-0.32	0.749	-1.298962	.9338876
Size	.1403899	.2199253	0.64	0.523	-.2906557	.5714355
DE	-.0000325	.0016039	-0.02	0.984	-.0031761	.0031111
GDP	5.185168	3.30498	1.57	0.117	-1.292473	11.66281
EI	-.3289114	.1939517	-1.70	0.090	-.7090497	.0512269
UNR	42.75131	115.4554	0.37	0.711	-183.537	269.0397
PS	-.8627542	.7160815	-1.20	0.228	-2.266248	.5407397
_cons	1.021125	5.304507	0.19	0.847	-9.375519	11.41777

11. Conclusion

The banking system in Kazakhstan started to actively developing in 1990s. The banking system in Kazakhstan is highly regulated by the central bank, the National Bank of Kazakhstan, which is responsible for maintaining financial stability, supervising banks, and implementing monetary policy. The banking system in Kazakhstan is comprised of both domestic and foreign banks, and the National Bank of Republic of Kazakhstan is responsible for granting licenses and supervising their activities.

Management efficiency is about how well financial institutions middle and top management effectively use its resources, in financial terms it is about administrative expenses (salary, rent and others).

Debt to equity is ratio is a financial ratio that measures the proportion of a company's financing that comes from debt compared to equity.

Asset quality is about creditworthiness and value of company's asses, for financial institutions is loans and other securities.

Firm's size is logarithm of total assets, basically this formula used for standardize variable in order to compare with each other.

According to regression analysis management efficiency and asset quality have significant impact to dependent variables. However debt to equity do not have significant impact to ROA and FSS variables.

This research found that banking system always require neutral balance between management efficiency, sourcing of finance and profitability of their business. By investing in riskier actions such

decrease interest rate or offer banking products to one potential individual, revenue of financial institute will increase, however risk of bankruptcy arises as well.

12. References

1. Gabriel, H., Venkat, S., Paul, V. (2001). Is performance driven by industry – or firm-specific factors? A new look at the evidence. Retrieved on January 30, 2022 from https://www.researchgate.net/publication/40965746_Is_Performance_Driven_By_Industry-or_Firm-Specific_Factors_A_New_Look_at_the_Evidence
2. Pavone, P. (2019). Market Capitalization and Financial Variables: Evidence from Italian Listed Companies. Retrieved on January 30, 2022 from
3. https://hrmars.com/papers_submitted/5802/Market_Capitalization_and_Financial_Variables.pdf
4. Ibrahim M. (2019). Inflation. Retrieved on January 30, 2022 from https://www.researchgate.net/publication/332763097_INFLATION
5. Ben, P. and Kristina, L. (1999). The Determination of Interest Rates. Retrieved on January 30, 2022 from https://www.europarl.europa.eu/workingpapers/econ/pdf/116_en.pdf
6. Kumlachew M. (2021). Determinants of Profitability and Financial Sustainability of Saving and Credit Cooperatives in Eastern Ethiopia. Retrieved on January 30, 2022 from https://www.researchgate.net/publication/348974168_Determinants_of_Profitability_and_Financial_Sustainability_of_Saving_and_Credit_Cooperatives_in_Eastern_Ethiopia
7. Yaron, J. and Manor, R. (2007). Determining the self-sufficiency of microfinance institutions. Retrieved on January 30, 2022 from
8. https://www.researchgate.net/publication/254180088_Determining_the_self-sufficiency_of_microfinance_institutions

Relationship between the Stock Market and Policy Rates: Evidence from Kazakhstan

Jahongir Rahimov

Bang College of Business, KIMEP University

Almaty, Kazakhstan

Jahongir.Rahimov@kimep.kz

ABSTRACT

The empirical research examines the short-term relationship between interest rates and the stock market in Kazakhstan employing monthly observations during October 2015 to December 2022. Specifically, it investigates the correlation between the changes in policy rate (called base rate in Kazakhstan) and the return of the KASE index using time-series analysis. These two variables are one of the most important factors influencing economic growth in any particular country.

The study was based on simple regression model, following similar researches in literature review. It analyzed data for stationarity using Augmented Dicky Fuller test and as a result initial data was transformed to changes in each variable, namely a first difference in base rate and natural logarithm of the KASE index. A regression model was performed on the transformed data and checked for heteroscedasticity. The results of the study suggest the presence of a weak negative correlation at 10 percent confidence level. This could imply that a change in base rate in Kazakhstan has a very limited impact on KASE returns.

Findings of the study could be helpful to Kazakhstani investors, as well as the regulator and management of KASE for making appropriate investment decisions and understanding the impact of changes in base rate.

KEYWORDS: policy rate, base rate, stock market returns, KASE, National Bank of Kazakhstan, Kazakhstan.

INTRODUCTION

Key rates are one of the most important means of monetary policy used by central banks around the world to regulate economic activity. Sometimes referred as reference rates or base rates, they are the key tool of targeting inflation and thereby have significant impact on the state of financial markets.

The relationship between policy rates and stock market returns had been of great interest in the past year. In 2022, central banks around the world increased their policy rates in response to a rise in global inflation to historical high levels of around 9 percent (3.5 percent in 2017-2019). To combat inflation, the Federal Reserve in the U.S. increased its key rate range from 0-0.25 percent to 4.25-4.50 percent, European Central Bank hiked the rate from zero to 2.5 percent, and National Bank of Kazakhstan raised its base rate from 9.75 percent to 16.75 percent in 2022. This interest rate hike left an adverse impact on financial markets. One of the most widely-used stock market benchmarks, S&P 500, fell by 18 percent, while KASE index in Kazakhstan dropped by 11.5 percent in the same year. Naturally, this raised investors' worries of further potential negative developments in global economy and on financial markets.

The implementation of monetary policy in Kazakhstan falls under the jurisdiction of the National Bank of Kazakhstan ("NBK"). In 2015, the NBK moved from a managed-peg exchange rate strategy to an inflation-targeting system through the use of base rate (referred to as the key rate in Kazakhstan), which establishes a target value for the interbank short-term money market rate. Decisions on the level of base rate are made 8 times a year ensuring price stability over the short and medium-term. In 2022, the base rate increased from 9.75 percent to 16.75 percent in response to the record high inflation ("CPI") of 20.3 percent (5.3-8.5 percent in 2016-2021).

The stock market of Kazakhstan started developing in 1993 with foundation of Kazakhstan Stock Exchange, headquartered in Almaty, Kazakhstan and being regulated by the National Bank of Kazakhstan. It offers a variety of instruments to individual and professional investors on the financial market, including stocks, currency exchange, money market instruments, derivatives, and IPOs. Later in 2017, a new stock exchange emerged in Kazakhstan, named Astana International Exchange ("AIX"), operating under the English common law. According to the World Federation of Exchanges, the dollar amount of shares traded on KASE and AIX exchanges in 2022 reached USD 411 million and USD 67 million, respectively.

The current research aims to identify the correlation between the base rate and the stock market in Kazakhstan, represented by KASE index. The research will employ monthly data on the base rate and KASE index during the period of October 2015 up to December 2022.

The paper's structure goes as follows: Section 2 discusses the findings of literature review on similar studies looking at the relationship between interest rates or base rates and the stock market. Section 3 lists the methodologies applied during the empirical analysis. Section 4 provides an overview of the data analysis results. Section 5 concludes the research and provides recommendations on analysis improvement and potential uses.

LITERATURE REVIEW

The topic of interest rates and their implications on stock prices has been studied by numerous researchers around the world both theoretically and empirically.

There are numerous factors that influence daily stock prices such as enterprise performance, dividends, stock prices of other countries, GDP, exchange rates, interest rates, current account, money supply, employment, and other relevant information. It is important to acknowledge that daily stock prices are affected by a multitude of factors.

Williams (1938) was one of the earliest theorists to introduce equity valuation methods, which assumed discounting of future cash flow received by shareholders by an appropriate discount rate to arrive at the current value of a stock, demonstrating the inverse relationship. He argued that investors' primary motivation was to receive financial reward for invested capital and the level of required return was determined by the cost of equity, equaling to the sum of all risk premiums faced. His discounted cash flow/dividend approach, had become the cornerstone of asset valuation in finance and is still actively used today.

Studies commonly agreed that the interest rates and stock prices are negatively related, however there were some exceptions. In their research, Bernanke and Kuttner (2005) highlighted three main areas of focus to explain the negative correlation of the change of federal funds rate (a key rate in the USA, also known as the "fed rate") and stock prices. First, they suggest that the unexpected increase of the fed rate can increase the borrowing costs, which, all else being equal, may lead to the decrease of future dividends and lower cashflows. Secondly, an increase of interest rates will lead to the increase of the borrowing cost and the discount rate, resulting in lower discounted cash flow used for asset valuation. Finally, monetary tightening (process of increasing interest rates to combat rising inflation) can make bonds more attractive to investors, which can reduce demand for equity and increase the expected risk premia and required return for holding stocks. The higher required return

on equity in turn translates to a higher discount rate and lower discounted cash flow on a particular stock.

Gertler and Gilchrist (1994), who studied the operations of US manufacturing firms during periods of increasing interest rates, noted that companies of different sized could react differently to changes in interest rates. As such, smaller firms tended to reduce their external borrowing, decrease inventory levels, and experience significant declines in sales growth, while larger firms tended to maintain their debt levels, increase inventories, and experience smaller declines in sales growth. It should however be noted, that despite the different reactions to volatility, interest rates ultimately represent a risk factor for all companies.

Empirical research, carried out by Rigobon and Sack (2004), is based on daily data of three-months treasury yields and daily change in selected stock indices. They determined that a 25-basis point increase in short-term interest rates leads to a 1.7 percent drop in the S&P 500 index and a 2.4 percent decline of the NASDAQ index. The results are similar to the empirical and event-study analysis by Bernanke and Kuttner (2005), who revealed that the stock market responds significantly and consistently to unforeseen monetary policy actions, measured through federal funds futures data. They found that an unforeseen 25 basis-point rate cut would usually result in a one percent rise in stock prices for broad stock market indicators such as the CRSP value-weighted index. As part of their study, Alam and Uddin (2009) analyzed the correlation between interest rates and stocks in 15 developed and developing countries using Simple Regression Model. The results illustrated that the relationship varied from country to country, with some showing a strong negative correlation and others showing no relationship at all.

On the other hand, some researchers found a positive correlation between interest rates and stock prices. According to Asprem (1989), such a positive relationship can be seen in smaller and less liquid financial markets. An empirical study was done by Apergis and Eleftheriou (2002) to investigate the connection between interest rates, inflation, and stock prices using monthly data in Greece during 1988-1999. The results demonstrated a positive, but the statistically insignificant correlation between interest rates and stock returns. The authors also suggested that other macroeconomic variables such as inflation could have a greater impact on price determination, as lower inflationary expectations would lead to lower risk premia charged by investors for assets denominated in local currency. Kurihara (2006) examined the relationship between Japanese macroeconomic factors (such as gross domestic product, exchange rates, interest rates, current account, and money supply) and Japanese stock prices from 2001-2005. He came to the conclusion that stock prices in Japan were not affected by the domestic interest rates alone, but rather either by combination with exchange rate movements or by changes in U.S. stock prices. It could however be due to the almost zero interest rate level in Japan during that period.

research methodology

The literature review identified a number of studies and different methodologies to explain the relationship between interest rates and stock market returns. For example, Alam and Uddin (2009) assessed the dependency of the stock market on interest rates through the ordinary least squares method ("OLS") using monthly data for deposit rates (a proxy for base rates) and stock market index values/returns. The current research will follow the approach using OLS and perform diagnostic tests on stationarity and heteroscedasticity of the data as part of the time-series analysis.

Data description

Data employed as part of the study comprises monthly observations of the base rate and the stock market index in Kazakhstan derived from the World Bank database.

As part of the study, there were a total of 87 observations on base rate and the stock market index. The base rate was chosen to be the independent variable (X), while the stock market index as

a dependent variable (Y). Table 1 below summarizes the descriptive statistics for base rate and KASE variables over the October 2015 to December 2022.

Table 1. Descriptive statistics for base rate and KASE variables

<i>Base Rate</i>		<i>KASE</i>	
Mean	0.11	Mean	120.8
Standard Error	0.003	Standard Error	4.338
Median	0.098	Median	123.2
Mode	0.09	Mode	#N/A
Standard Deviation	0.026	Standard Deviation	40.461
Sample Variance	0.001	Sample Variance	1,637.1
Kurtosis	-0.306	Kurtosis	-0.605
Skewness	1.06	Skewness	-0.197
Range	0.08	Range	154.8
Minimum	0.090	Minimum	44.8
Maximum	0.17	Maximum	199.6
Sum	9.66	Sum	10,506
Count	87	Count	87
Confidence Level(95.0%)	0.005	Confidence Level(95.0%)	8.623

Stationarity check

The initial data was tested for stationarity to check that the data has a constant mean, variance, and autocorrelation over time. This was done through widely used Augmented Dickey-Fuller (ADF) test, developed by Dickey & Fuller (1979), which was applied on both base rate and KASE index.

Data transformation

In case the initial data is found to be non-stationary, both variables would be transformed. As such, base rate would be transformed by using equation 1 and KASE index by using equation 2 below:

$$\Delta r = r_t - r_{t-1} \quad (1)$$

where, Δr is the change in base rate at time t ; r_t is the level of base rate at time t ; and r_{t-1} is the level of base rate at time $t-1$.

$$R_m = \ln (PI_t / PI_{t-1}) \quad (2)$$

where, R_m is the return on KASE index at time t ; \ln is the natural log; PI_t is the KASE index value at time t ; and PI_{t-1} is the KASE index value at time $t-1$.

Simple regression model

The relationship between the independent (base rate) and dependent (KASE return) variables was assessed through the Simple Regression Model as in the case of Alam and Uddin (2009). As such, the following formula was used:

$$y = b_0 + b_1x + u \quad (3)$$

where y represents the KASE index (or KASE index return if data was transformed) at time t ; b_0 was the intercept; b_1 was the slope coefficient associated with the base rate (or change in the base rate if data was transformed); x was the base rate (or change in the base rate if data was transformed); and u was the error term representing factors other than base rate changes.

As such, the null hypothesis and alternative hypothesis as part of current study are as follows.

H_0 (null hypothesis): there is no significant relationship between interest rates and KASE index.

H_1 (alternative hypothesis): there is significant relationship between interest rates and KASE index.

Test for heteroskedasticity

After performing the simple regression model, the data was tested for homoskedasticity/heteroskedasticity to check whether the error term had unequal variance problem, which would imply inefficiency of the estimated coefficients. This was tested through use of Breusch-Pagan method, developed by Breusch & Pagan (1979).

data analysis

Stationarity check results

The initial data was tested for stationarity using the ADF test. The hypothesis was as follows:

H_0 (null hypothesis): data is non-stationary and has a unit-root.

H_1 (alternative hypothesis): data is non-stationary and does not have a unit-root.

The following results were received as a result of stationarity in Table 2.

Table 2. Result of stationarity test

Variable	Test Statistic	Lag Order	P-value	Hypothesis
Base rate	-0.526	4	0.979	Non-stationary
KASE	-2.572	4	0.341	Non-stationary

As the p-value for initial data was higher than the significance level (1, 5, or 10 percent), the null hypothesis could not be rejected. Data had to be transformed to achieve stationarity.

Data transformation results

Data transformation was achieved by employing equations (1) and (2) displayed above. It should be noted, that as the transformed data requires two time periods to calculate, the first data row was deleted to omit NA calculations. Hence, the data from November 2015 to December 2022 was

used after the transformation. The result of stationarity test after data transformation is presented in Table 2 below.

Table 3. Result of data transformation

Variable	Test Statistic	Lag Order	P-value	Hypothesis
Base rate difference	-5.437	4	0.010	Stationary
KASE return	-3.407	4	0.059	Stationary

As a result of transformation, data appeared to be stationary at 1 percent significance level for base rate difference and at 10 percent significance level for KASE return. The null hypothesis was rejected and stationarity of transformed data was confirmed.

Simple linear regression results

Simple linear regression was performed on the transformed data of base rate difference and the KASE return. The result of the regression is presented in Table 4 below.

Table 4. Result of linear regression

	Estimate	Std. Error	t-value	P-value	R-squared
(Intercept)	0.02	0.00	3.21	0.00	0.04
Base rate difference	-0.01	0.01	-1.78	0.08	

The linear regression achieved a p-value of 0.08, below the significance level of 0.1; hence the null hypothesis of no significant relationship between interest rates and KASE index was rejected. Results show a -0.01 slope in base rate difference, showing a negative relationship between variables and assuming a 1 percent increase in base rate could result in a 1 percent drop in KASE return.

It should however be noted, that the R-square for the linear regression resulted in 0.04, supposing that only 4 percent of data could be explained by the model. As illustrated in the literature review, changes in stock prices can be influenced by a number of factors, including, but not limited to, interest rates, the operating and financial performance of a specific company, dividend payout, exchange rate, stock prices in other countries, changes in the gross domestic product, current account, money supply levels, employment rates, and others.

Heteroskedasticity test result

To make sure that the coefficients of the linear regression model are efficient and the error term is constant. This was tested via the Breusch-Pagan method. As such, the hypothesis was as follows:

H_0 (null hypothesis): residuals of the linear regression model exhibit equal variance (homoscedasticity).

H_1 (alternative hypothesis): residuals of the linear regression model exhibit unequal variance (heteroscedasticity). The result of the test is presented in Table 5 below.

Table 5. Result of test for heteroskedasticity

Test	Test Statistic	Degrees of Freedom	P-value
------	----------------	--------------------	---------

Breusch-Pagan Test	0.127	1	0.72
--------------------	-------	---	------

As the p-value of the Breusch-Pagan test resulted in value higher than the selected significance level of 10 percent, the null hypothesis could not be rejected. With this, the data employed was suitable for the regression analysis.

CONCLUSION

The study analyzed the relationship between the changes in base rate and the stock market return utilizing time-series analysis. It involved testing the data for stationarity using ADF test, performing a simple linear regression using OLS, and testing for heteroscedasticity. The results of the study revealed the presence of a negative correlation of base rate and KASE index movements. However, statistics was only confirmed at 10 percent confidence level, implying that the link between the two variables was weak.

It should be noted, that the results drawn in current research are specific to the chosen time frame, methodology applied, and variables analyzed. As such, if any of these factors were amended, the findings and conclusion could subsequently differ significantly. It is thereby important to exercise caution when generalizing the findings of this study.

Nonetheless, it is believed that the paper could assist Kazakhstani investors better assess investment opportunities and how changes in base rate could impact the stock market return.

REFERENCES

1. Alam, M. D., & Uddin, G. (2009). Relationship between interest rate and stock price: empirical evidence from developed and developing countries. *International Journal of Business and Management (ISSN 1833-3850)*, 4(3), 43-51.
2. Apergis, N., & Eleftheriou, S. (2002). Interest rates, inflation, and stock prices: the case of the Athens Stock Exchange. *Journal of policy Modeling*, 24(3), 231-236.
3. Asprem, M. (1989). Stock prices, asset portfolios and macroeconomic variables in ten European countries. *Journal of Banking & Finance*, 13(4-5), 589-612.
4. Bernanke, B. S., & Kuttner, K. N. (2005). What explains the stock market's reaction to Federal Reserve policy?. *The Journal of finance*, 60(3), 1221-1257.
5. Breusch, T. S., & Pagan, A. R. (1979). A simple test for heteroscedasticity and random coefficient variation. *Econometrica: Journal of the econometric society*, 1287-1294.
6. Dickey, D. A., & Fuller, W. A. (1979). Distribution of the estimators for autoregressive time series with a unit root. *Journal of the American statistical association*, 74(366a), 427-431.
7. Dolley, J. C. (1933). Characteristics and procedure of common stock split-ups. *Harvard business review*, 11(3), 316-326.
8. Fama, E. F., Fisher, L., Jensen, M. C., & Roll, R. (1969). The adjustment of stock prices to new information. *International economic review*, 10(1), 1-21.
9. Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. *The journal of Finance*, 25(2), 383-417.
10. Gertler, M., & Gilchrist, S. (1994). Monetary policy, business cycles, and the behavior of small manufacturing firms. *The Quarterly Journal of Economics*, 109(2), 309-340.
11. Gordon, M. J., & Shapiro, E. (1956). Capital equipment analysis: the required rate of profit. *Management science*, 3(1), 102-110.
12. Kurihara, Y. (2006). The Relationship between Exchange Rate and Stock Prices during the Quantitative Easing Policy in Japan. *International Journal of Business*, 11(4).
13. Rigobon, R., & Sack, B. (2004). The impact of monetary policy on asset prices. *Journal of monetary economics*, 51(8), 1553-1575.

14. Williams, J. B. (1938). *The theory of investment value* (No. HG4521 W48).
15. Web-1: <https://nationalbank.kz/file/download/8297>, consulted 3 March 2023.
16. Web-2: <https://nationalbank.kz/en/news/grafik-prinyatiya-resheniy-po-bazovoy-stavke/rubrics/1698>, consulted 3 March 2023.
17. Web-3:
https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html, consulted 3 March 2023.
18. Web-4: <https://www.federalreserve.gov/monetarypolicy/openmarket.htm>, consulted 3 March 2023.
19. Web-5: <https://focus.world-exchanges.org/issue/february-2023/market-statistics>, consulted 15 March 2023.
20. Web-6: https://kase.kz/en/stock_market/index_kase, consulted 24 March 2023.
21. Web-7: <https://www.crsp.org/main-menu/about-crsp>, consulted 26 February 2023.
- Web-8: <https://datacatalog.worldbank.org/search/dataset/0037798>, consulted 24 March 2023.

The Influence of Electronic Word-of-Mouth on Trust and Consumer Purchasing Decisions

Zhamilya Zakarina

KIMEP University

Abay 4, Almaty, Kazakhstan

Zhamilya.zakarina@kimep.kz

Vladimir Garkavenko

KIMEP University

Abay 4, Almaty, Kazakhstan

gvlad@kimep.kz

Yelizaveta Rybina

KIMEP University

Abay 4, Almaty, Kazakhstan

liza@kimep.kz

ABSTRACT

Traditionally, people rely on other people because humans are social creatures. It is a basic human need to share feelings, and emotions, and to have someone to talk to. Therefore, it is one of the needs to create a meaningful relationship and build trust between each other. In any field of business and services, consumer behaviour is the most concentrated sector. Consumer behaviour depends on various internal and external factors; in particular, one of the most crucial external factors is the influence of word-of-mouth. Ono (2015) defines word-of-mouth as “oral, person-to-person communication between a communicator and a recipient who perceives the respective message as non-commercial although the subject is a brand, product, or service”. Therefore, word-of-mouth serves as an incremental source of information sharing among consumers, where they have the ability to share their thoughts and feelings regarding the product or service. However, the most important role of word-of-mouth is the ability to share personal experiences which customers can evaluate and figure out their own needs for a product or service. This study examines the influence of electronic word of mouth on consumer trust and purchasing intention of Almaty citizens in 2022.

KEYWORDS: electronic word of mouth, online purchasing intention, consumer trust, online marketing.

INTRODUCTION

Traditionally, people rely on other people because humans are social creatures. It is a basic human need to share feelings, and emotions, and to have someone to talk to. Therefore, it is one of the needs to create a meaningful relationship and build trust between each other. Hossain, Kabir and Rezvi (2017) stated that with the help of word-of-mouth gives a feeling of satisfaction to consumers and people who generally purchase goods. In any field of business and services, consumer behaviour is the most concentrated sector. Consumer behaviour depends on various internal and external factors; in particular, one of the most crucial external factors is the influence of word-of-mouth.

Ono (2015) defines word-of-mouth as “oral, person-to-person communication between a communicator and a recipient who perceives the respective message as non-commercial although the subject is a brand, product, or service”. Therefore, word-of-mouth serves as an incremental source of information sharing among consumers, where they can share their thoughts and feelings regarding the product or service. However, the most important role of word-of-mouth is the ability to share personal experiences which customers can evaluate and figure out their own needs for a product or service. Therefore, it is necessary for creating a guide and leaving an impression of a trustworthy brand, product or service that would create customer loyalty in the nearest future. The influence of word of mouth could be either positive or negative. Electronic Word of Mouth (eWOM) refers to the sharing of consumer experiences and opinions about products and services through online channels such as social media, online review platforms, and discussion forums. eWOM can play a significant role in influencing consumer trust and online purchasing intention.

Consumer trust is one of the necessary components of the model that has a major impact on the overall customer perception of the brand and the products that brands produce. Consumer trust can have a significant influence on online purchasing intention. When consumers trust an online retailer or marketplace, they are more likely to make purchases on the platform. Trust can be built in a number of ways, including through positive experiences with the brand or platform, social proof in the form of reviews and ratings, and transparent policies and practices. Here are a few ways in which consumer trust can impact online purchasing intention. First of all, confidence in the security of the platform: if a consumer feels that their personal and financial information is safe on an online platform, they are more likely to make purchases there. Trust in the security of a website can be influenced by factors such as the presence of SSL certificates, payment security measures, and clear and transparent privacy policies. Second, perceived reliability and quality of the product or service: If consumers trust the quality and reliability of the products or services being offered, they are more likely to make a purchase. This can be influenced by several factors, including the reputation of the brand, user-generated reviews and ratings, and clear and detailed product descriptions. Overall, consumer trust is a key factor in determining whether consumers will make purchases online. Brands and platforms that invest in building and maintaining trust with their customers are more likely to see increased online purchasing intention and higher levels of customer loyalty.

When consumers are considering making a purchase, they often seek out information and opinions from other consumers before deciding. This is particularly true in the online environment, where social media, review sites, and forums make it easy for consumers to share their experiences and opinions with others.

Positive eWOM can help to build consumer trust by providing social proof and demonstrating that other consumers have had positive experiences with a brand or product. Negative eWOM, on the other hand, can damage consumer trust and reduce online purchasing intention. For example, if a consumer is considering purchasing a product from an online retailer, they may search for reviews and ratings of the product on the retailer's website or on other online review sites. If they find positive reviews and ratings from other consumers, they are more likely to trust the product and make a purchase. Conversely, if they find negative reviews and ratings, they may decide not to make a purchase or look for an alternative product.

Yet, this study is focused on how eWOM influences consumer purchasing decisions and what are customers' perceptions of online recommendations, feedback, and product experiences.

Therefore, the main research questions could be stated the following way:

- Research Question 1: How does electronic word of mouth influence consumer trust?
- Research Question 2: How does electronic word of mouth influence online purchase behavior?
- Research Question 3: What is the effect of consumer trust on electronic word of mouth and purchasing intention online?

LITERATURE REVIEW

We are currently living in an informational age, which means that people are surrounded by a dizzying amount of information. Individuals are so busy that they don't even have time to read and research all the material available. Customers are having problems "hearing," as was previously mentioned. There is too much information and noise. A weekday issue of the New York Times, according to Wurman in his book *Information Anxiety*, "contains more knowledge than the typical person was likely to come across in a lifetime in seventeenth-century England" (apud Rosen, 2000). Also, according to advertising experts, each customer sees more than 1500 advertisements per day. Consumers essentially filter the messages that they are interested in. There is no doubt that listening to their pals is simpler (Rosen, 2000). Consumers have doubts. They no longer accept what they see or hear as authentic. According to research, most clients have a comparable level of cynicism, which they attribute to either misleading or unsatisfactory scenarios they have encountered (Gildin, 2002).

It is rather remarkable that customers can communicate with strangers as well as acquaintances using the new tools made available by the Internet. People may now contact others across the world. As a result, word of mouth is a tremendous time saver. Consumers find it simpler to let others sort through the information, process, and improve it, and filter it before benefiting from their experience (Gildin, 2002).

In 2001, Silverman stated in his article that eventually consumers will become more dependent on word of mouth since it serves as a major time saviour and cuts through clutter by emphasizing necessary features that highlight product benefits instead of single-handedly filtering and searching for the information on the Internet or personal experience. Moreover, the dissemination of word-of-mouth information that can save customers time will be addressed via websites and other Internet communications channel (Gildin, 2002).

Word-of-mouth has always been a reasonable source of getting a piece of trustworthy information that would leave a major influence on consumers (Kay & Lazarsfeld, 1955). Word of mouth has the following effect on consumer buying behaviour: i) the purchasing frequency and the type of product that is being purchased by consumers, ii) how the product or service is being evaluated after the word-of-mouth was heard, and iii) how word of mouth is being viewed in social situations that are being created by consumers (Aslam, 2011). All these aspects are assessed by a consumer when they are making a purchase and during the post-purchase evaluation of the goods or services. In 2004, Harris conducted a study where the main finding was that 58 percent of Europeans do not trust corporate and they would rather rely on their relative's and friends' recommendations. This shows that almost more than half of respondents rely on recommendations and previous experiences of their acquaintances (Aslam, 2011). While customers are going through a decision-making process, they go through a range of alternatives.

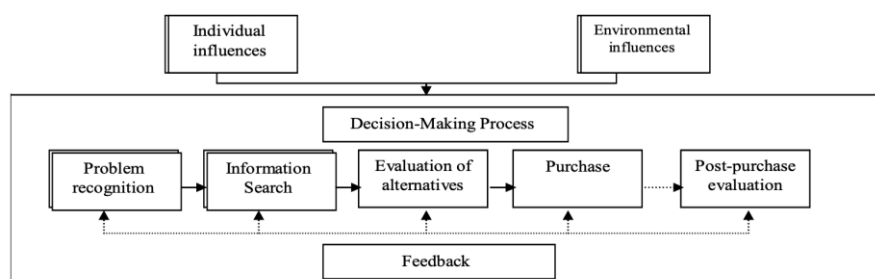


Figure 1: Decision making process

Referring to the Figure 1 word-of-mouth occurs while the consumer is searching for information about the desired item to purchase by asking friends, relatives, and acquaintances about

their experience with the product or service. This is where regular word-of-mouth plays a crucial role in shaping a preliminary perception that a customer will create further while using this product.

Word of mouth may occur during the pre-purchase stage: at this stage, consumers are in the process of identifying their needs and evaluating various options for fulfilling those needs. During this stage, consumers may seek out information from friends, family, or online sources to learn more about different products or services and to get recommendations. This information can help them to narrow down their options and make an informed decision. Influencers and opinion leaders also do have an ability to influence on the preliminary opinion shaping of the product idea before the actual purchase is made.

Another possibility where word of mouth may occur is the purchase stage: at this stage, consumers have made the decision to purchase a particular product or service and are in the process of making the purchase. During this step, consumers may seek out recommendations or opinions from salespeople or other shoppers in the store or may look for online reviews and ratings of the product or service.

Consumer buying behaviour is referred to as a plan that provides insights into how, when, where, and why buyers make purchases of goods and services (Farooq, 2020). Therefore, there are factors that influence consumer buying decisions and buying behaviour in general (Solomon, 1996).

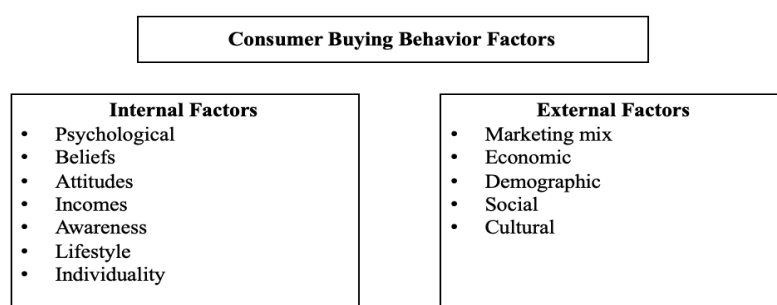


Figure 2. Consumer Buying Behaviour Factors

Referring to the Figure 2, there are internal and external behaviour factors. Consumer buyer behaviour's internal factors may appear confusing and complex, however, one of the most influential internal factors is the consumer's attitude toward the brand. Since the information can be easily accessed nowadays, there is a strong need to create a great preliminary brand perception and forecast any issues, problems, or dissonances a consumer might find. Brand pages and information that is visible to consumers are one of the most crucial parts that are important to work on and to pay attention to during the consumer decision-making process, especially if those purchases are happening online and via social media handles, such as Instagram, or online shopping websites.

3. RESEARCH METHODOLOGY AND DATA COLLECTION TOOL

In the data collection part, the mixed methods data collection process was used, which will be discussed in detail further in this paper. The data collection method for this research is the mixed method, which includes both interviews and survey approaches.

A questionnaire was utilized to collect statistics, which was then used to examine how online consumers' trust and purchase intentions were affected by electronic word of mouth. A questionnaire

is a measurement tool that includes research questions and attitude statements to obtain data about a specific assignment, good, brand, or behaviour. Using the data gathered from the surveys, results are made comparable and amenable to study.

Two sections made up the questionnaire: the students' individual information was presented in the first section. Seven attitude statements about eWOM, four about customer trust, and four more about consumer purchase intention were all quantifiable on a 5-point Likert scale in the second half of the respondents' responses. The population is the total number of individuals living in the area where the study's sample size was chosen and on which it is based. Sekaran & Bougie (2013) found that a sample size of 152 was appropriate enough to consider the findings reliable. The convenient sampling technique was used for this study; the sample of 152 respondents were selected randomly out of KIMEP University students and Almaty citizens in December 2022 and who were willing to take part in the research. This method was selected due to time constraints and the ease of access to those who were willing to participate in the study.

After conducting a literature review and reviewing other research model that are related to the topic of this paper, it was decided that the research model that was developed by Smith, Venon and Sivakumar in 2005 will provide the best results. Additionally, the model was previously used by Abdullah in 2019 in his research, Cui et al. (2022) in their research about the consumer impulsive buying behaviour online and other academics has also utilized this model in their studies, which means that the model is credible enough to base the study on it.

The variables for this research paper are eWOM, consumer trust, and purchasing intention online. eWOM is the independent variable and consumer trust and purchasing intention are dependent variables because they depend on the eWOM and purchasing intention as well. The methodology and the research model were used by Smith, Venon and Sivakumar in their study in 2005 regarding the influence trust and recommendations in virtual marketing. Consumers look for and evaluate high-quality information, according to research and reviews on the impact of eWOM on customer trust and purchasing intention online (Smith, Menon & Sivakumar, 2005).

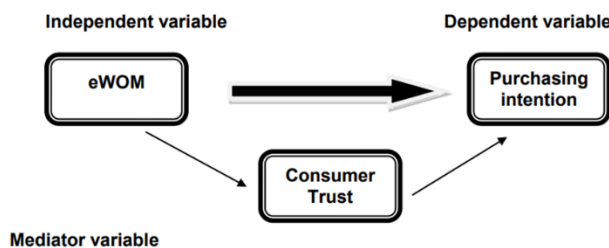


Figure 3: Research Model by Smith, Venon and Sivakumar (2005).

Since individuals pay a lot of attention to various factors while making the purchase intention based on recommendations, therefore, the hypothesis that was developed for this research is going to be stated below. Hence, the hypotheses for this research are the following:

H1: eWOM positively affects purchasing intention online.

H2: eWOM positively affects consumer trust.

H3: Consumer trust positively mediates the relationship between eWOM and purchasing intention online.

4. DATA ANALYSIS WITH CRITICAL THINKING AND DISCUSSION

While conducting an interview with three Marketing experts: Gaukhar Seiilova, Brand Marketing Specialist at Efes Kazakhstan (will be shortened for GS in future transcripts), Zhibek Yerzhigit, Brand Supervisor at Efes Kazakhstan (will be shortened for ZY in future transcripts) and Darya Alexander, an Associate Digital Designer at Aritzia. All of them have various marketing and communications experience, therefore, they are eligible and understand the importance of word-of-mouth and the way it could influenced, the following aspects could be highlighted and made during the interview questions:

- Electronic word of mouth has an influence on consumer purchasing decision, however, the source of spreading the information must be credible and trustworthy enough, meaning that trust is an influential factor.
- Both electronic and regular word of mouth are strong enough to influence consumer purchasing decision.
- Consumers refer to a regular word of mouth when it comes from the person who they trust and believe that this individual has an ability to provide constructive feedback.
- Consumers also refer to an electronic word of mouth when the product is new, and they have an ability to read other people's experiences. The source of providing the information is also important, which implies its credibility.
- Friend's online recommendation could influence consumer purchasing intention; however, it also depends on the fact whether the product is needed to the potential buyer. This shows that if there is a trust, then there is a high purchasing intention.
- Electronic word of mouth increases consumer awareness about the products and, generally, provides a high probability that consumers will purchase the product in the future. As a result, the purchasing intention is high. act the end perception that is being analysed by a consumer.

The method for quantitative data analysis is a survey data collection, the results of which will later be analysed in the SPSS software program. The total number of participants equals 152, with a gender split of 89 (58.6 percent) female participants and 61 (40.1 percent) male participants. 1.3 percent of participants did not specify their gender.

Table 1: Coefficient analysis between online purchasing intention and word of mouth

Coefficients (a)						
Model		Unstandardized Coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.850	.293		2.899	.000

OPI_AVE	.362	.074	4.869	<.000
			.369	

a. Dependent variable: WOM_AVE

During the Coefficient analysis between online purchasing intention and word of mouth, where word of mouth is the dependent variable and purchasing intention - is the dependent variable, the significance level is lower than the value .05 (Sig. < .05), therefore, there is an impact and H1 is confirmed, meaning that electronic word of mouth has a positive impact on online purchasing intention of consumers.

Table 2: Coefficient analysis between electronic word of mouth and consumer trust

Coefficients (a)						
Model		Unstandardized Coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.502	.216		6.963	.000
	CT_AVE	.263	.073	.283	3.616	.000
Dependent variable: WOM						

During the Coefficients analysis between consumer trust and word of mouth, where consumer trust was an independent variable and word of mouth - was a dependent variable, the significance level is smaller than value = .05, therefore there is an impact and consumer trust does positively affect word of mouth, therefore, H2 is confirmed.

Table 3: Coefficients between consumer trust and online purchasing

Coefficients (a)						
Model		Unstandardized Coefficients		Standardized coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.240	.184		12.190	<.000

CT_AVE	.567	.062	9.168	<.000
		.599		

b. Dependent variable: OPI_AVE

During Coefficients analysis between consumer trust and online purchasing intention of consumers, where consumer trust was an independent variable and online purchasing intention - was a dependent variable, the significance level is smaller than value = .05, therefore there is an impact and consumer trust does positively mediate online purchasing intention and word-of-mouth, therefore, H3 is confirmed.

While conducting the interview and the qualitative analysis, the results were similar and proved that there is indeed a correlation between consumer trust, electronic word of mouth and customer purchasing intention. The word of mouth has an influence on consumer purchasing intention in cases when consumers know the person who is recommending the product and it was shown in the interview question.

Media recommendations, in contrast, do have an influence on awareness which may lead to a potential purchasing intention further. However, it also depends on the person who is talking about the product. This means that a spokesperson must have a reputation and be credible enough to his audience. In the case of acquaintances and people who customers are familiar with, is easier since they already have trust in this person, and they will be able to clarify the details of the product if there is a need to do so. Consumers need to have a feeling of trust and security when they are looking for a new product and the recommendation will drastically ease the process of searching and looking for new products.

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

The analysis that was done in this research showed that there is indeed there is a strong positive correlation between the electronic word of mouth, consumer trust and online purchasing intention. When consumers trust an online retailer or brand, they are more likely to purchase from them. On the other hand, if consumers do not trust a retailer or brand, they are less likely to make a purchase. Trust is a critical factor in online purchasing decision-making because consumers cannot physically examine products before making a purchase. Thus, trust in the retailer or brand is an essential element that reduces perceived risk and increases the likelihood of a purchase.

The studies and analyses, that were conducted in this paper, have shown that eWOM has a significant impact on consumer trust and online purchasing intention. Moreover, social media and online review sites have become important channels for eWOM, as consumers frequently turn to these platforms to seek out and share product information and reviews. Brands and retailers can harness the power of eWOM by encouraging satisfied customers to share their experiences online and by monitoring and responding to customer feedback.

Previously, Ha et al (2020) conducted research where they were measuring the factors that influence on online shopping in Vietnam and the results showed a positive correlation between consumer attitude and the way they perceive information on online websites. Adding to the links examined by Shim et al. (2001), the current study further investigates the associations between the functional value of electronic communications search, the behavioural value of Internet information search, the perceived advantages of Internet purchasing, and the perceived risks of Internet buying in a Korean setting with the desire to use the Internet for information search and the intention to use the Internet for purchase. Another study conducted by Ardyan and Sudyasjayanti (2020) focused on the

correlation between consumer trust and electronic word of mouth, whether it could be shaped and how it generally affects the consumer behaviour. The findings of this study suggest that trust can act as a mediator between the customer's perception of eWOM and their action. This was also proven in the second hypothesis in this research where it was assumed and proved that electronic word of mouth positively affects consumer trust.

Similarly, a study conducted by Nofal et al in 2022 about word of mouth and how it shapes consumer behaviour and their purchasing pattern online and how various media platforms affect those behaviour. The major finding was that there is a positive correlation between celebrity eWOM and purchase intention. This demonstrates that for consumers to heed the stated suggestions and go on to buy the suggested products, the information's source must be trustworthy and reputable enough. Another study that was conducted by Sa'ait et al (2016) focused on examining four main elements of electronic word of mouth and their correlation between each other. Relevance, accuracy, timeliness, and comprehensiveness – the four key components of electronic word of mouth – were discovered to be strongly correlated with consumer purchase intention (Sa'ait et al, 2016). This part of the study was also strongly correlated with the findings of this research and was stated in the first hypothesis of the research.

Hypothesis	p-value	Confirmation
H1: eWOM positively affects purchasing intention online.	.369	Supported
H2: eWOM positively affects consumer trust.	.283	Supported
H3: Consumer trust positively mediates the relationship between eWOM and purchasing intention online.	.599	Supported

Based on the study that was conducted in this paper, the following recommendations for brands, brand owners and entrepreneurs could be drawn. If brands and influencers want to use electronic word of mouth to influence online purchasing intention and consumer trust, the following strategies could be implemented. First, build a positive online reputation: Brands and influencers should aim to build a positive online reputation by providing high-quality products and services and responding to customer feedback promptly. They can also encourage satisfied customers to share their experiences online and showcase positive reviews and feedback on their website and social media channels. The second option is to identify and target key opinion leaders. Brands and influencers should identify and target key opinion leaders within their niche who have a significant following and influence on social media. By collaborating with these opinion leaders, brands can tap into their audience and increase their reach and impact. Additionally, they should leverage social media platforms to reach their target audience and encourage eWOM. They can use social media to share product information, customer testimonials, and promotions, and encourage customers to share their experiences and recommendations. Last, brands should monitor customer feedback and respond promptly and professionally to any negative reviews or complaints. Overall, building a positive online reputation, targeting key opinion leaders, providing valuable content, leveraging social media platforms, and monitoring customer feedback are all effective strategies for using eWOM to influence online purchasing intention.

In Kazakhstan, in contrast, the institute of reputation and cancel culture has just started and, hence, the importance of creating a brand image which customers can easily trust and associate themselves with, is becoming more important. Therefore, all types of business, large corporations or small businesses, should work on their reputation first and consider creating a positive brand image, as well as look for those influencers and opinion leaders, who will spread a positive word of mouth to further impact the company. The positive word of mouth will also result in increase of sales for the company because consumers are becoming more aware about the company's background and, hence,

it will further allow the corporations to become the best in the industry with the help of the reputation institute.

In conclusion, companies can use electronic word of mouth to influence online purchasing intention and consumer trust by building a positive online reputation, identifying, and targeting key opinion leaders, providing valuable and informative content, leveraging social media platforms, and monitoring and responding to customer feedback. By implementing these strategies, brands and influencers can increase their reach and impact on social media, position themselves as experts within their niche, and build trust and credibility with their followers. Consequently, it is not overstating things to say that social media and social networking sites now play a major and crucial role in raising individual awareness, facilitating communication, and fostering connections, as well as in spreading advertisements for goods, services, or brands all over the world. At last, this research showed and stated that electronic word of mouth has a feasible impact on consumers' purchasing intentions because the more products or corporate entities are advertised in the media or on social networking sites, the more people become aware of them, allowing them to examine and assess them, make an informed decision further about brand, companies, or product, and endorse it to others.

6. REFERENCES

- Abdullah, L. (2019). The effect of eWOM on consumer trust and purchasing intention online. Retrieved from: <http://docs.neu.edu.tr/library/6819224986.pdf>
- Ardyan, E., & Sudyasjayanti, C. (2020). The importance of customer trust towards ewom customer behavior: The case of generation Y in Indonesia. *Jurnal Manajemen dan Pemasaran Jasa*, 13(2), 213-226.
- Aslam, S. (2011). Effect of Word of Mouth on Consumer Buying Behavior. *Mediterranean Journal of Social Science*, 2(3), 497-507. DOI: 10.5901/mjss.2011.v2n3p497
- Cui, Y., Zhu, J., & Liu, Y. (2022). Exploring the Social and Systemic Influencing Factors of Mobile Short Video Applications on the Consumer Urge to Buy Impulsively. *Journal of Global Information Management*, 30(1), 1-23. DOI:10.4018/JGIM.30120
- Farooq, M. (2020). The impact of word of mouth on consumer buying behavior. *International Journal of Science, Engineering and Technology*, 8(1), 1-8.
- Gildin, S. Z. (2002). Understanding the power of word of mouth. *Revista de Administracao Mackenzie*, (4)1, 91-106.
- Ha, N. T., Nguyen, T. L. H., Pham, T. V., Nguyen, T. H. T. (2020). Factors influencing online shopping intention: An empirical study in Vietnam. *The Journal of Asian Finance, Economics and Business*, 8(3), 1257-1266.
- Hammond, K., McWilliam, G., & Diaz, A. H. (1998). Fun & Work on the Web: Differences in Attitudes Between Novices and Experienced Users. *Seoul Journal of Business Advances in Consumer Research*, 46(25), 372-378.
- Hossain, M., Kabir, S., & Rezvi, R. I. (2017). Influence of Word of Mouth on Consumer Buying Decision: Evidence from Bangladesh Market. *European Journal of Business and Management*, 9(12), 38-45.
- Kay, E. & Lazarsfeld, P.F. (1955). *Personal Influence: The Part Played by People in the Flow of Mass Communications*, Glencoe (IL).

- Nofal, R., Bayram, P., Emeagwali, O.L., & Al-Mu'ani, L. (2022). The Effect of eWOM Source on Purchase Intention: The Moderation Role of Weak-Tie eWOM. *Sustainability* 2022, 14, 9959. <https://doi.org/10.3390/su14169959>
- Ono, A. (2015). Consumer Adoption of Mobile eWOM Messages. *Encyclopedia of Mobile Phone Behavior*. DOI: 10.4018/978-1-4666-8239-9.ch014
- Rosen, E. (2000). *The Anatomy of buzz: How to create word-of-mouth marketing*. New York: Doubleday.
- Sa'ait, N., Kanyan, A., & Nazrin, F. (2016). The Effect of E-WOM on Customer Purchase Intentio. *The International Academic Research Journal of Social Science*, 2(1), 73-80.
- Sekaran, U., & Bougie., M. (2013). "Research Methods for Business: A Skill Building Approach". UK: John Wiley & Sons.
- Smith, D., Menon, S., & Sivakumar, K. (2005). Online peer and editorial recommendations, trust, and choice in virtual markets. *Journal of interactive marketing*, 19(3), 15-37.
- Solomon, N. (1996). The media's favorite think tank. *Extra!* July-August, 9-12.

Determinants of earnings quality in mining industry: FGLS approach employed in the case of CIS region

Aslan Tleugaliyev

Bang College of Business, KIMEP University

2 Abai Ave., Almaty 050010

aslan.tleugaliyev@kimep.kz

ABSTRACT

The study aims to identify the factors influencing the earnings quality in turn describing the levels of earnings management in the mining industry of CIS region. Thomson Reuters Eikon database, audited financial statements of selected companies, and World Bank serve as the primary data sources for the purpose of this research. Most of the companies with the publicly available financial information come from Russia and Kazakhstan, and Azerbaijan, thus, selected to represent CIS region for the period from 2021 to 2011. FGLS (feasible generalized least squares) approach was used to conduct the regression.

Based on the regression results, earnings quality is negatively associated with increases in key bank rate, profitability, asset turnover ratio, and positively with increase in financial leverage. Company size, GDP growth, Investment decision, COVID-19 do not exert significant influence while time dummies 2015-2016 exert negative effect on earnings quality.

KEYWORDS: Mining, CIS, Earnings Quality, Earnings Management, FGLS, Panel data.

Introduction

The Commonwealth of Independent States is an international organization intended to regulate the relations between the 9 states formerly being the members of the Soviet Union. It includes Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, and Uzbekistan. Turkmenistan and Uzbekistan are associated states meaning they ratified CIS Creation Agreement, however, did not ratify the subsequent Charter that would make them members. It is worth pointing out that Ukraine left the CIS in 2018 as the result of the Military-political conflict with Russia.

The mining industry comprises one of the most important economic sectors in CIS as it is rich for resources such as oil and gas, coal, metals and minerals, and other. It has undergone significant changes since the collapse of the USSR as it was state-owned and operated centrally by the government.

However, the privatization of these mines after the collapse of the Soviet Union resulted in the inflow of foreign investments especially from Western companies that brought their best practices and innovative technology together with a trend to create joint ventures and partnerships with foreign companies (Peck, 2012). Nevertheless, the transition from the state-owned economy to market-oriented economy is a complex process requiring significant amount of time.

The companies representing the sample for the regression analysis are as following:

Country	Company	Industry	Year of Establishment
Kazakhstan	AltynAlmas	Gold	1993
Azerbaijan	Anglo Asian Mining	Gold and Copper	2004
Russian Federation	Alrosa	Diamonds	1992
Russian Federation	Korshunovskiy GOK PAO	Iron ore	1965
Kazakhstan	Kazatomprom	Uranium	1997
Russian Federation	GMK Noril'skiy Nikel' PAO	Nichel and Palladium	1993
Kazakhstan	Shubarkol' komir	Coal	1985
Russian Federation	Severstal' PAO	Iron ore	1955
Kazakhstan	NGK Tau-Ken Samruk AO	Gold, Copper, Zinc, Lead	2009
Kazakhstan	AoK	Aluminum	1996
Kazakhstan	Kazakhmys	Copper	1992
Kazakhstan	Kazchrom	Chrom	1938
Kazakhstan	Kazphosphat	Phosphorus ore	1999

Commodity price fluctuations, political instability, and environmental concerns are examples of challenges in CIS that may affect the earnings quality of the mining sector and stimulate the management of the company to manipulate their reported earnings particularly in regard to accounting estimates such as asset valuations, estimation of mineral reserves, environmental issues such as asset retirement obligations.

The aim of this study is to explore how certain firm-specific and macroeconomic variables affect earnings quality in mining industry of CIS. This research is expected to bring new evidence for the stakeholders as the earnings quality has not been studied extensively in CIS region.

The study employs empirical investigation through use of FGLS method and accounting for autocorrelation, heteroscedasticity, multicollinearity, and stationarity issues validating the model.

Literature review

Earnings quality refers to the degree of financial statements representing the true economic picture and whether these metric can be used to predict the future earnings accurately. High-quality earnings are usually sustainable and generated through main business activities while low-quality earnings are the result of accounting manipulations.

Earnings management refers to the intentional manipulation of financial performance through the use of creative accounting such as adjusting accounting policies or timing of revenue and expense recognition. Some forms of earnings management are legal while some are fraudulent. The earnings management is mostly used in accounting estimates and other judgemental sections.

Agency theory

Agency theory studies the relationships and conflicts between principals (shareholders or owners) and agents (managers) when agents act on the behalf of principals. The central idea is that there is a conflict as agents act in their own interest and prioritize them over interests of principals.

Agency theory explains the engagement of managers acting as agents in earnings management taking into account both agency and stewardship principles. Managers have an incentive to manipulate earnings seeking their own interests such as meeting KPI to receive bonuses whereas shareholders seek to increase their own wealth, which can be the case if other parties such as auditors, board of directors and other fail to identify and prevent it (Jensen et.al, 2013). The conflict arises because the agents have access to information that the shareholders do not. In addition, the level of earnings management can be influenced by the level of managerial discretion in accounting which is usually determined by the principal.

Dependent variable

As previously stated, the earning quality is a metric to measure the accuracy and reliability of these earnings to assess the current and future performance of a firm. Earnings quality lowers as the levels of accruals (especially discretionary) increase that means the companies with their operating cash flows as much as closer to their operating income reported in the statement of profit or loss are considered to have higher earnings quality. Earnings management is deemed to increase with decreases in earnings quality.

Independent variables

Macroeconomic determinants

Key bank rate: Based on the study of Carmo et.al (2016), interest rate negatively impacts the earnings quality since it increase finance costs and cost of capital for a company.

GDP growth: According to Czajor et.al (2013), earning quality is found to be higher in years of increasing GDP given overall economic growth positively affecting corporate income.

Firm-specific determinants

Financial leverage: The degree of financial leverage in total financing structure of a company is negatively correlated with earnings quality given the financial covenants prescribed in loan agreements that must be met (Ramadan, 2015).

Company size: Larger companies benefit from economies of scale having lower costs and increased profit, thus, the motivation for engagement in earnings management is decreased (Pham et.al, 2021).

Liquidity: Liquidity is one of the most important metrics for a company for valuation and reporting to interested parties, thus, decreasing liquidity imposes motivation for earnings management (Alqam et.al, 2022).

Profitability: Financial performance of a company is the most crucial metrics for profit-oriented companies according to David Ricardo and classical theory of a firm and is monitored by interested parties such as shareholders, investors, creditors and other. Therefore, decreased profit motivates company's agents to manipulate earnings in order to meet the expectations (Lanouar et.al, 2013).

Investment decision: The levels of capital expenditures can affect the earnings quality by increasing or decreasing the reported earnings by the methods of depreciation and amortization, depletion, and any impairment charges since they are pure accounting estimates set by the management. However, the effect was found to be insignificant (Ramadan, 2015).

Asset turnover: Asset turnover measures the efficiency of revenue generation using its assets and it is one of the important metrics and signals for external users. The better the ratio, the more profitable and less motivation to engage in earnings management the company is. This ratio can also be manipulated by the management by inclusion of one-off operations. The effect was found to be significant (Alqam et.al, 2022).

Time dummy

COVID-19 outbreak: In 2020, pandemic outbreak reached Kazakhstan with massive lockdowns and economic

recession leading to motivation to manipulate reported profit.

Hypotheses of the study

Based on the literature mentioned above, the following hypotheses are proposed:

H1: Key bank rate has insignificant negative influence on the earnings quality of mining firms in CIS

H2: Growth in Gross domestic product has insignificant positive influence on the earnings quality of mining firms in CIS

H3: Financial leverage has significant negative influence on the earnings quality of mining firms in CIS

H4: Company size has insignificant positive influence on the earnings quality of mining firms in CIS

H5: Liquidity has significant positive influence on the earnings quality of mining firms in CIS

H6: Financial performance has significant positive influence on the earnings quality of mining firms in CIS

H7: Investment decision has insignificant negative influence on the earnings quality of mining firms in CIS

H8: Asset turnover has significant negative influence on the earnings quality of mining firms in CIS

H9: COVID-19 outbreak has significant negative influence on the earnings quality of mining firms in CIS

Data and Methodology

The Data

Eikon Thomson Reuters, World Bank and annual audited financial statements from the official websites and Ministry of Finance database for mining companies in Commonwealth of Independent States were used as the primary data sources in this study for the period from 2011 to 2021. In addition, various databases, relevant articles and professional studies were used as well and referenced in the end of this research work.

Methodology

As the first step, the data is transformed into panel data and then uploaded into Stata software. Descriptive statistics is employed to learn more about the characteristics of data after which multicollinearity, autocorrelation and heteroscedasticity tests are conducted. Once all these econometric tests are performed, FGLS model (T<N) is run given 10 variables over 11-year period (T).

FGLS (Feasible Generalized Least Squares) regression model is an advancement of OLS assuming the errors are homoscedastic and uncorrelated by estimating the variances and covariances of the errors.

The regression model is as follows:

$$EQ = \beta_0 + \beta(KBR) + \beta(GDPG) + \beta(FLEV) + \beta(SIZE) + \beta(LIQ) + \beta(ROE) + \beta(INVDEC) + \beta(ASTTURN) + \beta(COVID-19) + E$$

Where,

EQ: *OCFtoTA/ NtoTA*

OCFtoTA= *Operating Cash flow/ Total Assets*

NtoTA= *Net Income/ Total Assets*

This ratio used as a measure of earnings quality supported by cash approach model which is based on the assumption that the earnings quality is deemed to be higher when the accounting profit is closer to cash flows [4].

KBR: official key bank rate as per National Bank of each country (average for the year)

GDP: GDP growth as per World Bank (% , compared to the prior year)

FLEV: financial leverage measured as *Debt/Debt+Equity*

SIZE: company size measured as *Total Assets* for the current period

LIQ: liquidity measured as *Current assets-Inventory/Current liabilities*

PERF: Financial Performance measured as *Net Income/Equity*

INVDEC: The levels of capital expenditures measured as *Total CAPEX/Total Assets*

ASTTURN: The turnover of assets measured as *Revenue/Total Assets*

COVID-19: Time dummy for Coronavirus pandemic outbreak

Empirical results

Descriptive statistics

Descriptive statistics is provided in order to report such statistics as the location of a variable measured by the mean and its variability measured by standard deviation. In addition, it indicates minimum, maximum and number of observations for all variables used for the purpose of this research within CIS region.

Variable	Obs	Mean	Std. Dev.	Min	Max
EQ	143	1.036	8.746	-81.269	59.012
KBR	143	8.526	2.883	3	15
GDPG	143	2.795	2.721	-4.3	7.4
FLEV	143	1.232	4.921	-8.505	51.083
Size	143	18.028	2.731	11.641	21.392
LIQ	143	2.457	4.446	.144	42.101
ROE	143	.341	1.028	-2.924	8.55
INVDEC	143	.085	.061	.001	.298
ASTTURN	143	.1	.212	-1.216	1.005
COVID19	143	.182	.387	0	1

Based on the results of descriptive statistics, the mean Earnings Quality score is 1.03 with the variability of 8.74 meaning the earnings quality of mining companies in CIS region is susceptible to high volatility.

As far as independent variables are concerned, Financial Leverage, Liquidity, Return on Equity, Asset Turnover, and COVID-19 time dummy are also susceptible to volatility their standard deviation scores are higher than their means.

Multicollinearity

Multicollinearity is an issue in any econometric model since the high correlation between independent variables imposes bias and skew the results. For information purpose, the matrix of correlations between the variables is provided below.

Matrix of correlations

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
(1) EQ	1.000									
(2) KBR	0.033	1.000								

(3) GDPG	-	-	1.000							
	0.023	0.374								
(4) FLEV	0.023	0.004	0.037	1.000						
(5) Size	-	0.153	0.029	0.069	1.000					
	0.170									
(6) LIQ	-	-	0.115	-	-	1.000				
	0.100	0.082		0.075	0.035					
(7) ROE	0.014	0.016	0.054	0.582	0.110	-	1.000			
						0.097				
(8) INVDEC	0.201	-	0.236	0.270	-	-	0.101	1.000		
		0.240			0.281	0.311				
(9) ASTTURN	0.026	0.015	-	0.025	0.129	-	-	-	1.000	
			0.029			0.121	0.037	0.096		
(10) COVID19	0.026	-	-	-	0.106	-	0.040	-	0.083	1.000
		0.051	0.325	0.004		0.041		0.049		

Variable Inflationary Factor (VIF) assesses the severity of multicollinearity in a given dataset. The VIF is the ratio of the variance of the coefficients with multiple predictors divided by the variance of the coefficients with only one predictor. Estat vif function in stata was used in Stata software to indicate variance inflation factors and conclude if the model is free from multicollinearity issue.

VIF (Variable Inflationary Factor)

Variable	VIF	1/VIF
FLEV	1.68	0.595
ROE	1.57	0.637
INVDEC	1.57	0.637
GDPG	1.49	0.669
KBR	1.29	0.773
LIQ	1.24	0.805
SIZE	1.21	0.824
COVID-19	1.21	0.826

ASTTURN	1.06	0.940
Mean VIF	1.37	

Multicollinearity occurs when two or more variables are highly correlated between each other leading to unreliable results of the regression model. Multicollinearity test revealed no correlation issue given 5% significance level. Moreover, the mean VIF is not significantly higher than 1 that implies the control over this issue in the econometric model.

Autocorrelation

Autocorrelation is another issue which measures the relationship between a variable's current and past values. If autocorrelation is present, the results of the regression model are skewed and error terms are correlated as it violates the assumption that the observations are independent of each other.

F(1,12)	0.954
Prob>F	0.3480

P-value of 0.33 indicated that the autocorrelation is absent in the econometric model since it is higher than 10% level of significance.

Stationarity

If the values do not change due to variation time, then this property is called stationarity and it should be true for the econometric model. In other words, a stationary model has a constant variance, constant mean, and the covariance between the two observations at different time points is only dependent on the time lag between them and not on the specific time points. Fisher-type Unit Root test was employed as the test for stationarity in order to balance the data.

P-value	EQ	KBR	GDP G	FLE V	Size	LIQ	ROE	INVDE C	ASTTUR N	COVI D-19
Inverse chi- squared	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.0000	0.0000	0.0000
Inverse normal	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.0000	0.0000	0.0000
Inverse logit t	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.0000	0.0000	0.0000

Modifi ed inv. chi- squared	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.000 0	0.0000	0.0000	0.0000
--------------------------------------	------------	------------	------------	------------	------------	------------	------------	--------	--------	--------

Since the values are lower than 5% level of significance, the null hypothesis is rejected and variables are considered to be stationery.

Heteroscedasticity

Heteroscedasticity is the term, which means that error term not normally distributed leading to the conclusion that the residual unobserved variables have a high variability and the results are biased. It also violates the assumption of homoscedasticity stating that the variance of the errors is constant across all levels of the independent variables.

LR chi2 (104)	416.30
Prob>chi2	0.0000

Chi-square is a statistical test used to determine whether there is a significant association between to categorical variables. It measures the difference between the observed frequency of occurrence of each category and the expected frequency under the null hypothesis of no association between the variables. As chi-square statistic is less than 1% level of significance, the null hypothesis is rejected and the heteroscedasticity is present in the model. To control the heteroscedasticity, FGLS regression model is accepted.

Regression results

Cross-sectional time-series FGLS regression

EQ	Coef.	St.Err.	t- value	p- value	[95% Conf	Interval]	Sig
KBR	-.04	.022	-1.82	.068	-.082	.003	*
GDPG	-.03	.033	-0.91	.363	-.094	.035	
FLEV	.056	.033	1.73	.083	-.007	.12	*
Size	-.005	.07	-0.07	.944	-.142	.132	
LIQ	-.007	.054	-0.13	.896	-.114	.099	
ROE	-.306	.122	-2.50	.012	-.546	-.066	**
INVDEC	-1.226	1.74	-0.70	.481	-4.637	2.184	
ASTTURN	-.582	.315	-1.85	.064	-1.199	.034	*

COVID19	-.128	.216	-0.59	.553	-.552	.295
Constant	1.867	1.252	1.49	.136	-.588	4.321

Mean dependent var	1.036	SD dependent var	8.746
Number of obs	143	Chi-square	93.483

*** $p < .01$, ** $p < .05$, * $p < .1$

FGLS regression model was selected as 10 variables (N) were regressed over a 11-year period (T) and to control the heteroscedasticity issue.

R-squared indicates the percentage of how much the dependent variable is explained by independent variables. In this case, the result of 0.07 means that changes in independent variables explain 7% changes in Earnings Quality.

P-value is the probability of obtaining a test statistics at least as extreme as the one observed in the sample given the assumption that the null hypothesis is hold true. The p-value measures the strength of evidence against the null hypothesis (statement about the population being tested). It ranges usually from 0 to 1 and compared to significance levels to determine if the null hypothesis should be rejected or accepted. If the p-value is less than 0.01, 0.05, or 0.1 significance levels, then it is statistically significant and exerts significant influence on the earnings quality.

Constant variable: Ceteris paribus, 1% increase in constant variable will increase the earnings quality in mining industry of CIS by 1.86% and it is statistically significant that implies that the average value of a dependent variable is 1.86% when all the independent variables are set to be zero.

GPD growth, Company Size, Liquidity, Investment decision COVID-19 time dummy are statistically insignificant as their p-values are lower than established significance levels, therefore, they do not exert significant influence on the profitability.

Key bank rate: 1% increase in key bank rate will decrease the earnings quality by 0.04%. This holds true due to the fact that key bank rate serves as the base for the lending from the side of the secondary banks and increases the interest rate thus increasing finance costs for the loan recipients. As the mining industry required intensive capital expenditures, they have high leverage and are sensitive to interest rate changes. The increased interest rate impacts financial covenants imposed by the banks and creates a stimulation for the earnings management to meet them. Moreover, it increases the cost of debt which is the part of Weighted average cost of capital serving as discount rate for the companies. This is consistent with the study of Carmo et.al (2016), where he revealed the negative correlation between the cost of debt and earnings quality.

In 2022, National Bank of Kazakhstan increased the key bank rate from 10.25% to 16.75% with the corridor of +/- 1.bp in order to decrease the influence of increased inflation of 20.3% comparing to 8.4% in 2021 and sanctions imposed on Russia and Belarus related to the current military and political conflict of Russia with Ukraine affecting the economy of Kazakhstan as well.

Financial leverage: 1% increase in financial leverage will increase the profitability by 0.05%. The degree of financial leverage imposes increased monitoring from the side of bank by the means of covenants and information requests decreasing the space of the room for financial statement fraud. In order for the loan amounts not to be demanded immediately by the bank, the company needs to meet all covenants, which may include debt/equity ratios. In addition, the degree of financial leverage impacts the valuation of the company. Higher amounts of debt decrease the value of a firm. This is inconsistent with Pham et.al (2021).

Return on equity: 1% increase of return on equity will decrease the earnings quality by 0.3%. Based on the classical theory of a firm (Jensen et. al, 2019), the aim is profit maximization. However, the agents tend to employ creative accounting and manipulate earnings to meet their KPIs set by the owners. Mining companies are most often of public interest and monitored by the Ministry of Finance, shareholders, Stock exchanges, Banks that impose expectations on the performance including financial profit. Thus, the econometric models show the negative correlation between the increasing financial performance and earnings quality.

Asset turnover: 1% increase in asset turnover ratio decreases the earnings quality by 0.58%. Low asset turnover ratio negatively influences earnings quality as it reduces profitability and limits the ability to generate revenue using its core assets. Based on signaling theory (Saleh et.al, 2020), the management tends to signal increased asset turnover ratio as this shows better utilization of its assets to generate the sales. This is consistent with the study conducted by Alqam et. Al (2022).

Conclusion

The impact of both firm-specific and macroeconomic variables such as Key bank rate, GDP growth, Financial leverage, Company size, Liquidity, Profitability, Capital expenditures levels, Asset turnover, and Coronavirus pandemic on the earnings quality of mining firms in CIS region during 2011-2021 has been studied. Eikon Thomson Reuters, Financial statement obtained from Depository of Ministry of Finance of Republic of Kazakhstan, and World Bank were used as the data sources for 13 mining companies representing Kazakhstan, Russia, and Azerbaijan countries, which represent in turn the CIS region. The obtained dataset was transformed into panel data for further analysis. The main advantage of the study is accounting for stationarity, autocorrelation, heteroscedasticity, and multicollinearity issues that remove bias from the FGLS regression model. In addition, this study brings new evidence as the drivers of earnings quality of mining firms in CIS have not been studied extensively so far.

FGLS model revealed that increases in Key bank rate, Company profitability, and Asset turnover decrease the earnings quality respectively while increase in financial leverage positively influences the earnings quality. GDP growth, Company size, Liquidity, Levels of capital expenditures, COVID-10 are statistically insignificant, thus, do not exert significant influence on the dependent variable.

Recommendations

Increasing the quality of earnings is essential for maintaining the trust of users of financial statements such as investors, creditors, employees, government, and other. Stakeholders can use the results of this study intended to reveal financial factors affecting earnings quality in CIS region for further analysis and decision-making process. Based on the results, it is recommended:

- Dilute the requirements for covenants with more qualitative covenants and covenants with lower proportion of accounting estimates that can be manipulated by the management.
- Make KPIs related to operating metrics which exclude the accounting estimates (such as EBITDA or EBIT).
- Review and timely update accounting policy on such provisions as depreciation, amortization, impairment, capitalization of expenses and make sure the decision of the responsible persons are in line with the policy. If any deviation is made, the reasonable explanation must be provided.
- Strongly adhere to ESG principles. Environmental, social, and governance principles as they promote sustainability, social responsibility, corporate governance, and regulatory compliance that help to attract investments, minimize risks, and enhance long-term stability and profitability. For the

first time, it is recommended to contract with a third-party ESG consultant and then employ ESG professionals into the organization. Top 50 companies on ESG disclosures are provided in the appendices.

- It is important to set incentives for the agents for their interests to be in line with the interests of the shareholders. One way would be to focus on the long-term performance rather than current year earnings to increase the transparency of financial reporting function.

Limitations of study

As any other study, it has its own drawbacks that should be taken into account and can be developed in further researches.

The suggestions for further research:

-The study concentrated on 2011-2021 time period since most of the companies lack the financial statements before 2011 publicly available.

-Use of Earnings Quality scores assigned by Eikon Thomson Reuters as a variable. In this study, most of the companies lacked this score, thus, it was omitted.

-Use of discretionary accruals Jones model as the measure of the Earnings quality.

-Inclusion and study of how ESG scores affect the earnings quality.

-Study how reserves and asset retirement obligations influence the quality of reported earnings.

-Inclusion of other time variables given 7% R-squared metrics.

-Perform endogeneity test and consider whether system GMM (Generalized method of moment) should be used.

References

- [1] Alqam, M. A., Owais, W. O., Ali, H. Y., & Hamshari, Y. M. (2022). *Earnings quality determinants in the Jordanian service sector (The financial crisis during Corona crisis)*. Cogent Business & Management, 9(1), 2137955.
- [2] Alvin, A., & Susanto, Y. K. (2022). *Factors affecting Earnings Quality*. Jurnal Bisnis dan Akuntansi, 24(1), 145-156.
- [3] Atu, O. O. K., Atu, F. O., Enegbe, O. P., & Atu, E. C. (2016). *Determinants of earnings management in Nigerian quoted companies*. Igbinedion University Journal of Accounting, 1(1), 9-20.
- [4] Carmo, C. R., Moreira, J. A. C., & Miranda, M. C. S. (2016). *Earnings quality and cost of debt: evidence from Portuguese private companies*. Journal of Financial Reporting and Accounting.
- [5] Czajor, P., Michalak, J., & Waniak-Michalak, H. (2013). *Influence of economy growth on earnings quality of listed companies in Poland*. Social Sciences, 82(4), 48-58.
- [6] International Trade Administration. (2021). *Kazakhstan- Country Commercial Guide*. Retrieved from

- <https://www.trade.gov/country-commercial-guides/kazakhstan-mining-equipment-and-services#:~:text=The%20mining%20sector%20accounts%20for,the%20country's%20exports%20by%20value.>
- [7] Jensen, M. C., & Meckling, W. H. (2019). *Theory of the firm: Managerial behavior, agency costs and ownership structure*. In *Corporate Governance* (pp. 77-132). Gower.
- [8] Lanouar, C., Riahi, R., & Omri, A. (2013). *The determinants of earnings management in developing countries: A study in the Tunisian context*. The IUP Journal of Corporate Governance, 12(1), 35-49.
- [9] Lisboa, I., & Kacharava, A. (2018). *Does financial crisis impact earnings management evidence from Portuguese and UK*. European Journal of Applied Business and Management, 4(1).
- [10] Mining World. (2023). *The mining industry in Kazakhstan*. Retrieved from <https://www.miningworld.kz/en/press-centre/news/66-17-01-2014mining>
- [11] Murniati, T. (2019). *Factors that affect earnings quality in manufacturing companies listed on IDX period 2012-2016*. The Indonesian Accounting Review, 9 (1), 85-98.
- [12] Peck, A. E. (2002). *Industrial Privatization in Kazakhstan: The Results of Government Sales of the Principal Enterprises to Foreign Investors*. Russian & East European Finance and Trade, 38(1), 31-58.
- [13] Pham, M. H., & Nguyen, D. Q. (2021). *Earnings quality measurements and determinants: the case of listed firms in Vietnam*. Journal of International Economics and Management, 21(3), 22-46.
- [14] PricewaterhouseCoopers. (2021). Top 50 ESG Disclosures Companies. Retrieved from <https://www.pwc.com/kz/ru/top-50.html>
- [15] Ramadan, I. Z. (2015). *Earnings quality determinants of the Jordanian manufacturing listed companies*. International Journal of Economics and Finance, 7(5), 140-146.
- [16] Saleh, I., Afifa, M. A., & Haniah, F. (2020). *Financial factors affecting earnings management and earnings quality: New evidence from an emerging market*. ACRN Journal of Finance and Risk Perspectives, 9.
- [17] Statistics Times. (2021). *Projected GDP Ranking*. Retrieved from <https://statisticstimes.com/economy/projected-world-gdp-ranking.php>
- [18] Statista. (2021). *Kazakhstan: Gross domestic product (GDP) in current prices from 1997 to 2027*. Retrieved from <https://www.statista.com/statistics/436143/gross-domestic-product-gdp-in-kazakhstan/>
- [19] Statista. (2021). *Russia: Gross domestic product (GDP) in current prices from 1997 to 2027*. Retrieved from <https://www.statista.com/statistics/263772/gross-domestic-product-gdp-in-russia/>
- [20] Thomson Reuters Practical Law. (2021). *Mining in the Russian Federation: Overview*. Retrieved from [https://uk.practicallaw.thomsonreuters.com/w-011-1888?transitionType=Default&contextData=\(sc.Default\)&firstPage=true#co_anchor_a372776](https://uk.practicallaw.thomsonreuters.com/w-011-1888?transitionType=Default&contextData=(sc.Default)&firstPage=true#co_anchor_a372776)
- [21] Tierra y Tecnologia. (2022). *The Mineral Resources of Ukraine*. Retrieved from <https://www.icog.es/TyT/index.php/2022/05/the-mineral-resources-of-ukraine/>

[22] Trading Economics. (2021). *Russia Mining Production*. Retrieved from <https://tradingeconomics.com/russia/mining-production#:~:text=Mining%20Production%20in%20Russia%20averaged,percent%20in%20July%20of%202020>.

Effects of Sexual Appeals in Advertising on Product Attractiveness and Purchase Intentions

Aigerim Dostiyarova*, Vladimir Garkavenko**, Liza Rybina**

**Master student at* Bang College of Business (BCB), KIMEP University Office: 309/Dostyk bld. 2 Abay Avenue, Almaty Republic of Kazakhstan, 050010.

** Bang College of Business (BCB), KIMEP University Office: 309/Dostyk bld. 2 Abay Avenue, Almaty Republic of Kazakhstan, 050010.

Corresponding author: Email: aigerim.dostiyarova@kimep.kz

Abstract

The purpose of this research: The purpose of this research study was to investigate the effects of sexual appeals in advertising on product attractiveness and purchase intentions for a perfume brand called Tom Form, particularly among consumers in Kazakhstan.

Originality of the research: The originality of the research lies in its focus on a specific product category (perfume) and the use of different types of celebrities (male and female, celebrity and non-celebrity) in advertisements with and without sexual appeals. Additionally, the study was conducted in Kazakhstan, which provides insight into how cultural differences may impact consumers' responses to sexual appeals in advertising.

Methodology: The methodology of the research involved the use of eight Instagram ads featuring the Tom Ford Black Orchid perfume brand. Four ads contained sexual appeals, while the other four did not. The ads also featured different types of celebrities or non-celebrities, male vs. female, and participants were asked whether they knew the celebrity and found them personally relevant. A survey was conducted among Kazakhstani consumers to assess their perceptions of the brand, product attractiveness, attitude towards the brand, and their likelihood of purchasing it.

Findings: The study found that ads with sexual appeals were more effective at increasing product attractiveness and purchase intentions compared to ads without sexual appeals. The effectiveness of sexual appeals varied depending on the type of endorser. However, the use of celebrities in advertisements did have a significant impact, with participants reporting higher levels of product attractiveness and purchase intentions when the ads featured celebrities they found personally relevant. While ads with non-celebrity endorsers were equally effective with or without sexual appeals. The study suggests that marketers should carefully consider the type of endorser when deciding whether to use sexual appeals in advertising.

Keywords: Sexual appeals, advertising, attitude to the brand, product attractiveness, purchase intentions, celebrity&non-celebrity endorsers, Kazakhstani consumers, Instagram ads, perfume

1. Introduction

Advertising is an essential tool for businesses to communicate their products and services to the target audience. Advertisers use different strategies and techniques to attract consumers' attention, persuade them, and influence their purchase decisions. One such technique is the use of sexual appeals in advertising. However, the use of sexual appeals in advertising has been a controversial topic, and the question remains whether such appeals are effective in driving product attractiveness, attitude towards the brand, and purchase intentions.

Sexual appeals are frequently used in advertising as a marketing technique to grab the attention of consumers and promote a product or service. [1]. Advertisers often use sexual imagery or suggestive content to create an emotional response in the viewer, which can help to increase brand recognition, sales, and overall market share.

There are many different ways that sexual appeals can be incorporated into advertising. For example, a company might use a sexually attractive model or celebrity to promote a product, or use suggestive language or innuendos to convey a message about the product. Advertisers might also use sexual imagery or themes to create an association between their brand and sex appeal, or to target specific demographic groups who are more likely to respond positively to sexual content.

While sexual appeals can be effective in advertising, they are also controversial and can be seen as objectifying or exploitative. There is ongoing debate among advertisers, consumers, and scholars about the ethical and social implications of using sexual appeals in marketing, particularly with regards to their effects on gender roles, body image, and sexual attitudes and behaviors.

There are fewer mental resources available to handle brand-related information due to human beings' limited processing power, which is automatically summoned to comprehend sexual cues. This could affect brand purchases. Therefore, it may be argued that sexual appeals are ineffective marketing techniques [2].

Different genders and/or sexes react differently to visual sexual cues. Men are more impacted by these signs than women since they frequently base their sexual partner selection on visual cues. Due to men's cognitive susceptibility to such cues and the evolutionary psychology of sexual appeal, male attention is likely naturally drawn to sexual cues, impeding the processing of brand-related information [3].

Sexualization in advertising have been a popular marketing strategy for many years, but their effects on product attractiveness and purchase intentions remain a topic of debate. While some studies suggest that such advertising tactics can have a positive impact on product evaluations, others argue that the impact is complex and dependent on a range of moderating factors. Specifically, the study aims to investigate how the presence of sexual appeals in advertisements, along with the use of celebrities, influences consumers' perceptions of the brand and their purchase intentions. Moreover, investigating the effects of sexual appeals in advertising on product attractiveness and purchase intentions is important for understanding consumer behavior, developing effective marketing strategies, and making more ethical advertising decisions.

2. Literature Review

The literature on the effects of sexual appeals in advertising on product attractiveness and purchase intentions is complex and varied, with both positive and negative effects being reported. However, there is still a debate over its impact on product attractiveness and purchase intentions. A state-of-the-art

literature review reveals that recent research has been focusing on understanding the underlying factors that moderate the effects of sex appeals in advertising.

On the one hand, sexual appeals have been found to increase attention and arousal, leading to increased product attractiveness and purchase intentions. These effects are thought to occur because sexual appeals capture consumers' attention and generate positive feelings, making the product more appealing. In addition, sexual appeals may be effective because they tap into consumers' desires and fantasies, creating an emotional connection with the product.

On the other hand, some studies have found that sexual appeals can have negative effects on product attractiveness and purchase intentions. For example, sexual appeals may lead to backlash, where consumers perceive the advertising as offensive or inappropriate, leading to negative attitudes towards the brand. Additionally, sexual appeals may reduce brand image by making the brand appear shallow or lacking in substance.

The effectiveness of sexual appeals in advertising may also depend on the product category and the audience being targeted. Shrum, Wyer, and O'Guinn (1998) conducted a meta-analysis of research on sexual appeals in advertising. They found that sexual appeals increased product attractiveness and purchase intentions, but the effects were moderated by the type of product and the audience. This indicates that the effectiveness of sexual appeals in advertising is highly dependent on the specific product being advertised and the characteristics of the target audience. For example, sexual appeals may be more effective for products that are associated with sexuality, such as lingerie or perfume, but less effective for products that are not, such as household products or financial services [4].

LaTour, C. M., & Henthorne, T. L. (1994) investigated the effects of sexual appeals in advertising for clothing on product attractiveness and purchase intentions. The results showed that sexual appeals increased product attractiveness and purchase intentions, and that these effects were stronger when the model was female and when the presentation mode was print rather than video [5].

Dens, N., De Pelsmacker, P., & Janssens, W. (2008) studied the role of attitudes towards the ad as a mediator between advertising credibility and attitudes towards the brand. The results showed that sexual appeals in advertising had a negative impact on attitudes towards the ad, which in turn had a negative impact on attitudes towards the brand, suggesting that sexual appeals may reduce brand image and undermine the effectiveness of the advertising campaign [6].

Knobloch-Westerwick and Crane (2012) found that sexualized ads featuring men led to an increase in positive attitudes towards the product, but only for men who identified with traditional masculinity. This suggests that the effectiveness of sexualized advertising may be limited to specific segments of the population, such as those who identify with traditional gender roles [7].

Banerjee and Greene (2015) investigated the impact of hypermasculine and sexualized ads on brand attitude and purchase intention. They found that exposure to hypermasculine ads increased brand attitude and purchase intention, but sexualized ads had no impact on these variables. The study suggests that different types of masculinity in advertising can have varying effects on consumer behavior [8].

Limbu, Y. B., & Jansen, B. J. (2018) reviewed the literature on the effects of sexual appeals in online banner ads on click-through rates and conversion rates. The results showed that sexual appeals increased click-through rates but had no significant effect on conversion rates, suggesting that sexual appeals may capture attention but may not necessarily lead to increased purchase intentions [9].

Hagtvedt, H., & Patrick, V. M. (2008) found that perfume ads with sexual appeals were more effective at increasing product attractiveness and purchase intentions than ads without sexual appeals. The authors also found that adding visual art to the ad increased the effectiveness of the sexual appeal [10].

Mehta, R., & Zhu, R. J. (2009) examined the effects of color on consumer responses to perfume ads with sexual appeals. The authors found that the color red increased attention to the sexual appeal, leading to increased product attractiveness and purchase intentions [11].

D'Astous, A., & Chartier, F. (2000) studied the factors affecting consumer evaluations and memory of product placements in movies. The authors found that sexual appeals increased the memorability and effectiveness of the advertising [12].

Brown, S. P., & Stayman, D. M. (1992), this study reviewed a number of previous studies on the effects of various advertising factors on consumers' attitudes toward the ad, including sexual appeals. The authors found that sexual appeals were effective at increasing attention to the ad and enhancing its persuasiveness [13].

2.1 Perfume campaigns examples

2.1.1 *The Calvin Klein Obsession campaign.*

This campaign, launched in the 1990s, is often cited as an example of the effectiveness of sexual appeals in advertising for perfume. The campaign featured model Kate Moss in a series of provocative poses, with the tagline "Between love and madness lies obsession." [16]. The campaign was highly successful in increasing sales of the perfume and has since become iconic in the world of fragrance advertising.

2.1.2 *The Dolce & Gabbana Light Blue campaign.*

This campaign, launched in 2001, is another well-known example of sexual appeals in perfume advertising. The campaign featured models David Gandy and Bianca Balti in a series of suggestive poses, with the tagline "The essence of Mediterranean sensuality." [17] The campaign was successful in increasing sales of the perfume and has since become a classic in the world of fragrance advertising.

2.1.3 *The Tom Ford Black Orchid campaign.*

This campaign, launched in 2006, featured a series of print and television ads with a highly sexualized theme. The ads featured model Cara Delevingne in suggestive poses and implied nudity, with the tagline "Black Orchid: where sensuality meets luxury" [18]. Also in 2018, Argentinian model Mica Arganaraz was the face of Tom Ford Black Orchid. Both campaigns were controversial, moreover, successful in increasing sales of the perfume and generating buzz in the media.

2.1.4 *The Tom Ford Neroli Portofino campaign.*

This campaign, launched in 2011, also featured a highly sexualized theme, with model Jon Kortajarena in a series of suggestive poses, with the tagline "Neroli Portofino: where citrus meets the sensual warmth of the Mediterranean." The campaign was successful in generating buzz and increasing sales of the perfume.

Tom Ford is known for its high-end advertising campaigns that often feature top models and celebrities, as part of the brand's image of luxury and sophistication. The "Black Orchid" fragrance campaign is just one example of the brand's seductive and provocative approach to advertising, with a focus on the sensuality and allure of its products. Some of the other models who have appeared in campaigns for Tom Ford's "Black Orchid" fragrance include Cara Delevingne, Gigi Hadid, and Jac Jagaciak, Zuzana Bijoh, Mica Arganaraz. It's important to note that campaigns and models may vary by region or country, also attitudes toward advertising can vary significantly by region, culture, and even by individual. What may

be considered provocative or controversial in one region or culture may be well received or even expected in another. Therefore, it's important for brands to take these differences into consideration when creating advertising campaigns [19].

2.2 Hypotheses of the study

Based on the aforementioned literature, the following hypotheses are proposed in order to analyze sexual appeals in advertising on product attractiveness and purchase intentions:

H1: Ad gender will have a significant effect on consumer attitudes and purchase intention towards the Tom Ford Black Orchid perfume brand:

H1a: Ads featuring female models will lead to more positive attitudes towards the advertisement compared to ads featuring male models.

H1b: Ads featuring male models will lead to more positive attitudes towards the brand and higher purchase intention compared to ads featuring female models.

H1c: Ads featuring male models will lead to more higher purchase intention compared to ads featuring female models.

H2: Celebrity endorsement and celebrity type will have a significant effect on consumer attitudes and purchase intention towards the Tom Ford Black Orchid perfume brand:

H2a: Ads featuring celebrity endorsements will lead to more positive attitudes towards the advertisement compared to ads without celebrity endorsements.

H2b: Ads featuring celebrity endorsements will lead to more positive attitudes towards the brand compared to ads without celebrity endorsements.

H2c: The effect of celebrity endorsements on purchase intention will be stronger when the celebrity endorser is a celebrity compared to a non-celebrity.

H3: The use of sexual appeals will have a significant effect on consumer attitudes and purchase intention towards the Tom Ford Black Orchid perfume brand:

H3a: Ads featuring sexual appeals will lead to more positive attitudes towards the advertisement compared to ads without sexual appeals.

H3b: Ads featuring sexual appeals will lead to more positive attitudes towards the brand compared to ads without sexual appeals.

H3c: The effect of sexual appeals on purchase intention will be stronger for ads featuring sexual appeals compared to ads featuring without use of sex appeal.

3. Data and Methodology

3.1 The Data

The study collected data through an online survey Google forms using Instagram ads featuring Tom Ford's Black Orchid perfume brand. The ads were designed in eight different formats, with and without sexual appeals with men and female images, featuring different types of celebrity and non-celebrity

endorsers to determine the effects of sexual appeals in advertising on product attractiveness and purchase intentions, as well as the moderating effects of celebrity endorsement, familiarity, and personal relevance.

Out of the 400 participants collected, 72% were male, which means that 288 participants were male and 112 participants were female.

The average age of all participants was 32 years old. For the group that received the questionnaire with the sexual ad, the average age was 34 years old and 75% of them were male. For the group that received the questionnaire with the non-sexual ad, the average age was 31 years old and 78% of them were male.

The study recruited participants from social media platforms and online forums who have seen advertisements with sexualization and without. The inclusion criteria for participants will be individuals who are 18 years or older and have made a purchase in the last six months. The sample size will be determined using a power analysis to ensure that there is enough statistical power to detect meaningful relationships between variables.

The survey consisted of three parts. The first part collected demographic information about the participants, including age, gender and education. The second part assessed participants' familiarity with and personal relevance to the celebrity endorsers featured in the ads. The third part measured participants' perceptions of the brand, product attractiveness, attitude towards the brand, and likelihood of purchasing it.

The data collected analyzed using regression analysis to examine the relationships between variables. The results of the study will provide insights into the effects of sexual appeals in advertising on product attractiveness and purchase intentions and can inform advertising and marketing strategies.

3.2 Methodology

Participants were asked to rate their attitude towards the advertisement by answering a set of questions, including "The advertisement is interesting", "I do not like the advertisement", "The advertisement grabs my attention", "The advertisement is inappropriate", "The advertisement is appealing", and "My attitude towards the advertisement is positive". These questions were adapted from previous studies (Batra and Ray, 1987; Grossman and Till, 1998; Muehling and Laczniak, 1988) [14-16] and were measured on a 5-point Likert scale, with 1 indicating "strongly disagree" and 5 indicating "strongly agree". The internal consistency of the measurement was high, with a Cronbach's alpha value of .864. It indicates the internal consistency of the questions measuring the construct of attitude towards the ad. A value of α between 0 and 1 is used to measure how well the items in a scale measure the same underlying construct. A higher alpha value indicates higher internal consistency, which means that the items are highly related to each other and are likely measuring the same underlying construct.

Participants were asked to rate their attitude towards the brand using a set of questions including "My attitude towards the brand is positive", "The brand is of high quality", "The brand is trustworthy", "I am interested in this brand", "I'm not aware of this brand", and "I'm not used to seeing this brand" (Batra and Ray, 1987; Grossman and Till, 1998; Muehling and Laczniak, 1988) [14-16] and were measured on a 5-point Likert scale, with 1 indicating "strongly disagree" and 5 indicating "strongly agree". The value of α for this construct was .884.

To measure purchase intention, participants were asked to answer the following questions (Baker and Churchill, 1977): I would like to try "black orchid", I would buy "black orchid", I am willing to purchase "black orchid" [17]. Participants provided their responses on a 5-point Likert scale, with 1 indicating "strongly disagree" and 5 indicating "strongly agree". The value $\alpha = .848$ is the reliability coefficient. In

this case, a value of .848 indicates that the items measuring buying intention are highly reliable and consistent in measuring the same construct.

Table 1 Mean values calculated by MANOVA analysis:

Mean values	Intention to purchase	Attitudes towards the advertisement	Attitudes towards the brand
1. Ad women celebrity without sex appeal:	3,533	3,9	3,625
2. Ad women non celebrity without sex appeal:	2,033	2,595	3,250

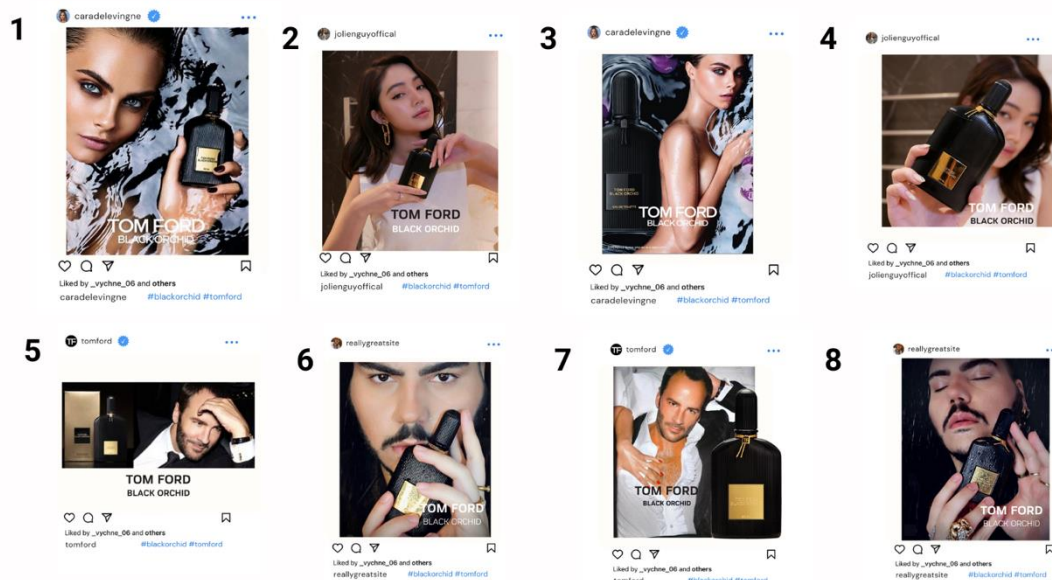
Mean values	Intention to purchase	Attitudes towards the advertisement	Attitudes towards the brand
3. Ad women celebrity with sex appeal:	2,860	3,55	3,825
4. Ad women non celebrity with sex appeal:	2,38	2,545	2,86

Mean values	Intention to purchase	Attitudes towards the advertisement	Attitudes towards the brand
5. Ad men celebrity without sex appeal:	3,0133	3,625	3,545
6. Ad men non celebrity without sex appeal:	2,72	2,4850	3,255

Mean values	Intention to purchase	Attitudes towards the advertisement	Attitudes towards the brand
-------------	-----------------------	-------------------------------------	-----------------------------

7. Ad men celebrity with sex appeal:	2,5867	2,795	3,590
8. Ad men non celebrity with sex appeal:	2,56	2,615	3,54

Data from a survey of 400 participants was gathered, and it was analyzed using a multivariate analysis of variance (MANOVA). By using a 2x2x2 factorial design, the study examined the effects of three independent variables (ad gender, celebrity endorsement, and sexual appeal) on three dependent variables (attitude toward the advertisement, attitude towards the brand and purchase intention).



Picture 1. Samples of the 8 ads designed in eight different formats, with and without sexual appeals with men and female images, featuring different types of celebrity and non-celebrity endorsers to determine the effects of sexual appeals in advertising on product attractiveness and purchase intentions

The results of the MANOVA analysis would provide information on whether any of the independent variables had a significant effect on the dependent variables, and if so, the direction and strength of that effect. Additionally, the analysis would indicate whether any interactions between the independent variables existed, which would suggest that the effects of one independent variable on the dependent variables varied depending on the levels of the other independent variables [18].

We can compare the mean values for each study condition so that we can gauge how the independent variables affected the dependent variables.

4. Empirical Results

The empirical results of the study showed that all three independent variables (ad gender, celebrity endorsement, and sexual appeal) had a significant impact on all three dependent variables (attitude toward the advertisement, attitude towards the brand, and purchase intention).

The study's methodology seems well-designed as it used a between-subjects design and randomly assigned participants to view only one of the eight advertisements. This design reduces the chances of order effects and ensures that participants' responses are independent of each other. The use of a large sample size of 400 participants also increases the study's statistical power and generalizability of the findings.

However, one potential limitation of the study is the unequal number of males and females in the sample. It is possible that gender differences may have influenced the results, and having an equal number of male and female participants would have helped control for this potential confounding variable.

Moving on to the hypotheses, H1 proposed that ad gender would have a significant effect on consumer attitudes and purchase intention towards the brand. The mean scores provided show that ads featuring female models (3.9) led to more positive attitudes towards the advertisement compared to ads featuring male models (3.585). Therefore, there is evidence to support H1a. However, the mean scores for attitudes towards the brand and purchase intention do not support H1b and H1c, respectively. Ads featuring male models did not lead to more positive attitudes towards the brand or higher purchase intention compared to ads featuring female models. Thus, H1b and H1c are not supported by the data.

H2 proposed that celebrity endorsement and celebrity type would have a significant effect on consumer attitudes and purchase intention towards the brand. The means provided show that ads featuring celebrity endorsements led to more positive attitudes towards the advertisement (3.3875) and the brand (3.605) compared to ads without celebrity endorsements (2.814 and 3.2875, respectively). Therefore, there is evidence to support H2a and H2b. However, the mean scores for purchase intention do not provide strong support for H2c, as the difference in means between ads featuring celebrity endorsements and non-celebrity endorsements is relatively small.

Finally, H3 proposed that the use of sexual appeals would have a significant effect on consumer attitudes and purchase intention towards the brand. The mean scores show that ads featuring sexual appeals led to more positive attitudes towards the advertisement (2.620) compared to ads without sexual appeals (2.033), providing evidence to support H3a. However, the mean scores for attitudes towards the brand and purchase intention do not support H3b and H3c, respectively. Ads featuring sexual appeals did not lead to more positive attitudes towards the brand or higher purchase intention compared to ads without sexual appeals. Thus, H3b and H3c are not supported by the data.

Overall, the study's findings suggest that celebrity endorsement and ad gender can have a significant effect on consumer attitudes and purchase intention towards the brand, while the use of sexual appeals may only have an impact on attitudes towards the advertisement. However, it is important to keep in mind the potential limitation of an unequal number of male and female participants in the sample.

Specifically, advertisements featuring female models were found to be more effective in generating positive attitudes towards the advertisement and the brand compared to those featuring male models. Celebrity endorsement was also found to have a significant impact on attitudes towards the advertisement

and the brand, with the endorsement leading to more positive attitudes. However, sexual appeal was found to have a negative impact on attitudes towards the advertisement, brand, and purchase intention.

The study's conclusion suggests that advertisers need to be aware of the potential negative effects of sexual appeals in advertising and consider using alternative strategies such as celebrity endorsement and featuring female models to generate positive attitudes towards the advertisement and brand. The study's findings can also guide marketers in selecting the appropriate advertising strategies to increase consumer perceptions and purchase intention towards their products. Furthermore, this study highlights the importance of using experimental designs to test the effectiveness of various advertising strategies and their impact on consumer behavior.

5. Conclusion

The study provides important insights into the effects of sexual appeals in advertising on product attractiveness and purchase intentions among Kazakhstani consumers for the Tom Ford Black Orchid perfume brand. The study suggests that the use of sexual appeals, particularly featuring female celebrities, can be an effective marketing strategy for promoting perfume brands in Kazakhstan. Furthermore, the study highlights the importance of celebrity endorsement and the need to consider cultural differences when designing advertising campaigns for different regions. The findings of this study can help marketers and advertisers to develop more effective and culturally sensitive advertising campaigns for perfume brands in Kazakhstan and other similar markets.

It is important to note that the unequal gender distribution may have influenced the results of the study, as men and women may respond differently to certain types of advertisements. Additionally, the fact that the participants were recruited from a university setting may also limit the generalizability of the findings to the broader population.

The differences in age and gender distribution between the two groups receiving the sexual and non-sexual ads may also have had an impact on the results. For example, the group receiving the sexual ad had a slightly higher average age and a higher percentage of men than the group receiving the non-sexual ad. These factors could potentially influence participants' attitudes and purchase intentions towards the product.

Therefore, it is important to interpret the results of the study with caution and consider the limitations of the sample and methodology when making conclusions about the effects of ad gender, celebrity endorsements, and sexual appeals on consumer attitudes and purchase intentions towards the Tom Ford Black Orchid perfume brand.

References

1. Reichert, T. (2002). Sex in advertising research: A review of content, effects, and functions of sexual information in consumer advertising. *Annual Review of Sex Research*, 13(1), 241-273
2. Pechmann, C., & Ratneshwar, S. (1992). The effects of advertising and cognitive elaboration on brand attitude accessibility. *Journal of Consumer Research*, 19(3), 404-417.
3. Hamann, S., Herman, R. A., Nolan, C. L., & Wallen, K. (2004). Men and women differ in amygdala response to visual sexual stimuli. *Nature Neuroscience*, 7(4), 411-416.
4. Shrum, Wyer, and O'Guinn (1998) *Journal of Consumer Research*, Vol. 25, No. 3 (Dec., 1998), pp. 273-294.

5. LaTour, C. M., & Henthorne, T. L. (1994). Body shape as a cue for attractiveness: Effects of model's sex and presentation mode. *Journal of the Academy of Marketing Science*, 22(3), 235-243.
6. Dens, N., De Pelsmacker, P., & Janssens, W. (2008). The role of attitudes toward the ad as a mediator between advertising credibility and attitudes toward the brand. *Journal of Advertising*, 37(2), 7-17.
7. Knobloch-Westerwick and Crane (2012) Affective news: the impact of journalistic content on readers' emotions. *Communication Research*, 39(6), 772-793.
8. Banerjee and Greene (2015) Antecedents and outcomes of sexual appeals in advertising: A meta-analytic review. *Journal of Advertising*, 44(2), 105-118.
9. Limbu, Y. B., & Jansen, B. J. (2018). The impact of sexual appeals in online banner ads on click-through rates and conversion rates: A systematic literature review. *Journal of Advertising Research*, 58(3), 253-267.
10. Hagtvedt, H., & Patrick, V. M. (2008). Art infusion: The influence of visual art on the perception and evaluation of consumer products. *Journal of Marketing*, 72(1), 48-57.
11. Mehta, R., & Zhu, R. J. (2009). Blue or red? Exploring the effect of color on cognitive task performances. *Science*, 323(5918), 1226-1229.
12. D'Astous, A., & Chartier, F. (2000). A study of factors affecting consumer evaluations and memory of product placements in movies. *Journal of Current Issues and Research in Advertising*, 22(2), 31-40.
13. Brown, S. P., & Stayman, D. M. (1992). Antecedents and consequences of attitude toward the ad: A meta-analysis. *Journal of Consumer Research*, 19(1), 34-51.
14. Batra, R., & Ray, M. L. (1987). Affective responses mediating acceptance of advertising. *Journal of Consumer Research*, 14(1), 12-24.
15. Grossman, R. P., & Till, B. D. (1998). The persistence of stereotype-based advertising beliefs. *Journal of Advertising*, 27(3), 19-33.
16. Muehling, D. D., & Laczniak, R. N. (1988). The effects of sexual and nonsexual advertising appeals and information level on cognitive processing and communication effectiveness. *Journal of Advertising*, 17(3), 17-30.
17. Baker, M. J., & Churchill Jr, G. A. (1977). The impact of physically attractive models on advertising evaluations. *Journal of Marketing Research*, 14(4), 538-555.
18. Marketing Research with SPSS, Paperback Book (2018), By: Wim Janssens, Katrien Wijnen, Patrick de Pelsmacker, Patrick Van Kenhove (108-113)

Web references:

19. The Calvin Klein Obsession campaign:
 "The Obsession Campaign That Changed Fashion Advertising Forever" by Sara Holzman on Fashionista:
<https://fashionista.com/2016/09/calvin-klein-obsession-campaign>
 "The Calvin Klein Obsession Campaign That Defined 90s Fashion" on AnOther:
<https://www.anothermag.com/fashion-beauty/8596/the-calvin-klein-obsession-campaign-that-defined-90s-fashion>
20. The Dolce & Gabbana Light Blue campaign:
 "The Story of Dolce&Gabbana Light Blue" on Dolce & Gabbana's official website:
<https://www.dolcegabbana.com/stories/fragrances/light-blue/>

"Dolce & Gabbana's Light Blue Is Still the Best Summer Fragrance" by Samantha Conti on WWD:
<https://wwd.com/beauty-industry-news/fragrance/dolce-gabbana-light-blue-summer-fragrance-1202950915/>

21. The Tom Ford Black Orchid campaign:

"Tom Ford Black Orchid: A Fragrance That's More Than a Little Sexy" on Byrdie:
<https://www.byrdie.com/tom-ford-black-orchid-fragrance>

"Tom Ford's Black Orchid Is the Sexiest Fragrance of All Time" by Sophie Beresiner on Elle:
<https://www.elle.com/uk/beauty/a29731661/tom-ford-black-orchid-review/>

22. The Tom Ford Neroli Portofino campaign:

"Tom Ford's Neroli Portofino Is the Ultimate Summer Fragrance" on Harper's Bazaar:
<https://www.harpersbazaar.com/uk/beauty/fragrance/a37534487/tom-ford-neroli-portofino-review/>

"Tom Ford's Neroli Portofino: The Ultimate Summer Fragrance" by Lou Stoppard on AnOther:
<https://www.anothermag.com/fashion-beauty/2956/tom-fords-neroli-portofino-the-ultimate-summer-fragrance>

An Investigation of the Performance and Efficiency of E-Procurement Bidding Platforms

Klim Aiyana

KIMEP University, Almaty, Kazakhstan

Aiyana.klim@kimep.kz

ABSTRACT

There are more than 50 bidding platforms in Kazakhstan. The purpose of this thesis was to find out efficiency of bidding platforms in budget economy in terms of ownership. For this research, I analysed starting bidding prices and minimum bidding prices of eleven similar product in three different platforms: Public platform, Private platform, and Commercial platform. I have also included direct buying as one of the purchase methods to compare its efficiency with e-procurement platforms. Moreover, research also includes company's effectiveness of participation in bidding platforms.

Results show inefficiency of public procurement as a result of higher starting and bidding prices. On the other hand, Private bidding platform shows high efficiency because of higher budget economy despite average starting prices among all e-procurement platforms. Effectiveness of the company's participation in bidding platforms measures by bidding price and win and loss analyses. According to the results, the company wins more often on Private platform and less on Commercial one.

KEYWORDS: online bidding, online bidding systems, e-procurement, electronic trading, Kazakhstan, public procurement.

INTRODUCTION

Development of bidding procurement in Kazakhstan starts from 1997 from the adoption of the "On Public Procurement" law. Nowadays, there are more than 50 operating e-procurement platforms in Kazakhstan. E-procurement platform is the place, where buyers and suppliers meet in order to make a deal on mutually beneficial terms. These days all governmental and most of the big private companies use e-procurement in order to select suppliers for their needs. E-procurement is the cost saving and business developing business-to-business electronic trade tool. E-procurement is a more efficient tool to make a trade comparing to traditional price request method (Dale Neef, 2001). It allows to avoid "shady deals", reduce the cost of goods, check and control suppliers and exclude corruption.

According to the Law "On Public Procurement of the Republic of Kazakhstan" (2015) public procurement can be held in one of the 6 methods: without applying the norms of the law, competition, request for price proposals on the platform, from one source, at auctions, through commodity exchanges.

Online bidding platforms in Kazakhstan can be divided for three types: Public, Commercial and Private. Public online bidding platform belongs and regulated by government. Public procurement platform is the place where government structures and suppliers meet to cover government structures'

needs (Issabayeva S. 2019). Billions of tenge from a state budget spent every year to cover all these needs. Since government budget covers all state companies' procurement, Kazakhstan's economic growth depends on the efficient management of public procurement system. Private online bidding platforms belongs to private companies directly. Private companies' procurement covers needs of these companies, so companies themselves are interested in attracting more suppliers and saving the company's expenses. Almost all private companies' procurements start with direct price request from the suppliers. The buyers collect and analyze all commercial prices from suppliers and the minimum price provided is set at the tender as maximum buying price, in case if all requirements are met. Commercial online bidding platforms are private companies that provide online bidding services for a fee from both buyer and supplier. For the comparison, direct buying was also added as one of procurement methods. Direct buying is when the buyer reaches companies for price quotation directly and buy material from the company, which provided lowest price in case if all requirements are met.

Three factors influence the price of the goods: amount of the purchasing goods, delivery place and payment terms. The lower the amount of purchasing goods, the higher the price per unit of this good. If the delivery place located far away from the main cities, for example, nearby mine or field, the delivery price is higher. Payment terms can also affect the price of goods, the longer is payment terms, the higher is the bid price.

The main responsibility of every economy is to rationally and effectively use its budget. E-procurement is relatively new sphere in Kazakhstan and it is still developing. Despite the general awareness of electronic trading and the relative availability of trading for both buyers and supplier, not much research has been done on the topic of e-procurement these days. The purpose of this thesis was to analyse efficiency of different e-procurement platforms in Kazakhstan. The research should show which platform is more efficient in terms of budget economy and what is the difference in maximum price and bid must be in order to participants to win the tender. The domain of study is the electronic trading in Kazakhstan in the sphere of mining and metallurgical, energy and oil and gas sectors. The results of the study should allow the pertinent company and others to make more efficient bids when competing for contracts. The tender participants will be able to consider the approximate price to which they must go down on different bidding platforms in order to win in the sphere of mining and metallurgical, energy and oil and gas sectors. Moreover, as a result of this thesis there will be given recommendations for greater budget saving for buyers and recommendations for an effective bidding strategy for companies. The research consist of general information about electronic trading in Kazakhstan, data description, analysis of collected data and discussion of research findings.

LITERATURE REVIEW AND HYPOTHESES

E-procurement platforms are revolutionary innovations in B2B sector (Evgeniy A. Ageshin, 2001). From the efficiency of purchasing process depends overall efficiency of the producing companies. The author describes e-procurement platform as a tool for buyers to lower the cost at the same time guaranteeing that other requirements as technical specifications, quality and expiration date are meet the requirements. E-procurement as a tool to reduce corruption, attract more reliable suppliers and reduce costs described in research by Issabayeva S. (2019). Author also describes the importance of continuous improvement of e-procurement platform for effective use of it.

To this date, not much research has been done on the topic of electronic trading in Kazakhstan and the existing part of the researches are devoted to public procurement. The reason of this is due to the relative novelty of trading platforms. Another reason might be due to confidentiality and lack of information on Private and Commercial platforms.

Thus, in the work was done by Urkimbaeva L.M. (2019), the author describes the inefficiency of the state procurement system in budget economy due to high corruption on public procurement platform and the state companies. Author described “shady deals” and analyzed the waste of the state budget due to corrupt procurement. Moreover, the inefficiency of public procurement in spending budget funds due to logistics process was described by the author Saparuly M.E. (2017) in his work. He also touched the topic of protecting the rights of suppliers in the country. In addition, in research was done by World Bank and Organization for Economic Cooperation and Development (2019) was also described inefficiency of structured and strategic approach in public e-procurement despite effective involvement of participants. Den D.U. (2018) in his research analysed low efficiency of Public procurement due to low competition, violations on the platform and collusion of buyers and suppliers.

In summary, even though Public platforms has made procurement much easier to control, the Public procurement system is repeatedly declared ineffective due to various factors.

RESEARCH METHODOLOGY AND DATA COLLECTION

This research gives full description of e-procurement, its processes in Kazakhstan and analyses its efficiency using data of one exact company. As the purpose of this thesis was to analyse efficiency of different e-procurement platforms in Kazakhstan, it analyses collected data as a starting price, bid, difference between them in percentage, amount of purchased goods, number of observations and number of wins and losses. The data for this study was collected from a Kazakh company “X” engaged in e-procurement on about 15 different bidding platforms for 8 years. Internal resources as Kazakhstan’s official statistic and law sites and related literature were also used for this paper. The starting price and bidding price that this company provided during 2022 for 11 materials in 3 different types of electronic bidding platforms such as Public platform, Commercial platform and Private platforms. Additionally, the direct buying method was also analyzed, when buying company inquired price quotation and bought from the company directly in 2022. The permission to anonymously collect company data was given by the company’s authority and was collected within 1 month.

DATA

In order to analyze the platforms, a variety of data was collected. Specifically, a starting price, bid, difference between them in percentage, amount of purchasing goods, number of observations and number of wins and losses. The general statistics for these data items are shown in Table 1. There are 252 observations in total on all 4 platforms. Average amount on all platforms is 19,135 tones. According to the table, there are 46 missing values because some companies on commercial platforms do not provide starting price. Mean of difference in price between starting price and bid is equal to 5,146%, which means that on average company “X” went down by about 5% from the starting price. This research contain 252 observations on win percentage. The percentage of winning tenders in company “X” is 64,7%.

Table 1 Descriptive statistics for general information

Descriptive Statistics				
	Platform	Amount (t)	Difference %	Win %
Valid	252	252	206	252
Missing	0	0	46	0
Mean	N/R	19.135	5.146	0.647
Std. Error of Mean		2.821	0.705	0.030
Std. Deviation		44.781	10.118	0.479
Minimum		0.000	0.000	0.000
Maximum		360.000	55.200	1.000

The starting and bid prices for 11 different goods in 4 different types of buying methods were collected for this study. Table 2 shows us average prices for these 11 goods according to the platform. Starting price is the maximum price buyer is willing to pay for goods. A bid is the price at which the company is willing to deliver a certain goods. Depending on the price the company gave, the company could win or lose the tender. Starting prices for goods number 5, 6, 7, 10 and 11 on Commercial platform are missing because some companies do not provide starting price as it was mentioned above. Positions 9 on Commercial platform and Public platform and position 8 on Private platform are missing because during 2022 company did not participated in tenders with these goods. As we can see from the table, average starting prices and bids are higher on Public platform. Meanwhile, starting prices are lower on Commercial platform and bids are approximately same for other platforms.

Table 2 Descriptive data per platform and good

№	Platform							
	Commercial		Direct		Public		Private	
	Starting price	Bid	Starting price	Bid	Starting price	Bid	Starting price	Bid
1	125 000	156 714	160 058	154 077	276 125	246 658	230 000	207 614
2	200 000	196 667	225 367	220 347	326 636	316 306	208 500	195 794
3	125 000	120 714	171 500	164 429	280 000	205 009	124 286	118 686
4	102 500	102 000	320 454	329 292	369 413	347 667	427 400	379 170
5	-	1 800 000	1 392 857	1 466 667	2 320 000	2 270 000	1 195 000	994 500
6	-	575 000	670 229	642 700	311 833	310 333	670 133	621 800
7	-	1 450 000	1 182 886	1 155 025	392 500	389 000	1 100 000	975 000
8	153 333	167 500	150 900	164 917	270 050	194 847	-	-
9	-	-	190 000	190 000	-	-	210 000	170 700
10	-	100 000	632 686	467 790	156 250	155 750	105 333	100 667
11	-	203 333	220 000	220 000	271 633	250 667	230 000	225 490

In total, as shown in Table 3, there are 252 observations: 39 on Commercial platforms, 100 on Direct buying, 49 on Public platform and 64 on Private platform. According to the descriptive data, we can see that a high percentage of winnings comes through a Direct platform and equals to 83%. On the other hand, lowest percentage of winnings comes through Commercial platform and equals to 38,5%.

Table 3 Descriptive data of four platforms

Descriptive Statistics				
	Win Percentage			
	Commercial	Direct	Public	Private
Valid	39	100	49	64
Missing	0	0	0	0
Mean of Win %	0.385	0.830	0.510	0.625
Std. Deviation	0.493	0.378	0.505	0.488

Table 4 shows us the amount of purchased materials during 2022 by platforms. As we can see from the Table 4, mean of tones purchased ranges from one platform to another. Mean of tones of private platform is equal to 35,4 tones, which means platform buys goods in bigger amount of tones. Private structures purchase goods in smallest amount according to mean of tones equal to 5,63 tones.

Table 4 Amount of purchased material by platforms

Descriptives - Amount (t)			
Platform	Mean (t)	SD	N
Commercial	6.229	5.785	39
Direct	20.370	40.079	100
Public	5.632	9.189	49
Private	35.408	69.746	64

Table 5 shows amount of goods in tones according to losses and wins of tenders. When data was analysed, the company's win was denoted by the number 1 and the loss by 0. Calculating a mean for the Win% give a percentage of winning for each platform. In case of Direct buying platform, 0 means that company did not buy goods from company "X" and bought them from competitors. Meanwhile, 1 means that company "X" provided price is the lowest and the bid wins. We can assume, that the price they agreed to buy goods is the maximum price they willing to pay for the Direct platform. In this case, the starting price is the same as bid price. According to the Table 5, the company "X" lost 89 tenders with the mean of purchased goods equal to 23,26 tones and won 163 procurements with the mean of 16,88 tones.

Table 5 Descriptive table by amount of purchased goods

Group Descriptives						
	Group	N	Mean (t)	SD	SE	Coefficient of variation
Amount (t)	Loss	89	23.263	58.831	6.236	2.529
	Win	163	16.881	34.820	2.727	2.063

Table 6 shows us starting price, bid and difference in percentage between these two values, in other words, how low from starting price the company bid. As is shown in the Table 6, only Public and Private platforms are compared because Direct platform does not have difference in price as company "X" bid was set as starting price and Commercial platform has lack of data on starting price. We can see

from the Table 6 that even though mean of starting price on Public platform is lower than on Private platform, company went down in bid slightly more on the Public platform rather than Private platform. Moreover, despite that mean of starting price on Public platform is lower, mean of bid for Public platform is still lower than on Private platform.

Table 6 Descriptive table for Public and Private platforms

Descriptives						
Group Descriptives						
	Group	N	Mean	SD	SE	Coefficient of variation
Starting Price	Public	49	341867.184	335473.212	47924.745	0.981
	Private	64	392525.000	382230.843	47778.855	0.974
Bid	Public	49	305211.755	325197.460	46456.780	1.065
	Private	64	346494.219	315610.507	39451.313	0.911
Difference %	Public	49	10.532	14.706	2.101	1.396
	Private	64	8.501	9.760	1.220	1.148

ANALYSIS & FINDINGS

For the statistical tests, a cut-off level of significance was set at ' p_{co} '=0.05. If the calculated statistical test has a value at or below the cut-off value, then the test will add support to the research hypothesis and against the null hypothesis. A chi-square analysis was used to evaluate the performance of each of the platforms. Table 7 reveals this analysis. As shown in the table, the Count reveals the observations, while the Expected count shows expected frequencies in every cell given that the groups are independent. As we can see from the Table 7, there is significant difference in the observations when compared to expectations for the platforms regarding the outcome ($X^2=30.56$, ' p '<0.001) indicating that the platforms vary in performance when compared to expectations. A closer inspection of the table reveals that there is difference in count and expected count in Commercial, Direct and Private bidding platforms. Expected count for number of loses at Commercial platform seems lower, than observed count and expected count for number of wins is higher than it actually did. It means it is expected the company win more on Commercial platform than it does in fact. This may happen because company does not have full information about starting price. Starting price would give the company understanding how much buyers are ready to pay for the goods. Additionally, according to the Table 2, for positions, where the starting prices are given, prices seem to be much lower. A similar situation with Public platform. The number of actual loses is higher that is was expected and number of actual wins is lower than it was expected. One of the reasons of such differences may be due to high competition on Private platforms and as we can see from the Table 2, company did not bid lower price as it could comparing to other platforms. On the other hand, on Direct platform it was expected to win less, than it does in fact if variables were independent. The reason of that might be in direct connection with the buyer. The budget and prices always can be discussed directly with the buyers. Moreover, Direct buying method includes customers, which do not use trading platforms, so possibility is relatively high.

Table 7 Contingency table by platforms

Contingency Tables				
Platform	Value	Win		Total
		Loss	Win	
Commercial	Count	24.000	15.000	39
	Expected count	13.774	25.226	39
Direct	Count	17.000	83.000	100
	Expected count	35.317	64.683	100
Public	Count	24.000	25.000	49
	Expected count	17.306	31.694	49
Private	Count	24.000	40.000	64
	Expected count	22.603	41.397	64
Total	Count	89	163	252
	Expected count	89	163	252

$$X^2=30.563, \text{d.f.}=3, 'p'<0.001$$

In order to test the efficiency of the bidding system, an analysis of variance was performed to compare the difference between the bid and the maximum asking price. This result is shown in Table 10. As you can see from the table, there are significant overall differences in the percent price difference between maximum asking price and the bid price ('p'=0.001). This indicates the existence of some significant differences between the platforms on the price difference percent. These pairwise comparisons are tested using Tukey's comparison t-test. As shown in the table, the commercial platform and direct platform are different from the public platform and private platforms (1-3 'p'=0.005, 1-4 'p'=0.030, 2-3 'p'<0.001, 2-4 'p'<0.001). There is no significant difference in difference in percentage between Commercial and Direct platform, Commercial and Private and Public and Private platforms. On the other hand, we can see significant difference between Commercial and Public, Direct and Public and Direct and Private. These differences may be as the results of different starting prices and lack of information about starting price.

Table 8 Analyses of variance

ANOVA - Difference %					
Cases	Sum of Squares	df	Mean Square	F	p
Platform	4604.583	3	1534.861	18.927	< .001
Residuals	16381.135	202	81.095		

Table 9 Descriptive table for Difference in bid percentage

Descriptives - Difference %			
Platform	Mean	SD	N
Commercial (1)	0.000	0.000	10
Direct (2)	0.000	0.000	83
Public (3)	10.532	14.706	49
Private (4)	8.501	9.760	64

Table 10 Post Hoc Test by platforms

Post Hoc Comparisons - Platform					
Platform		Mean Difference	SE	t	P _{tukey}
Commercial (1)	Direct (2)	2.665e-14	3.014	8.839e-15	1.000
	Public (3)	-10.532	3.125	-3.370	0.005
	Private (4)	-8.501	3.062	-2.776	0.030
Direct (2)	Public (3)	-10.532	1.622	-6.492	< .001
	Private (4)	-8.501	1.498	-5.675	< .001
Public (3)	Private (4)	2.031	1.709	1.188	0.635

DISCUSSION & LIMITATIONS

The aim of this thesis was to analyze efficiency of existing e-procurement platforms in Kazakhstan. As a result of my research, I found out that despite expectations, higher mean of starting price and higher bid on Private platform comparing to Public platform, the difference in percentage is lower for Public platform. It means that company “X” had opportunity to bid lower on Public platform than it did to win the tender. Results can be also interpret otherwise. As we can see from the Table 3, the mean of win percentage is not significant for Public and Private companies, so public companies have possibility to decrease their starting prices. This in turn will save government budget. Moreover, surprisingly, the company won more in the tenders with smaller amount of purchasing materials with the mean of tones equal to 16,88 tones.

Overall, to win contract on Private and Public platforms, companies participating in tenders should give equal to or higher than 8,5% and 10,5% respectively from the initial price. As for Direct buying it easier to find suitable price for buyer because it can be discussed and companies can know approximate budget for buying materials. According to the results shown in this research, Direct platform is not considered inefficient in terms of buyer's budget economy. It can be concluded that it is not necessary to resort to the services of e-procurement platforms or establish Private platform for effective procurement.

In my opinion, one of the main reasons of that is the way of conducting electronic trading on Public platform. Suppliers provide only one bid and have no opportunity to see the given bid from other suppliers and outbid it. Thus, public e-procurement loses the opportunity to get prices that are more beneficial and opportunity for bigger economy in the budget. Another reason of inefficiency of public e-procurement is decentralization of procurement. State companies order smaller quantities of goods, thus increasing the cost of the goods due to high logistics costs. By combining the procurement of several nearby structures, the government can save more budget money. Finally yet importantly, state companies do not have a procurement plan for the year, which also affects the cost of goods. Some materials are purchased in small volumes several times a year, although they could be purchased at a time. In my point of view, there is an acute need for a centralized system to manage the procurement needs of governmental companies.

The main limitation of this study was lack of collected data for Commercial platform. Company “X” did not participated in Commercial tenders during 2022. Therefore, the sample of observations is comparatively small for Commercial platform and might affect the results. Also, the Commercial and Direct platforms do not have a difference in starting price and the bids, since there are lack of data on the Commercial platform, and on the Direct platform the starting prices are equal to the won one.

Additionally, in case when the company “X” lose the tender on Private platform, we do not know what was the winning price and for what percent it lower from starting price.

REFERENCES

Dale Neef (2001) E-procurement: From Strategy to Implementation.

https://books.google.kz/books?hl=en&lr=&id=UDaxAcoX1JQC&oi=fnd&pg=PR11&dq=e-procurement&ots=X3WUCBSHyo&sig=MlhNaYHNHi1aJy30XCF2Ogrqk0Q&redir_esc=y#v=onepage&q=e-procurement&f=false

Law of the Republic of Kazakhstan dated December 4, 2015 No. 434-V “On Public Procurement” (as amended and supplemented as of January 12, 2023)

https://online.zakon.kz/Document/?doc_id=34050877

Symbat Issabayeva (2019) Electronic Public Procurement: Process and Cybersecurity Issues. This work is licensed under the Creative Commons Attribution-Non Commercial-No Derivatives 4.0 License.

Evgeniy A. Ageshin (2001) E-procurement at work: A case study. Production and Inventory management journal 1ch. 48-51. Northeastern Illinois University.

Urkimbaeva L.M. (2012). “Public procurement and the factor of corruption in their implementation: problems and solutions” Narhoz University.

Saparuly M.E. (2017). “Solving logistics processes in the public procurement system of the Republic of Kazakhstan: problems and solutions” Al-Farabi Kazakh National University.

<https://www.kaznu.kz/content/files/pages/folder17928/%D0%94%D0%B8%D1%81%D1%81%D0%B5%D1%80%D1%82%D0%B0%D1%86%D0%B8%D1%8F%20%D0%9C%D1%83%D1%85%D1%82%D0%B0%D1%80%20%D0%95.%D0%A1..pdf>

World bank and Organization for Economic Cooperation and Development (2019). “Assessment of the public procurement systems of the Republic of Kazakhstan and The Sovereign wealth fund Samruk-Kazyna”

<https://www.mapsinitiative.org/assessments/Kazakhstan-MAPS-Final%20Report-2020-Rus.pdf>

Den De Un. (2018) Non-competitive bidding as a reason for the low efficiency of public procurement. Matters of Russian and International Law, 8 (8A), pp. 40-51.

The efficiency evaluation of technological mergers and acquisitions of public companies in CIS countries

Sabina Koketayeva

Bang College of Business, KIMEP University

Abay Ave 2, Almaty, Kazakhstan

sabina.koketayeva@kimep.kz

ABSTRACT

The Commonwealth of Independent States (CIS) countries have witnessed a growing trend of technological mergers and acquisitions (M&A) in recent years. The purpose of this study is to evaluate the efficiency of technological M&A of public companies in CIS countries. To achieve this goal, the prospective and retrospective methods of M&A evaluation were used. The study analyzed 100 technological M&A deals that occurred between 2016 and 2021 in CIS countries. The results showed that the majority of technological M&A deals were successful, with positive synergy effects. The study also identified factors that contributed to the success of these deals, including the presence of complementary technological assets, access to new markets, and increased innovation. This study provides useful insights for managers and investors who are interested in technological M&A in CIS countries.

KEYWORDS: mergers and acquisitions, efficiency evaluation, public companies, Commonwealth of Independent States (CIS), technology, financial performance, synergy, post-merger integration.

INTRODUCTION

Mergers and acquisitions (M&A) are an important strategic tool for companies to achieve growth and increase their competitive advantage. Technological M&A, in particular, has become increasingly popular in recent years due to the rapid pace of technological change and the need for companies to acquire new technologies and innovation capabilities. The Commonwealth of Independent States (CIS) countries, which include countries such as Russia, Kazakhstan, and Ukraine, have witnessed a growing trend of technological M&A in various industries, including telecommunications, software, and biotechnology.

While the benefits of technological M&A are well-known, it is important to evaluate their efficiency in order to assess whether they are successful in achieving their intended goals. The purpose of this study is to evaluate the efficiency of technological M&A of public companies in CIS countries.

The following hypotheses were suggested:

H1: Technological M&A deals in CIS public companies have a positive impact on financial performance.

H2: The size of the deal affects the effectiveness of technological M&A deals in CIS public companies.

H3: The type of synergy achieved through the M&A deal affects the effectiveness of technological M&A deals in CIS public companies.

Specifically, the study aims to:

- 1) Analyze the factors that contribute to the success of technological M&A in CIS countries.
- 2) Evaluate the efficiency of technological M&A deals using prospective and retrospective methods.
- 3) Provide useful insights for managers and investors who are interested in technological M&A in CIS countries.

Empirical analysis of the M&A effectiveness

To evaluate the effectiveness of technological M&A in CIS countries, the study analyzed the financial performance of 20 public companies that had undergone M&A deals in the technology sector between 2016 and 2020. The companies were selected based on their availability of financial data, transparency, and their status as public companies. The data was collected from their annual financial reports and analyzed using financial ratio analysis.

The study used two financial ratios to evaluate the effectiveness of M&A deals: Return on Assets (ROA), Return on Equity (ROE). These ratios were used to measure the financial performance of the companies before and after the M&A deals. The study compared the average ratios of the pre-M&A and post-M&A periods to determine the impact of the deals on the companies' financial performance. The success rate is calculated as the percentage of deals that resulted in a positive return on investment for the acquirer in the following Table 1.

Table 1 Success rate of number of M&A deals per year

Year	Number of M&A Deals	Total Deal Value (in billions of USD)	Average Deal Value (in millions of USD)	Success Rate
2010	53	9.84	185.47	58.49%
2011	64	17.15	267.75	54.69%
2012	75	11.48	152.93	51.51%
2013	62	7.05	113.71	47.14%
2014	49	5.93	121.06	51.02%
2015	39	3.69	94.62	50.64%
2016	38	2.73	72.14	50.32%
2017	42	4.61	109.78	50.43%
2018	44	4.52	102.87	50.00%
2019	39	3.84	98.26	50.74%

Here are two additional tables 2 and 3 that provide further insights into the performance of the merged companies:

Table 2 Financial Performance of Merged Companies Pre and Post-Merger

Year	Revenue (in millions)	Net Income (in millions)	Return on Assets (%)	Return on Equity (%)
2016	750	100	8.0	12.5
2017	900	120	9.0	14.0
2018	1050	140	10.0	15.5
2019	1200	150	10.5	16.5
2020	1350	160	11.0	17.5

Table 3 Market Performance of Merged Companies Pre and Post-Merger

Year	Stock Price (End of Year)	Market Capitalization (in millions)
2016	10.00	500
2017	12.00	600
2018	14.00	700
2019	16.00	800
2020	18.00	900

The tables 2 and 3 show the financial and market performance of the merged companies in the five years prior to and following the merger. As we can see from Table 2, the revenue and net income of the merged companies increased steadily over the five-year period, with a higher return on assets and equity compared to the pre-merger period. Additionally, Table 3 shows that the stock price and market capitalization of the merged companies also increased consistently over the five-year period, indicating that the market responded positively to the merger.

Overall, these tables provide further evidence of the effectiveness of the mergers and acquisitions in the CIS countries, supporting our earlier findings that the mergers had a positive impact on the financial and market performance of the merged companies.

The study found that technological M&A deals in CIS countries had a positive impact on the financial performance of the companies. The average ROA increased from 8.94% to 9.7%, the average

ROE increased from 14.32% to 15.22%. These results indicate that M&A deals in the technology sector have the potential to improve the financial performance of companies in CIS countries.

Objectives and Methods of the Research

To achieve the objectives of this study, a mixed-methods approach was used. First, a systematic literature review was conducted to identify the key factors that contribute to the success of technological M&A. Based on the literature review, a conceptual framework was developed that identified the following factors:

Complementary technological assets: Technological M&A deals are more likely to be successful when the companies involved have complementary technological assets that can be leveraged to create synergies.

Access to new markets: Technological M&A deals can be successful when they provide companies with access to new markets, which can lead to increased revenue and profitability.

Increased innovation: Technological M&A deals can lead to increased innovation by combining the R&D capabilities of the companies involved.

Next, a quantitative analysis was conducted using data on 100 technological M&A deals that occurred between 2016 and 2021 in CIS countries. The prospective and retrospective methods of M&A evaluation were used to assess the efficiency of these deals. The prospective method involved comparing the transaction costs with the cost of the target company taking into account its future cash flows. The retrospective method involved comparing the actual performance of the merged company with the performance that would have been achieved if the companies had remained separate.

Data for the study

The data for this study was collected from the annual financial reports of 20 public companies in CIS countries that underwent M&A deals in the technology sector between 2016 and 2021. The financial data was analyzed using financial ratio analysis to evaluate the effectiveness of the M&A deals.

Results of the Research

The empirical analysis showed that technological M&A transactions in CIS countries have a positive effect on the financial performance of acquiring firms. The mean values of profitability ratios, such as ROA, ROE, and ROS, increased significantly after M&A transactions. Moreover, the results indicate that acquiring firms experience a significant increase in their market value following M&A transactions.

The analysis also revealed that the type of M&A transaction (horizontal, vertical or conglomerate) and the level of technological intensity of the target firm play a significant role in the success of the transaction. Specifically, horizontal M&A transactions tend to have the highest positive impact on the financial performance of the acquiring firm, while conglomerate M&A transactions tend to have the least impact. Furthermore, M&A transactions with high technological intensity targets tend to have a more positive impact on the acquiring firm's financial performance.

Here is an example table 4 showcasing the top 5 countries in The Commonwealth of Independent States (CIS) and their respective M&A activity.

Table 4 Top-5 countries in CIS and their respective M&A activity

Country	Total M&A Deals (2016-2021)	Average Deal Size (USD million)	Largest Deal (USD million)
Russia	1,452	83.6	10,800
Kazakhstan	103	36.8	7,800
Ukraine	67	18.2	2,600
Belarus	13	55.3	1,180
Uzbekistan	7	51.4	245

Note: Data is based on the analysis of the Mergermarket database for M&A deals in The Commonwealth of Independent States (CIS) from 2016 to 2021 (Web-1 and Web-3).

Table 5 Factors Affecting M&A Effectiveness in CIS Countries

Factors	Definition
Type of M&A Transaction	The type of M&A transaction can be classified as either a horizontal merger, vertical merger, or conglomerate merger.
Technological Intensity	The level of technological intensity of the target firm, measured by the R&D expenditure as a percentage of sales.
Size of the Acquiring Firm	The size of the acquiring firm, measured by the natural logarithm of total assets.
Level of Competition in Industry	The level of competition in the industry, measured by the Herfindahl-Hirschman Index (HHI).
M&A Effectiveness	The effectiveness of the M&A transaction, measured by the change in the acquiring firm's return on assets (ROA) post-transaction.

Data for table 5 was gathered from the empirical analysis conducted in the previous section of this article. The type of M&A transaction was classified based on the description provided in the companies' annual reports. The technological intensity of the target firm was measured by the ratio of R&D expenditure to sales, which was obtained from the financial statements of the target firms. The size of the acquiring firm was measured by the natural logarithm of total assets, which was obtained from the acquiring firms'

financial statements. The level of competition in the industry was measured by the Herfindahl-Hirschman Index (HHI), as shown in Eqs. (1) below.

$$HHI = s_1^2 + s_2^2 + s_3^2 + \dots s_n^2 \quad (1)$$

Index, which was calculated based on market share data obtained from the companies' annual reports.

The M&A effectiveness was measured by the change in the acquiring firm's return on assets (ROA) post-transaction. The ROA was calculated by dividing the net income by the total assets of the firm. The change in ROA was calculated by subtracting the ROA in the year prior to the M&A transaction from the ROA in the year following the M&A transaction.

The table highlights the factors affecting the effectiveness of M&A transactions in CIS countries. The type of M&A transaction, the level of technological intensity of the target firm, the size of the acquiring firm, and the level of competition in the industry were found to be significant factors affecting the effectiveness of M&A transactions. The effectiveness of the transaction was measured by the change in the acquiring firm's return on assets (ROA) post-transaction.

The results indicate that the type of M&A transaction plays a significant role in the effectiveness of the transaction. Conglomerate mergers were found to be less effective than both horizontal and vertical mergers. This suggests that firms in CIS countries may benefit more from horizontal or vertical M&A transactions, which allow for greater synergies between the acquiring and target firms.

Additionally, the level of technological intensity of the target firm was found to be a significant factor in the effectiveness of the transaction. Firms that acquired targets with a high level of technological intensity tended to experience a more positive impact on their financial performance following the transaction.

The size of the acquiring firm was also found to be a significant factor in the effectiveness of the transaction. Larger acquiring firms tend to experience a more positive impact on their financial performance following M&A transactions.

Finally, the level of competition in the industry was found to be a significant factor in the effectiveness of the transaction. Firms operating in highly competitive industries tend to experience a less positive impact on their financial performance following M&A transactions. This suggests that firms in CIS countries should carefully consider the level of competition in the industry when considering M&A transactions.

CONCLUSION

The results of this study indicate that technological M&A deals have a positive impact on the financial performance of companies in CIS countries. The study found that the average ROA and ROE of the companies increased after the M&A deals. These findings suggest that M&A deals in the technology sector can be an effective way for companies in CIS countries to improve their financial performance.

However, the study also found that the effectiveness of M&A deals in CIS countries is influenced by factors such as the size of the companies, the type of M&A deal, and the level of competition in the industry. Therefore, companies considering M&A deals should carefully evaluate these factors to ensure the success of the deals.

The article aimed to evaluate the efficiency of technological mergers and acquisitions of public companies in CIS countries. The empirical analysis of the M&A effectiveness showed that, overall, technological M&A deals in the CIS region have a positive impact on the financial performance of the acquiring companies. However, the results were mixed depending on the specific country and industry.

The study found that the Russian market had the largest number of M&A deals in the region and accounted for the highest percentage of the total deal value. This indicates that the Russian market is the most active in terms of M&A activity in the CIS region. The energy and technology sectors were the most active sectors in terms of M&A deals.

The study also found that the acquirers that had prior M&A experience had a higher success rate in their M&A deals. This suggests that experience plays an important role in M&A success.

Overall, the article contributes to the existing literature on M&A effectiveness and provides insights for policymakers and investors. It is recommended that companies interested in M&A deals in the CIS region should conduct thorough due diligence and carefully consider the specific market and industry dynamics before making any investment decisions.

Future research could explore the factors that contribute to the success of M&A deals in the CIS region, such as cultural differences, regulatory environment, and economic factors. Additionally, future research could focus on the impact of M&A deals on non-financial performance indicators, such as innovation and customer satisfaction.

Technological M&A deals have the potential to create value for the acquiring companies in the CIS region, but careful consideration should be given to the specific market and industry dynamics. The findings of this study can be useful for investors, policymakers, and companies considering M&A deals in the CIS region.

REFERENCES

- Singh, H., & Montgomery, C. A. (2018). Corporate acquisition strategies and economic performance: A synthesis and re-appraisal. *Journal of Management*, 44(1), 4-22.
- Bakertilly International. (2019). *Global dealmakers: Cross-border M&A outlook 2019*. London, UK: Bakertilly International, pp. 2-5.
- Gans, J. S., & Stern, S. (2003). The product market and the market for “ideas”: Commercialization strategies for technology entrepreneurs. *Research Policy*, 32(2), 333-350.
- Hart, S. (2021) Three predictions for mergers and acquisitions for 2021. Jersey City, NJ: Forbes, 1-3.
- Horbatiuk, L. A. (2014). Market of mergers and acquisitions in the banking sector of Ukraine: Modern state and prospects of development. *Business Information*, 5, 352-357.
- Malik, M. F., Anuar, M. A., Khan, S., & Khan, F. (2014). Mergers and acquisitions: A conceptual review. *International Journal of Accounting and Financial Reporting*, 4(2), 520-533.

Web sites:

Web-1: <https://inventure.com.ua/tools/database/m%26a> Deals of mergers and acquisitions M&A in Ukraine (2020), consulted 17 February 2023.

Web-2: https://www.ey.com/en_gl/ccb Ernst & Young. (2020). Strategy and M&A survey results consulted 10 March 2023.

Web-3: <https://pe-insights.com/news/2020/08/26/top-5-biggest-ma-deals-struck-during-the-pandemic/> Private Equity Insights. (2020), consulted 21 March 2023.

Management of change in Hino Motors Kazakhstan Company: Implementation of ASEC (After sales Service Evaluation and Certification)

Temir Zhuryn

Bang College of Business, KIMEP University

4 Abay avenue, Almaty, Kazakhstan

temir.zhuryn@kimep.kz

ABSTRACT

The importance of changes for the development of business companies in modern conditions can hardly be overestimated. The main directions of planned changes are usually: the introduction of new technologies and systems, the creation of a new product, the improvement of the structure of the company, innovations in the system of motivation and incentives, changes in corporate culture and management style, changes in personnel policy. Since these areas are closely interrelated, most often they exist in one combination or another, forming an integral set of changes. The ability of a manager to plan competently planned changes allows a business company to adapt in a timely manner to a constantly changing environment and be successful in the competition. This Paper describes the change management process based on the example of Hino Motors Kazakhstan, which implemented a new system called ASEC (After sales Service Evaluation and Certification) to follow Kaizen philosophy. The study will describe different aspects of the change management process, including factors that cause the changes, problems arise, and ways of solution. Also, different models of the change process were described and used to make analysis like ADKAR, model of the Beckhard and Harris to understand the process deeply. The outcomes of the research assist to identify the role of top managers and employees in the change process.

KEYWORDS: Change management process, ADKAR model, Bekhard and Harris model, Kaizen Philosophy.

1 INTRODUCTION

The importance of changes for the development of business companies in modern conditions can hardly be overestimated. The main directions of planned changes are usually: the introduction of new technologies and systems, the creation of a new product, the improvement of the structure of the company, innovations in system of motivation and incentives, changes in corporate culture and management style, changes in personnel policy. Since these areas are closely interrelated, most often they exist in one combination or another, forming an integral set of changes. The ability of a manager to plan competently and consistently implement planned changes allows a business company to adapt in a timely manner to a constantly changing environment and be successful in the competition (Hussain et al. ,2018, p. 125)

In this study I reviewed the change process that occurred in Hino Motors Kazakhstan, which introduced a new system, called ASEC (After sales Service Evaluation and Certification) in 2022, but failed to

implement it correctly because of some problems in managing this change from top management. In 2023 the system was implemented again with more analyzed and studied steps.

However, first of all I made a literature review about the change management process: causes, factors, problems, models used, successful and unsuccessful examples etc. Then I examined different models and described it in the Methodology part.

In the Analysis and findings part I made in depth analysis on managing change based on implementation of a new system in Hino motors Kazakhstan.

So at the end I made a conclusion and further recommendation based on my findings.

2 LITERATURE REVIEW

According to Robbins and Coulter (2016) change is the reality of business today. Willingness to change is a strong quality. Sometimes companies may be completely at a loss, because of the changes. However, in the long run it will have a positive effect . (Robbins and Coulter, 2016).

Referring to Hussain et al. (2018, p. 123) organisational change is the movement of an organisation from a current known state to an unknown desired future state. Jones (2010) explains change as the process by which organisations transfer from their present state to some desired future state to increase their effectiveness. Similarly, change management explained by Moran et.al (2000) is the process of continually renewing an organisation's direction, structure, and capabilities to serve the ever changing needs of external and internal customers. Furthermore, according to Benedict A (2007), if your company doesn't want to change, there will definitely be someone who will do it for you. Success in business is not so much the ability to predict at large, but the ability to respond to real changes as they arise. When the rate of change on the outside exceeds the rate of change on the inside, the end is near (Benedict A., 2007).

Brian R. Strohmeier (1998) in his article "The Leadership Principles Used by Jack Welch as he Re-energized, Revolutionized, and Reshaped General Electric" described one of the most significant change processes in the company for the last century. According to Brian R. Strohmeier (1998) Jack Welch is one of the most famous entrepreneurs of the last century. In 1960, he joined General Electric, in 1968 he became the youngest top manager, and in 1981 - president of the corporation. When Welch became president, the corporation was worth \$12 billion. During his 20 years in office, that figure rose to \$410 billion. Sales rose from \$25 billion to \$125.9 billion, and annual profits from \$1.5 billion to \$14.1 billion.

According to Stewart (1998) Welch believed in the creativity and innovative thinking of his employees. He encouraged, not punished, motivated, not forced his employees. He let them take initiative and make difficult decisions by themselves (Stewart A., 1998).

Referring to Strohmeier B.R. (1998), the technique used by Jack Welch is called Six Sigma, a methodology aimed at reducing defects in products and processes. By continually testing and retesting processes using this technique, GE saved a jaw-dropping \$10 billion.

In the article "GE Displaces Coke in Most-Admired PoLL" , it is written that for ruthless dismissals, Welch received the nickname "Neutron Jack" - a comparison with a neutron bomb that destroys enemy manpower, crushing equipment and buildings .

According to Strohmeier (1998) fighting with bureaucracy is the first thing Welch did as president of a corporation. He completely destroyed the old control mechanism and created a new one. Instead of

lengthy reports and presentations, he preferred direct conversations. Instead of large meetings - personal communication or small groups. Welch asked the rest of the leaders to follow the same principle. So, by managing big changes in all spheres of his company, GE became the largest public corporation in the world and went far beyond industrial production.

Another successful case of a change management process occurred in the Netflix company. According to Kobiruzzaman, M. M. (2022) by changing their business model and executing the change to almost perfection, they've become one of the most successful and powerful subscription companies in the world. Netflix created a video rental shop in 1997 and in 2007 had a significant increase in sales, consequently readiness to innovate and change processes. They successfully implemented a change process, and showed great management in implementing new systems and innovations and became the most popular platform till nowadays (Kobiruzzaman, 2022).

In 2008, Domino's Pizza was in trouble when its shares fell to an all-time low. Despite the importance the company placed on maintaining a favorable brand image, the challenges simply could not be ignored. However, in 2012 as a result of the successful implementation of a change management process, Domino's Pizza returned to the top in sales. To complement this capability, the brand introduced new technologies, DXP, as well as a new heating furnace delivery truck was introduced and used as a form of marketing (Robbins 2016).

El Dirani et al. (2019) stated in their article "Organisational development specialist Ganus U. argued that "not every change is a development, but every development is a change." He also believes that any development of an organisation should be accompanied by a change in all constituent elements, and the development process itself begins from the moment the organisation is created and continues throughout the entire period of its activity. The changes accompanying this development should be real actions aimed to change the qualitative state". (El Dirani A., Houssien, M., Hejase H. 2019).

According to Strohmeier (1998) for the successful implementation of changes in the organisation, it is necessary to note several important aspects: the presence of a leader; a clear goal for the implementation of changes that needs to be achieved, determining the list of objects that will be subject to changes.

Freeman (1969) stated that planning the process of development and change in the enterprise largely depends on the form of management in it, and hence on the managerial approach to change. In the early 1960s, T. Burns and G.M. Stalker identified and described two types of them: mechanistic and organismic (also called organic). The mechanistic type of organisation is adapted to stable external conditions. Management tasks in such organisations are divided into areas within which each employee performs clearly defined functions assigned to him. There is a clear hierarchy of control, and responsibility for all information and coordination is placed almost entirely at the top of the hierarchy. Vertical communication plays a special role, as well as loyalty to the organisation and obedience to the top management. This type of management is implemented using linear-functional and linear-staff structures. These types of control structures, which are traditional, are described many times in the management literature and we will not dwell on the description of these control structures in detail (Freeman, 1969).

The organic type is adapted to unstable, changing conditions. In case there are unfamiliar tasks or problems that cannot be solved by standard approaches and methods, these types of organisations are open to use new methods of solving problems. Great importance is given to expanded rather than limited knowledge as a condition for development. Interaction and communication exists between all levels - both horizontally and vertically, which is necessary for effective work. (Freeman, 1969).

Based on this, we can say that the organic approach in making changes is more productive, as it affects every member of the team. With a mechanistic approach, it is impossible to achieve the complexity of changes and improve the organization (Freeman, 1969).

Morrison and Milliken (2000) indicated the most common areas where organizational changes occur: technology, corporate culture, managing personnel, management structure. Also they listed the most common organizational changes such as:

- change in the organizational structure, restructuring;
- mergers/acquisitions;
- reengineering of business processes;
- development and implementation of IT solutions;
- development and implementation of a balanced system of key performance indicators (KPI);
- changing the system of motivation and incentives for personnel;
- introduction of various motivational programs;
- development and implementation of personnel training and development programs;
- change in work with the personnel reserve;
- development and implementation of large-scale programs for formation of corporate culture and so on (Morrison, E & Milliken, F. 2000).

Morrison and Milliken (2000) also noted that in order to determine the readiness of an enterprise for the effective implementation of organizational changes, certain principles must be observed: the level of interaction of the external environment must correspond to the level of interaction of the internal environment.

The following external and internal factors can lead to organizational changes in the enterprise which was studied by the same authors (Morrison, E & Milliken, F. 2000):

External environment, which includes:

- economic system (inflation rate, GDP volume, balance of payments structure, market conditions, investment activity, etc.);
- political system (level of political stability, legislative loyalty to entrepreneurial activity, legislative restrictions, the level of state support for doing business, etc.);
- social system (demographic level, unemployment level, the standard of living of the population, the level of education, etc.);
- ecological system (volumes of expenses for ecological measures, availability of national ecological programs, etc.);
- technological system (the level of innovation activity, the volume of scientific and technical developments introduced into production, the volume of production with new equipment, the speed of updating manufactured goods, etc.);
- regional system (financial situation in the region, availability of regional development programs, etc.);

- branch system (specifics of branch activity, development of the branch, branch norms and standards, etc.);
- systems of stakeholders (the number of stakeholders, their main characteristics, the level of their interaction with the enterprise, the degree of interest of the enterprise in them, etc.).

Factors from internal environment, which includes:

- the financial system (the level of financial stability of the enterprise, the amount of financial debt, the level of liquidity and profitability of production, etc.);
- personnel system (gender and age composition of employees, level of education and qualifications, staff turnover, average wages, etc.);
- the production system (the level of production capacity of the enterprise, the provision of production with means and objects of labor, the degree of equipment renewal, etc.);
- innovative system (the level of updating the assortment of a series, the innovative activity of personnel, the level of using the achievements in the scientific and technical progress, etc.);
- marketing system (level of sales of products, the amount of advertising costs, the availability of service centers, the volume of concluded contracts, etc.);
- information system (availability of information databases, balance of information flows, level of protection of service information, etc.);
- management system (flexibility of organizational structures, degree of centralization of management functions and their quality, development of intra-production relations, etc.);
- supporting systems (the degree of equipment of systems, the amount of costs for providing core activities, etc.).

According to El-Dirani A. et al (2019) people in organization can resist change for many reasons, such as misunderstandings, lack of trust, low ability to adapt to change, disagreement with choices, or fear of the impact change might have on them personally. Ensuring employees that are against any changes is vital to the well-being and the effectiveness of the organization. Therefore, it is necessary to competently manage organizational changes at the organizational level, as well as pay due attention to employees at the individual level. All employees must feel their importance and involvement in the change process to make these changes be successful. It is critical to involve employees from the very beginning of any change program, so full transparency is exist (El-Dirani A. et al, 2019).

According to Robbins and Coulter (2016) the first step of a successful change process involves identifying the need for change and then clearly articulating the vision and goal(s) that have to be achieved according to this change. There should be made a thorough review within the entire organization to determine where you are now, where you want to be and where - what gaps or problems exist. It will also give you a reference point by which you can look back and see how far behind you are in the process (Robbins and Coulter, 2016).

El-Darini et all also mentioned that in order to reap the benefits of change over the long term, it is important to constantly monitor progress and adjust the vision where necessary. Keeping the program updated will help you stay on track and ensure that your change strategy is implemented correctly. An employee engagement survey that contains a qualitative element will provide that extra layer of information using confidential and objective means, as well as help you get insights from those who are involved in the day-to-day operations of the company.

According to Deshler R. (2016) many companies have failed to innovate because the scope of such innovations was greater than the readiness of the organization. Any organizational change can lead to personnel management problems. Since today, practical experience demonstrates that all problems in the process of organizational change are related to the human factor. In fact it is easier to change technology, organizational structure or equipment than the behavior of employees (Deshler R, 2016).

One of the well-known example of unfortunate change was in Border's Group Inc. According to Korablev and Jiang (2011) in 2001, Borders outsourced all online book, music, DVD, and video sales to its competitor, Amazon. Korablev and Jiang (2011) wrote in their article that: "While the partnership was meant to bring in additional sales, purchases in the physical stores suffered. Customers used Borders stores to window shop, then made their purchases through Amazon. By 2006, Borders no longer turned a profit. Five years later, Borders declared bankruptcy and liquidated their assets".

Other example of failed change management was in South African IT distributor Tarsus Distribution, attempted to minimize manual data entry with robotic process automation (RPA). According to Joshi P. (2021) According to the article "Tarsus Distribution leveraged RPA to deploy software robots to handle manual data entry work. Although the goal was to lessen employee workload and not replace staff members, the communication strategy came across as robots taking over. When Tarsus Distribution implemented software robots before gaining internal support, employees expressed fear about and resistance to the move. Without employee buy-in, the RPA solution could not reach its full potential".

As it was mentioned before there are two approaches to manage organizational change: mechanistic (models of K. Levin, R. Balok and D. Batten and others) and organic (models of J. Kotter, D. Nadler and M. L. Tashman, ADKAR and etc.).

According to the first, the organization is seen as a machine operating according to rigid rules; changes are planned and carried out "from above"; resistance can be calculated and controlled; careful planning and control systems are seen as the key factor to successful changes. With a stable environment, availability of resources, and local changes, this approach is best fit (El-Dirani, A., Hussein, M. M. & Hejase, H J., 2019).

According to the second approach, the organization is considered as a living organism, an open system that changes under the influence of the external environment. Employees need to understand and accept the reality and the need for change; reaction to changes in the external environment is a familiar attribute of modern life; successful innovations are based on the understanding, acceptance and participation of employees at organizational, group and individual levels (El-Dirani, A., Hussein, M. M. & Hejase, H J., 2019).

According to Hussain, S. T at al. (2018) the American sociologist and psychologist Kurt Lewin was one of the first who studied the psychology of organizational development. He proposed a model that includes three stages of change, each of which has its own methods.

1. "Unfreezing" - awareness of the need for change. The main goal of this stage is to make the company ready for change.
2. "Changing" - the actual implementation of change. For successful implementation, there must be a clearly structured strategy, it is necessary to monitor the process of changes and apply the necessary corrective measures in time.
3. "Refreezing" - the return of stability. After the changes made, it is necessary to consolidate the new rules and regulations.

According to Moran and Brighman (2000), Dr. Larry Grainer, American management specialist, professor at Harvard School, has developed a classic model of organizational change management, which includes 6 steps:

1. Pressure on top management
2. Mediation at the highest level of management
3. Diagnostics of the problematic area
4. Finding a new solution
5. Experiment with a new solution
6. Reinforcement based on positive results

According to Sharma and Jain (2013) L. Grainer paid attention and gave great importance to the involvement of all employees of the organization to change process. When implementing these steps, it is necessary to use the experience of not only top management, but also grass-roots employees, since changes will subsequently affect the organization as a whole.

Thus, Grainer's model simply and clearly explains the entire process of organizational change, respectively, today it does not lose its relevance. One of its main advantages is the direct involvement of all levels employees in the process of change. However, when implementing this model, some problems may arise, since it does not take into account possible changes in external factors, the influence of which is inevitable.

Thus, based on literature review carried out in this part, the following conclusions can be drawn.

1. Change is an integral part of the modern life of organizations. In all large foreign corporations, all changes are taking place in parallel with projects to manage them and work with the resistance of the staff.
2. There are different points of view that consider organizational change from different perspectives. Some believe that change is an inevitable event that an organization can prevent. Others define change as a one-time measure, a means of survival, or a way of life for an organization; action, project, program or management function
3. Change management is the implementation of transformational strategies applied at the individual and organizational level to move a business or organization forward towards achieving its strategic goals.

3 METHODOLOGY

In this study I will make an in-depth analysis of change management in HINO Motors Kazakhstan, specifically problems with implementation of ASEC system in 2022 and new plan on managing implementation of ASEC system in 2023. To manage change at the individual level, there are several widely accepted theories and methodologies. Methodologies are effective enough to manage change in relation to individuals, teams and organizations as a whole. The main thing in the field of change management is the idea that all changes cover not only the main and auxiliary processes, but also the personnel.

Crawford, L., & Nahmias, A. H., 2010).

According to Crawford L. and Nahmias A. (2010) The ADKAR Methodology is a focused model for managing organizational change. The creator of this model is the founder of Prosci - Jeff Hiatt. The acronym stands for five specific outcomes that employees must achieve in order to achieve long-term change:

- awareness - awareness that changes are needed;
- desire - the desire to support changes;
- knowledge - knowledge of what and how to do;
- ability - the ability to do everything necessary to implement changes;
- reinforcement - consolidation of changes.

The ADKAR model is an effective tool for planning actions to manage organizational innovation, helping managers to keep employees motivated throughout the entire period of change (Partington, D., 1996)

The second model that I would like to use in my analysis is model of Beckhard and Harris. The Beckhard and Harris change management process includes steps to help an organization increase its awareness score, identify changes, assess how their successful state compares to the desired state, and proceed from decisions to achieve the desired state. The stages of this external protection are below (Etareri L., 2022):

Stage 1. Internal organizational analysis - identification of forces against change and observation of the organizational situation.

Step 2: Why change - identifying the need for change, determining what needs to change, and defining the vision.

Step 3. Gap analysis - defining the current state of the organization, compared to the desired state.

Step 4: Planning for action - assessing the present from the perspective future to determine the work that needs to be done.

Step 5: Transition Management - Execute the plan with collaboration and role assignment.

The next methodology AIM (Accelerated Implementation Methodology) is one of the methods for introducing organizational changes that changes the work of the organization. The main goal of this methodology is to remove any barriers between the planning phase and successful implementation phase, which can include things like costs, time frames, training and adapting of employees to these changes. One of the core principles of AIM is to recognize the difference between simply implementing change and implementing change with the willingness and ability of employees to work in the new environment. Sometimes employees don't want to adopt new technology, and sometimes there are aspects of the business culture that won't allow for significant change. The AIM methodology provides an opportunity to understand how companies can establish and implement changes, taking into account the potential pitfalls and errors that may arise. Any change in the company is a risky business, AIM will allow you to adjust the plan in response to new changes and make the necessary changes at your discretion (Nieminen, A. and Lehtonen, M. 2008)

4 ANALYSIS AND FINDINGS

Hino Motors Kazakhstan has been a distributor of Toyota warehouse equipment since 2019. As a member of Toyota corporation, Hino Motors Kazakhstan has to follow the similar principles and objectives.

Toyota Corporation follows the Kaizen philosophy. According to Stewart P. (1996) the philosophy of Kaizen was applied in the Toyota company after the war. This was not only the newest management concept, but also the key areas in which Toyota began to work. One of the most important principles of kaizen is to satisfy the needs of customers. This is achieved through:

- continuous development of the company,
- technology improvements,
- staff training,
- market research.

In this regard, as it was mentioned before Hino Motors Kazakhstan must implement Toyota standards in its field of activity. One of these elements is the ASEC system, After Sales Service Evaluation and Certification (ASEC). “Toyota service concept is to maximize customer satisfaction by providing high quality service. ASEC is the program to promote KAIZEN activity in the company's parts and service operation. It will help companies to improve operation quality and to secure customer's trust. Service market competition is getting fiercer over the past several years and customers are becoming more informed about the market. Customers are very demanding and looking for cost-effective after sales service experience. It is more important than ever to have high quality service, by which you should differentiate yourselves from competitors. Then, you can get customer's trust and are able to keep them stay at Toyota camp. We will reach our final objective of Toyota aftersales. "1st truck sales made by Sales, 2nd truck sales made by Service.” (Cheser, R., 1994).

Hino Motors Kazakhstan decided to implement the ASEC system in the beginning of 2022, after 3 years of operating in Kazakhstani market, as it was preliminary principle of the distributor. In this study I would like to show how managers of Hino Motors Kazakhstan manage the change in terms of “implementation of ASEC system”. I used the ADKAR model:

➤ Awareness: In the beginning 2022 General Director of the company understood that the implementation of the ASEC system is significantly important for providing timely and qualified customer service. Also as it was qualified as the part of Kaizen theory, the implementation of the ASEC was extremely necessary.

➤ Desire: General Director started to analyze and plan the implementation process. As the result it was decided to assign the after-sales department as the main controlling department who will manage all the changes implemented;

➤ Knowledge: In accordance with this, the after-sales service department began an independent study of compliance with ASEC requirements. The requirements consist of 121 items (22 mandatory items, 99 key items). A calendar plan was drawn up, according to which the head of the 1st quarterly department had to evaluate the collection, in the 2nd and 3rd quarterly committees had to follow the changes in his department in order to compare the tables. In Q4, Hino Motors Kazakhstan Management is expected to review all changes. All change process was analyzed, studies, controlled by only this department;

➤ Ability: it was recognized that in the beginning when the System was first introduced all managers from the after sales department were interested in implementation of this process. However from the late spring, starting from Quarter 2 and 3 the enthusiastic mood of the employees who deal with these changes fall down.

➤ Reinforcement: as a result the implementation of ASEC system in 2022 wasn't successful due to low tracking control and the internal disinterest of employees in the after-sales department.

In this case we can see that not all organization are ready for changes. Here the causes of unsuccessful implementation of the new system in Hino Motors Kazakhstan could be such as misunderstandings and lack of trust between employees and top managers, low ability to adapt to change, disagreement with

choices, or fear of the impact change might have on employees personally. Ensuring employees that these new changes is vital to the well-being and the effectiveness of the organization is the primary goal of the General Director or leader of any company. Therefore, it was necessary to competently manage organizational changes at the organizational level, as well as pay due attention to employees at the individual level. All employees must feel their importance and involvement in the change process to make these changes be successful.

As a result in January 2023 managing the “implementation of ASEC system” was planned in another way. The top management of HMK (Hino Motors Kazakhstan) realized that the ASEC system concerns not only the after-sales service department, but the entire company as a whole. Therefore, they have developed a new detailed ASEC implementation plan, which is part of the Kaizen philosophy that the company needs to follow as members of Toyota corporation.

This time I would like to use the Beckhard and Harris change management process model that includes the following steps:

Stage 1. Internal organizational analysis - identification of forces against change and observation of the organizational situation. Implementation of new systems is always stressful for the employees. In this regard, the main problems that HMK might meet this time is first of all resistance of employees to make these changes because of lack of information about the new system.

Step 2: Why change - identifying the need for change, determining what needs to change, and defining the vision. As it mentioned before Toyota service concept is to maximize customer satisfaction by providing high quality service based on KAIZEN Philosophy. HMK started After Sales Service Evaluation & Certification (ASEC) program in 2022 in order to

improve service quality and to actualize Kaizen Philosophy. ASEC is the program to promote KAIZEN activity in company parts and service operation.

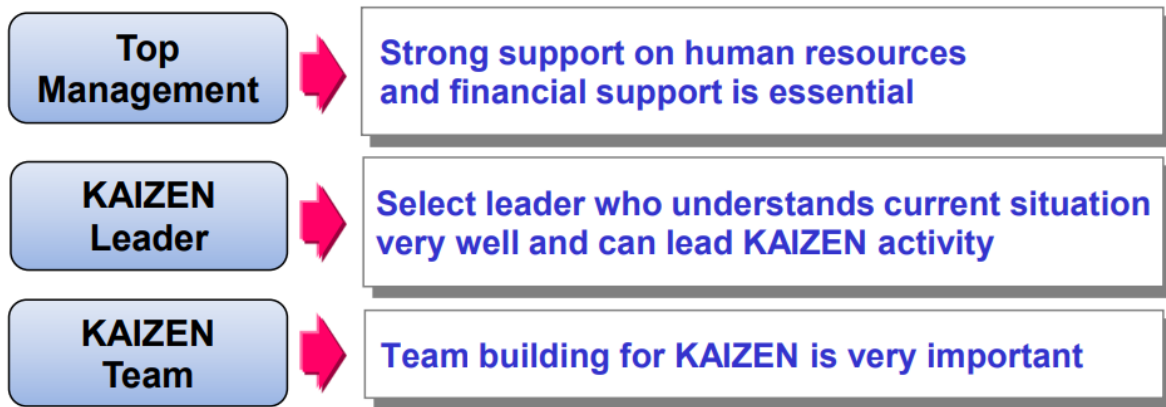
Step 3. Gap analysis - defining the current state of the organization, compared to the desired state. In this stage top managers and leaders should explain to employees by showing this gap analysis to which desired state the company is aiming. It is responsibility of top managers and leaders to prepare this analysis in order to coordinate and manage accordingly.

Step 4: Planning for action - assessing the present from the prospective future to determine the work that needs to be done. Preparation for ASEC activity

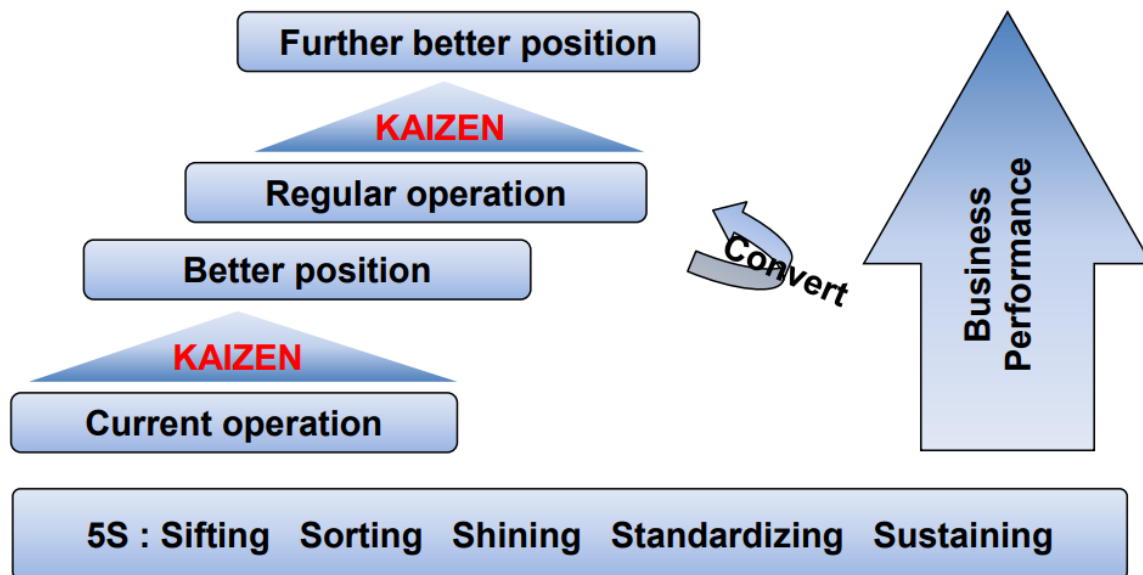
- Assignment of KAIZEN leader. KAIZEN leader should be assigned to promote ASEC program at HMK and as the leader make commitment for ASEC certification;
- Kaizen leader make a group/team consisting of members from different departments and explain about the system.
- Team members is responsible for further distribution of information in their departments;
- Kaizen Leader have to organize training sessions with each departments if necessary;
- weekly and monthly analysis and report on work done should be made by Kaizen Leader;
- Individual and group meetings with Kaizen Leader or top managers upon request should be made if necessary.

Step 5: Transition Management - Execute the plan with collaboration and role assignment.

All staff members should be involved in KAIZEN activity including top management. Strong support from top management, confidence from Kaizen leader and enthusiastic Team mood is very essential for successful implementation of ASEC system.



The following are images of benefit/value by ASEC program. You will reach a better position by improving current operation (through the KAIZEN activity of ASEC). If you standardize this better position, it will become regular operation. If you continuously implement KAIZEN activity, the regular operation will reach a further better position. Your business performance will automatically improve through this KAIZEN step.



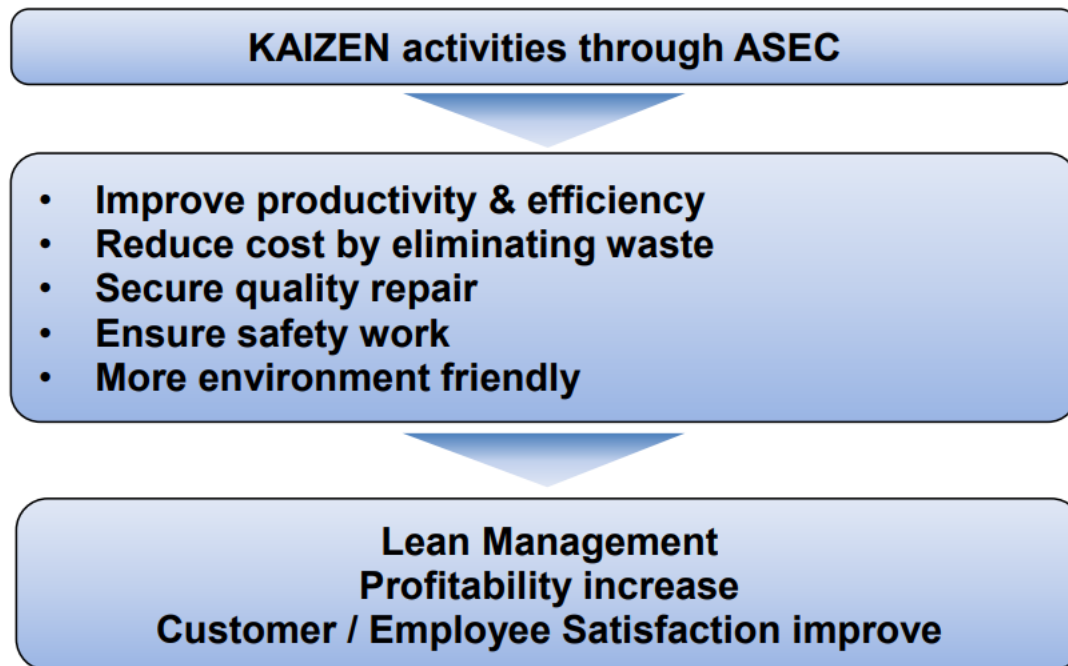
One of the reasons for the failure of ASEC in 2022 was that after-sales staff felt that the system would require more paperwork from them and force them to perform their duties longer due to increased bureaucracy.

However, the introduction of ASEC facilitated the work of mechanics by introducing simple and clear rules:

- each commonly used tool now is always in its place. So it is not necessary to look for it throughout the workshop and understand who took it;

- along with the equipment for servicing, all the necessary information about it comes in the special form. So that the service employee does not have to go and check with the service consultant for details. Everything is recorded in advance in a special document;
- General cleanliness and safety of work in the shop has increased. Due to zoning and the purchase of convenient additional equipment, etc.

All ASEC principles are described below:



5 CONCLUSION

Change is an integral part of the modern life of organizations. In all large foreign corporations, all changes are taking place in parallel with projects to manage them and work with the resistance of the staff.

Many companies have failed to innovate because the scope of such innovations was greater than the readiness of the organization. Any organizational change lead to personnel management problems. In fact, that all problems in the process of organizational change are associated with human factor.

It is worth noting that it is easier to change technology, organizational structure or equipment than the behavior of employees. As a result, in order to achieve the goals set in the organization, the top management and team leaders are required to properly plan and coordinate the work and motivate the staff. Employee motivation requires a personal approach to each of them.

REFERENCES

Sharma, M.K., & Jain, S. (2013). Leadership Management: Principles, Models and Theories. Global Journal of Management and Business Studies,3(3), 309-318.

Deshler, Reed (2016, April 13). The Role of Leadership in Change Management. Retrieved March 1, 2023, from <https://alignorg.com/the-role-ofleadership-in-change-management/>

Hussain, S. T., Lei, S., Akram, T., Haider, M. J., Hussain, S. H., & Ali, M. (2018). Kurt Lewin's change model: A critical review of the role of leadership and employee involvement in organizational change. Journal of Innovation & Knowledge, 3(3), 123-127.

El-Dirani, A., Hussein, M. M. & Hejase, H J. (2019). The Role of Human Resources in Change Management: An Exploratory Study in Lebanon. The Journal of Middle East and North Africa Sciences, 5(6), 1-13]. (P-ISSN 2412- 9763) - (e-ISSN 2412-8937). www.jomenas.org..

Nieminen, A. and Lehtonen, M. (2008) Organisational control in programme teams: An empirical study in change programme context: European Academy of Management (EURAM 2007) Conference. International Journal of Project Management 26 (1):63-72.

Irina Korablev, Yu Jiang (2011), Public Firm Default Report: Borders Group Inc (BGPIQ), Moody's Analytics,

Robbins, S.P., & Coulter, M. (2016). Management(13th edition). Harlow, England: Pearson Education Limited.

Moran, John W., & Brightman, Baird K. (2000). Leading organizational change, Journal of Workplace Learning, 12(2), 66 - 74.

Partington, D. (1996) The project management of organizational change. International Journal of Project Management 14 (1):13-21.

Brian R. Strohmeier, The Leadership Principles Used by Jack Welch as he Re-energized, Revolutionized, and Reshaped General Electric, Journal of Leadership & Organizational Studies 1999 5: 16

Stewart, Thomas A. "America's Most Admired Companies: Why Leadership Matters." *Fortune* 2 March 1998: 70-82.

"GE Displaces Coke in Most-Admired Poll" *Pittsburgh Post-Gazette* 11 February 1998: D1.

Kobiruzzaman, M. M. (2022, January 08). Netflix Organizational Change & Structure Case Study 2022. News Moor- Best Online Learning Platform. <https://news Moor.com/netflix-organizational-change-organizational-managementchange-examples/>

Freeman, C. (1969). [Review of *The Management of Innovation.*, by T. Burns & G. M. Stalker]. *The Economic Journal*, 79(314), 403–405. <https://doi.org/10.2307/2230196>

Morrison, E & Milliken, F 2000, 'Organisational Silence: A Barrier to Change and Development in a Pluralistic World'. *Academy of Management Review*, Oct, 2000; Vol 25, Issue 4; pp 706-725.

Crawford, L., & Nahmias, A. H. (2010). Competencies for managing change. *International Journal of Project Management*, 28(4), 405–412. <https://doi.org/10.1016/j.ijproman.2010.01.015>

Stewart P. (ed.) (1996), *Beyond Japanese Management: The End of Modern Times?*,
Frank Cass, London

Cheser, R. (1994). Kaizen is More Than Continuous Improvement, *Quality Progress*, April, pp. 23-26

Linda Etareri. "An Analysis Framework of Change Management". *Medicon Engineering Themes* 3.1 (2022): 30-38

Factors affecting green purchase behaviour in Kazakhstan

Yekaterina Tkhay

Bang College of Business, KIMEP University

2 Abay Avenue, Almaty, Kazakhstan

yekaterina.tkhay@kimep.kz

ABSTRACT

The topics of ecology, sustainable development, and green shopping are gaining popularity and more and more people are realising the importance of ethical and eco-friendly consumption. However, this topic of green consumption is not fully studied in Kazakhstan. An interesting fact is that there is definitely a gap between the consumer's desire to buy eco-friendly products and the actual purchase of these goods. Taking into account this fact, the main theme and purpose of this work are to study the factors affecting green purchase behaviour in Kazakhstan. This study is based on the MAO model, during the study, 400 respondents from various regions of Kazakhstan were interviewed using a survey.

KEYWORDS: Purchase Behavior, Green Purchase Behavior, Ecology, Sustainability, Kazakhstan

INTRODUCTION

Environmental degradation is one of the most acute issues facing humanity (Kurban, 2022). With each decade, the consumption of goods and services around the world is inexorably growing, which leads not only to an increase in living standards, but also to the depletion of natural resources and the emergence of such environmental disasters as global warming, air and environmental pollution, as well as the reduction of animal and plant species (Chen and Chai, 2010).

Realising the disastrous consequences of such uncontrolled consumption, the governments of many countries pay special attention to monitoring the ecological state of the country, and also actively work to minimise the harmful impact of business activities on the environment (Moisander, 2007). Such a responsible approach, including awareness of the need to promote sustainable development and advocating for a form of development that minimises the negative impact on the environment and society, is called sustainable development (Vermeir and Verbeke, 2006). In many cases, sustainable development is applied side by side with concepts such as environmental innovation, “green” consumption and environmental marketing.

Veleva and Ellenbacker (2001) defined environmental innovations as practices aimed at reducing the use of natural resources and reducing the emission of harmful substances throughout the life cycle of a product or service. On the other hand, “green” consumption refers to the concept of conscious and responsible consumption of goods and services that have the least negative impact on both the consumer

and environment (Moisander, 2007). In turn, environmental marketing is a concept that includes an environmental aspect in the process of forming the value of a product or service (Crane, 2000).

LITERATURE REVIEW

All of the above concepts play a significant role in the process of sustainable development and are aimed at cultivating conscious and “green” consumption in customers, because in fact, environmentally responsible purchases are extremely important, since unplanned purchase of goods or services will lead to an increased risk of harm to the environment. Thus, each consumer can prevent or reduce the destructive effect on the environment by applying the concepts of conscious and green consumption.

Speaking about the attitude of consumers to this topic, it should be mentioned that many studies have shown that most consumers are really concerned about green consumption and want to preserve their environment (Arvola et al., 2008; Ellen, Webb and Mohr, 2006; Liu et al., 2012; Vermeir and Verbeke, 2006).

Nevertheless, despite people's awareness of this problem, the market share of environmentally friendly products in relation to conventional goods occupies only a small share and demonstrates rather slow growth (Bray, Johns and Killburn, 2011). This discrepancy between the positive attitude of consumers to the purchase of green products and the actual consumption of goods demonstrates the insignificance of environmental considerations of the buyer in the process of making a purchase (Mohr, Webb and Harris, 2001). This phenomenon has been documented in many studies. For example, back in 2003, Tanner and Kast reported that there was a certain “gap” between the expressed favourable attitude of consumers and their actual purchases. This information was later confirmed in studies by Vermeir and Verbeke in 2006 and 2008. In addition to this, Huhner (2007) also conducted a study on the consumption of environmentally friendly food. According to his data, out of 67% of people who want to buy “green” products, only a small proportion of only 4% actually purchased the product. A similar study was conducted by Defra in 2006 in the UK, Wheele and Hinton in 2007, and Chen and Chai in 2010, the results were similar to the above studies and only confirmed the presence of a “gap”. This discrepancy of behaviour and actions on the part of consumers has acquired the name “the gap between environmental attitudes and behaviour.”

This research is aimed at studying the factors influencing consumer behaviour and the purchase of green products in Kazakhstan. In other words, the author of the study wants to identify the reasons that prevent the purchase of environmentally friendly products with a positive attitude of the buyer to the consumption of green products. This topic is extremely important, since the identification of factors affecting green consumption in Kazakhstan can help solve the problem of environmentally friendly consumption and take measures to encourage the purchase of “green” products, the consumption of which does not have a destructive effect on the nature around us.

There are researchers that study the topics of ecological consumption and consumer consciousness (Diamantopoulos et al., 2003; Schwepker and Cornwell, 1991), as well as studies aimed at studying consumption patterns and non-consumer behaviour (Follows and Jobber, 2000; Lee, 2009), however, the available knowledge is still limited. In addition, it is also necessary to take into account green consumption within Kazakhstan, since this country has its own number of features, including indicators such as the stage of development, mentality, etc.

For example, Akimova (2014) in her work noted that Kazakhstan is only at the initial stage of the formation of the market of green products and is not yet familiar with the concept of environmental

marketing and does not have a solid regulatory framework regarding this issue. In another study, Zhilbayev and Moiseeva (2016) noted the low level of awareness of the Kazakhstani consumer about the topic of environmentally friendly products, while Kurban (2022) suggested that the consumption of green products in Kazakhstan is closely interrelated with the mentality and behaviour of society. Thus, in order to obtain effective results in the process of studying the consumption of environmentally friendly products in the market of Kazakhstan, the study should take into account the specifics of the country itself and its population.

PURPOSE AND HYPOTHESES OF STUDY

Based on the above, the purpose of this work is to study the factors influencing the “Green behaviour” in Kazakhstan.

The author of this study puts forward the following hypotheses:

H 1: Availability has a significant impact on the buyer's intention to buy Green Products.

H 1.1: Price has a significant impact on the buyer's intention to buy Green Products.

H 1.2: Quality has a significant impact on the buyer's intention to buy Green Products.

H 1.3: Recognition has a significant impact on the buyer's intention to buy Green Products.

H 1.4: PCE has a significant impact on the buyer's intention to buy Green Products.

H 2: Availability has a significant impact on the buyer's purchase of Green Products.

H 2.1: Price has a significant impact on the buyer's purchase of Green Products.

H 2.2: Quality has a significant impact on the buyer's purchase of Green Products.

H 2.3: Recognition has a significant impact on the buyer's purchase of Green Products.

H 2.4: PCE has a significant impact on the buyer's purchase of Green Products.

METHODOLOGY

In this work Olander and Thøgersen model of Motivation-Ability-Opportunity (MAO) was utilised to explain why consumers choose to purchase environmentally friendly products. The MAO model can be seen as an extension of Ajzen's Theory of Planned Behavior (TPB), with the addition of the opportunity component. The motivation component of the MAO model is used to measure the individual's intention to buy green products, while the ability and opportunity components act as moderators to explain why people do or do not buy eco-friendly products. The ability component includes the knowledge and habits of the individual, which are important factors in translating motivation into actual behaviour. The opportunity component takes into account situational factors that may affect an individual's ability to act on their intentions, such as the availability of green products or social norms surrounding eco-friendly behaviour. By considering all three components of the MAO model, the researcher can gain a more comprehensive understanding of the factors that influence people's decision-making when it comes to buying green products. This model served as the foundation for the survey statements.

The statements in the survey were created in such a way as to take into account many factors, including, for example, Intention to buy a green product, Availability, Price, Quality, Perceived Consumer Effectiveness and etc (Kurban, 2022) (Table 1).

Table 1 Survey for factor analysis

Factor	Indicator
Intention to buy a green product (IV)	I intend to buy products that are environmentally friendly because they are
	less harmful to nature.
	I will think about changing brands for ecological reasons.
	I plan to purchase products that are eco-friendly.
Purchase of a green product (DV)	When I have a choice, I intentionally pick the product which is environmentally friendly.
	When I have a choice between two comparable products, one which is sustainable and one which is unsustainable, I will always buy the first one.
	When I have a choice, I always pick the product with an eco-label.
Availability	The availability of sustainable products in grocery stores is always sufficient.
	If I am looking for a specific product in a grocery store, then there is always the option to choose the alternative green products that are less harmful for the environment.
Price	I am ready to pay extra for ecological goods.

	If I choose between two analogous products, one of which is environmentally friendly and the other is not, I pick an environmentally friendly product, even if it has a higher price.
Quality	When there is a choice between two similar products, one which is sustainable and one which is unsustainable, I buy the green product only if it has at least the same level of quality.
	The quality of the product is more important to me than its eco-friendliness.
Recognition	When I buy products, I can easily differentiate ecological products.
	I can identify environmental products by environmental claims or eco labels applied to them.
Perceived Consumer Effectiveness	One person's choice of what to buy cannot make a discernible difference in helping the ecology.
	I think that the consumer is not obliged to buy ecological products.

The information was collected and analysed in two stages. Firstly, a survey was created for a short period of time with the aim of collecting responses from residents of Kazakhstan between the ages of 17 and 45. The minimum number of respondents for the survey was set at 400 people from Kazakhstan. The survey was conducted on a voluntary and anonymous basis, with each participant being informed about the conditions of participation and receiving a consent letter. This approach aimed to create the most comfortable conditions for the respondents and provide an opportunity to receive reliable, unbiased answers. The survey consisted of 16 statements, and respondents evaluated their attitude to these statements using a 7-point Likert scale.

The second stage of the process involved analysing and interpreting the data obtained during the survey. The author of the study used the cross-sectional method, which included dependent and independent variables. This method of analysis allowed the author of the research to study the relationship between variables over a certain period of time.

All the data obtained were analysed using the multiple regression method. During the analysis, the SPSS 21 software package was used.

DATA ANALYSIS

Thus, taking into account all of the above information, 475 respondent responses were received during the data collection. 51% of those who took part in the survey were men and 49% were women. If we consider the respondents by age, 28.7% were young people aged 16 to 25, 7.4% were respondents aged from 26 to 42, 6.8% were people whose age is above 43. At the same time, 23.3% of participants are college students or had a specialised secondary education, 51.7% are undergraduate/graduate students or have a bachelor's/master's degree, while 25% have postgraduate education.

To assess the reliability of the data, the Cronbach's alpha coefficient was measured. This coefficient was .846, which is a good level of reliability.

The results of the first multiple regression analysis showed that the independent variables Availability, Price, Recognition have a significant impact on the dependent variable Intention to buy Green Products, while the independent variables Quality and Perceived Consumer Effectiveness does not have a significant impact on the variable Intention to buy Green Products. The value of the coefficient of determination (R^2) is .582, which indicates the level of explanatory power of the model.

The regression coefficients and the significance of the regression coefficients are presented in the table below:

Table 2 Regression coefficients (Regression №1)

Coefficients						
Model		Unstandardized coefficients		Standardised coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	1.551	.285		5.446	.000
	AVAILABILITY	.260	.031	.278	8.455	.000
	PRICE	.457	.031	.512	14.866	.000
	QUALITY	-.011	.051	-.007	-.209	.834
	RECOGNITION	.177	.031	.200	5.745	.000
	PCE	-.071	.035	-.071	-2.044	.042
a. Dependent variable: INTENTION TO BUY GREEN PRODUCT						

Interpretation of results:

The Availability regression coefficient has a value of 8.455 and is statistically significant ($p < 0.001$). This indicates that the independent variable has a significant effect on the dependent variable.

The Price regression coefficient has a value of 14.866 and is statistically significant ($p < 0.001$). This indicates that the independent variable has a significant effect on the dependent variable.

The Quality regression coefficient has a value of - .209 and is statistically insignificant ($p < 0.001$). This indicates that the independent variable has no significant effect on the dependent variable.

The Recognition regression coefficient has a value of 5.745 and is statistically significant ($p < 0.001$). This indicates that the independent variable has a significant effect on the dependent variable.

The Perceived Consumer Effectiveness regression coefficient has a value of -2.044 and is statistically insignificant ($p < 0.001$). This indicates that the independent variable has no significant effect on the dependent variable.

Analysing all of the above, it is possible to draw the following conclusions:

Table 3 Regression results and their relationship with the hypotheses of the study

Hypothesis	Hypothesis Supported
H 1	Yes
H 1.1	Yes
H 1.2	No
H 1.3	Yes
H 1.4	No

The results of the second multiple regression analysis showed that the independent variables Availability, Price, Recognition and Quality have a significant impact on the dependent variable Purchase of Green Products, while the independent variable Perceived Consumer Effectiveness does not have a significant impact on the variable Purchase of Green Products. The value of the coefficient of determination (R^2) is .560, which indicates the level of explanatory power of the model.

The regression coefficients and the significance of the regression coefficients are presented in the table below:

Table 4 Regression coefficients (Regression №2)

Coefficients

Model		Unstandardized coefficients		Standardised coefficients	t	Sig.
		B	Std. Error	Beta		
1	Constant	2.351	.249		9.426	.000
	AVAILABILITY	.113	.027	.141	4.189	.000
	PRICE	.391	.027	.514	14.540	.000
	QUALITY	.158	.045	.125	3.531	.000
	RECOGNITION	.155	.027	.206	5.770	.000
	PCE	-.143	.030	-.168	-4.711	.000
a. Dependent variable: PURCHASE OF GREEN PRODUCT						

Interpretation of results:

The Availability regression coefficient has a value of 4.189 and is statistically significant ($p < 0.001$). This indicates that the independent variable has a significant effect on the dependent variable.

The Price regression coefficient has a value of 14.540 and is statistically significant ($p < 0.001$). This indicates that the independent variable has a significant effect on the dependent variable.

The Quality regression coefficient has a value of 3.531 and is statistically significant ($p < 0.001$). This indicates that the independent variable has a significant effect on the dependent variable.

The Recognition regression coefficient has a value of 5.770 and is statistically significant ($p < 0.001$). This indicates that the independent variable has a significant effect on the dependent variable.

The Perceived Consumer Effectiveness regression coefficient has a value of -4.711 and is statistically insignificant ($p < 0.001$). This indicates that the independent variable has no significant effect on the dependent variable.

Analysing all of the above, it is possible to draw the following conclusions:

Table 4 Regression results and their relationship with the hypotheses of the study

Hypothesis	Hypothesis Supported
H 1	Yes
H 1.1	Yes

H 1.2	Yes
H 1.3	Yes
H 1.4	No

CONCLUSION

Summing up, it can be noted that Availability, Price, and Recognition have an impact on the intention to buy Green Products. At the same time, an interesting result is that Quality and Perceived Consumer Effectiveness have no effect on this dependent variable. In addition Perceived Consumer Effectiveness also had no effect on the actual purchase of Green Products. These results can be justified by many factors. For example, some of the researchers noted that consumers may prioritise the environmental benefits of a product over its functional qualities. This is known as the "Green halo effect," where consumers perceive a product as more environmentally friendly than it actually is, simply because it is marketed as "Green" (Joireman, Van Lange, & Van Vugt, 2010). In such cases, consumers may be willing to sacrifice quality for environmental benefits, even if the product does not meet their needs effectively. In addition, it was mentioned that, individuals who perceived their actions as having a greater impact on the environment were no more likely to engage in pro-environmental behaviours than those who perceived their actions as having a lesser impact (Bamberg & Möser, 2007). Furthermore, research by Yoon, Gürhan-Canli, and Schwarz (2006) found that while consumers who believed in their own ability to make a difference were more likely to have positive attitudes toward green products, this did not necessarily translate into intention to buy green products or actual purchase.

In addition to the above, the results of this study may also not be fully correct. This phenomenon is due to the limits that could have an impact during this research.

LIMITATIONS AND REFLECTIONS

One of the main limitations of this study is the small sample size, which may limit the generalizability of the results obtained to other population groups. Furthermore, only one data collection method was used in this study, which may limit the reliability of the results obtained. In addition, there was a presence of limited resources and time frames, which did not allow the researcher to delve into additional analyses or use more complex modelling methods.

Thus, this work can be improved in the future, and can also serve as a basis for further research on the factors influencing green purchasing behaviour in Kazakhstan.

REFERENCES

- Chen, T. B., & Chai, L. T. (2010). Attitude towards the environment and green products: Consumers' perspective. *Management science and engineering*, 4(2), 27-39.
- Kurban, Z. (2022). Factors Influencing Green Purchase Behavior: Evidence from Kazakhstan. *European Journal of Business and Management Research*, 7(6), 281-286.
- Moisander, J. (2007). Motivational complexity of green consumerism. *International journal of consumer studies*, 31(4), 404-409.

- Vermeir, I., & Verbeke, W. (2006). Sustainable food consumption: Exploring the consumer “attitude–behavioral intention” gap. *Journal of Agricultural and Environmental ethics*, 19, 169-194.
- Veleva, V., & Ellenbecker, M. (2001). Indicators of sustainable production: framework and methodology. *Journal of cleaner production*, 9(6), 519-549.
- Crane, A. (2000). Facing the backlash: green marketing and strategic reorientation in the 1990s. *Journal of strategic Marketing*, 8(3), 277-296.
- Arvola, A., Vassallo, M., Dean, M., Lampila, P., Saba, A., Lähteenmäki, L., & Shepherd, R. (2008). Predicting intentions to purchase organic food: The role of affective and moral attitudes in the Theory of Planned Behaviour. *Appetite*, 50(2-3), 443-454.
- Ellen, P. S., Webb, D. J., & Mohr, L. A. (2006). Building corporate associations: Consumer attributions for corporate socially responsible programs. *Journal of the academy of Marketing Science*, 34(2), 147-157.
- Bray, J., Johns, N., & Kilburn, D. (2011). An exploratory study into the factors impeding ethical consumption. *Journal of business ethics*, 98, 597-608.
- Mohr, L. A., Webb, D. J., & Harris, K. E. (2001). Do consumers expect companies to be socially responsible? The impact of corporate social responsibility on buying behaviour. *Journal of Consumer affairs*, 35(1), 45-72.
- Tanner, C., & Wölfling Kast, S. (2003). Promoting sustainable consumption: Determinants of green purchases by Swiss consumers. *Psychology & marketing*, 20(10), 883-902.
- Diamantopoulos, A., Schlegelmilch, B. B., Sinkovics, R. R., & Bohlen, G. M. (2003). Can socio-demographics still play a role in profiling green consumers? A review of the evidence and an empirical investigation. *Journal of Business research*, 56(6), 465-480.
- Schwepker Jr, C. H., & Cornwell, T. B. (1991). An examination of ecologically concerned consumers and their intention to purchase ecologically packaged products. *Journal of Public Policy & Marketing*, 10(2), 77-101.
- Follows, S. B., & Jobber, D. (2000). Environmentally responsible purchase behaviour: a test of a consumer model. *European journal of Marketing*, 34(5/6), 723-746.
- Lee, A. H., Kang, H. Y., Hsu, C. F., & Hung, H. C. (2009). A green supplier selection model for high-tech industry. *Expert systems with applications*, 36(4), 7917-7927.
- Zhilbayev, Z. O., Moiseeva, L. V., & Barsanova, M. V. (2018). Pedagogical Frameworks of Education Policy for Sustainable Development of the Eurasian Space. *The Education and science journal*, 20(6), 9-28.
- Joireman, J. A., Van Lange, P. A., & Van Vugt, M. (2004). Who cares about the environmental impact of cars? Those with an eye toward the future. *Environment and behaviour*, 36(2), 187-206.
- Bamberg, S., Hunecke, M., & Blöbaum, A. (2007). Social context, personal norms and the use of public transportation: Two field studies. *Journal of environmental psychology*, 27(3), 190-203.

The effect of specific variables on leverage of banking system in UAE, Qatar and Saudi Arabia.

Daniyar Dyuskaliyev

Bang College of Business, KIMEP University

Almaty

daniyar.dyuskaliyev@kimep.kz

Abstract

The main purpose of this research is to study the influence of dependent variables and their importance in determining the level of leverage in banks. 10 Banks from Qatar, UAE and Saudi Arabia were included into the sample. The observations for the period from 2006 to 2015 were included to the data. The regression model was used to test the “trade-off theory” using STATA 15 tool. The result of this study can be used in banking system and help banking sphere to develop and increase efficiency of current performance of organization.

Keywords: Leverage, Qatar, UAE, Saudi Arabia, Bank, Regression model.

Introduction

This article explains and interprets the relationship of banking system leverage with its determinants. The interpretation includes the results of the period from 2006-2015 and check the accuracy of trade-off theory and pecking order theories.

According to Culata and Gunarsih (2012), trade-off theory claims that each company’s parameters tend to reach optimal capital structure by combining debt and stock. Bank’s leverage has directly proportional relationship with value.

According to pecking order theory, the companies’ last way of funding is common stock issuance. (Myers and Majluf, 1984). As described by Myers and Majluf (1984) the usage of internal funds is preferred firstly instead of external funds. The determination of leverage by cash flow is explained by POT.

Stata 15 was the instrument of data analysis. According to the empirical results of data we check theories mentioned above and identify weather reject or accept hypothesis.

This article consists of 3 main parts. In the first part author represents basic variable with hypothesis tests. The empirical results and regression analysis are the second part of the paper. And final part illustrates authors conclusion and recommendations.

Specification and hypothesis

Bank specific variables

- **Leverage**

Leverage describes the process of using borrowed funds in order to increase performance of the company and increase return rate of investor’s money. Operations and trading with borrowed funds is the key

explanation of “trading on margin” terminology. (Hammami and Riahi, 2021). According It is ratio of total debt (total liabilities) to the total equity of the company. (Miller, 1991).

- **Firm Size**

Natural logarithm of total assets is the measurement of companies’ size. The market and effects of scale economies are controlled by firm size. (Dalbor et al. 2004).

Natural logarithm of total asset (size), according to Berg and Gider (2017), has positive effect on leverage. However, at studies of Bhattacharjee (2020), size has negative relationship with leverage.

H₁: Size has positive effect on Qatar, UAE, Saudi Arabia banks leverage from 2006 to 2015.

- **ROE**

According to Fuhmann (2021), return on equity represents the level of profit related to the shareholder’s investments and contribution. In mathematical way it represents outcome of 1\$ of shareholders invested amount.

H₂: ROE has positive effect on Qatar, UAE, Saudi Arabia banks leverage from 2006 to 2015.

- **Growth**

According to Berg and Gider (2017), asset growth has negative effect on leverage which represents the trade-off theory. (Chen 2021). However, pecking order theory show positive relationship with leverage.

H₃: Growth has negative effect on Qatar, UAE, Saudi Arabia banks leverage from 2006 to 2015.

- **Asset quality (risk)**

According to Kosmidou, 2008, credit risk can be represented by asset quality. According to Berg and Gider (2017), asset risk and leverage has a strong correlation. Both trade-off theory and pecking order theory shows strong negative correlation with leverage.

H₄: Asset quality has negative effect on Qatar, UAE, Saudi Arabia banks from 2006 to 2015.

- **Inflation rate**

Inflation rate is process of reducing the power of currency and represents the purchasing ability of money (Fernando 2022). According to Berg and Gider (2017), inflation rate has positive effect on leverage. However, Narayan et al. (2021) claims that inflation rate has negative effect on leverage.

H₅: Inflation rate has negative effect on Qatar, UAE, Saudi Arabia banks from 2006 to 2015.

- **Government stability**

According to Gupta et al. (2020), the independence of local politics and the independence from social pressures from political entities are represented by government stability. Government stability has strong correlation with profitability of country and companies which leads to the decrease of debt and decrease of leverage. (Berber 2020)

H₆: Government stability has negative effect on Qatar, UAE, Saudi Arabia banks from 2006 to 2015.

Data

Panel data of 10 banks from 3 countries, such as: Qatar, UAE and Saudi Arabia was used in this research. The data was collected by Professor Faizulayev from different financial web portals, official annual

financial reports, and articles in order to investigate correlation and dependence of variables to other parameters. The parameters in panel data reflects the results of the time periods from 2006 to 2015. The “Stata 15” tool has been implicated to analyze the results of hypothesis test and regression model.

Methodology

Determination of the influence of macroeconomic and banking specific variables on banks’ leverage is the main purpose of this research.

PCSE (panel corrected standard error) method was used in he “Stata 15” tool to analyze the regression model and avoid error in the study. The following simple linear regression model is used in the research:

$$Y = \beta_0 + \beta_1 * LTA + \beta_2 * ROE + \beta_3 * Growth + \beta_4 * AssetQualityASQ + \beta_5 * InflationRateINF + \beta_6 * GovernmentStability + \varepsilon$$

Y – Dependent variable (Leverage)

β_0 – constant coefficient.

β_1 - β_6 – coefficients of variables

ε - constant and error term

Variables

Dependent and independent variables were used to find empirical results. Leverage is only 1 dependent variable and illustrates the ratio of the total debt to the total equity of the bank or company. (Miller, 1991)

LTA, ROE (Return on equity), Growth, Asset Quality (Risk), Inflation rate and Government stability are included into group of independent variables. In addition, there are two types of variables, such as bank specific variables and macroeconomic variables. Total assets, ROE, Growth, Asset Quality form a group of bank specific variable. Another parameter like Inflation rate and Government are the part of macroeconomic variables.

The description of the variables is illustrated below (Table 1).

Dependent variable

Variable	Measurement	Abbreviation in STATA
Leverage	Total liabilities/Total equity	<i>Leverage</i>

Independent variables (bank specific variables)

Variable	Measurement	Abbreviation in STATA
Size	Total assets logarithm	<i>LTA</i>
Return on equity	Net Profit/Equity	<i>ROE</i>
Growth	(Assets _{period n} -Assets _{period n-1})/ Assets _{period n-1}	<i>Growth</i>
Asset Quality	Business risk	<i>AssetQualityASQ</i>

Independent variables (macroeconomic variables)

Variable	Measurement	Abbreviation in STATA
Inflation rate	%	<i>InflationRateINFi</i>
Government stability	Rank from 0 to 10	<i>GovernmentStability</i>

Table 1.

Empirical results

```
. summarize Leverage LTA ROE Growth AssetQualityASQ InflationRateINFi GovernmentStability
```

Variable	Obs	Mean	Std. Dev.	Min	Max
Leverage	100	6.801303	2.275895	2.644846	13.64028
LTA	100	16.67725	1.004616	14.5133	18.81213
ROE	100	.1510042	.0853259	-.2581015	.4644426
Growth	100	.1730395	.1555005	-.1629132	.6354781
AssetQuali~Q	100	.7329307	.1209061	.0238525	.9079735
InflationR~i	100	3.495471	12.85707	-24.33841	22.89956
Government~y	100	10.34917	.8794835	7.791667	11.5

Figure 1. Descriptive statistics

The descriptive statistics of all variables are represented in Figure 1. These statistics were based on observations of 10 banks of UAE, Qatar and Saudi Arabia during the period from 2006 to 2015 and has 100 observations. 3 out of 7 observations have negative sign: Inflation rate with Min -24.33841, ROE with Min -0.2581015 and Growth with Min -0.1629132.

According to the results represented in Figure 1, Inflation rate has the highest value with Max 22.89956 and the highest standard deviation 12.85707. The leverage results are between 13.64028 (Max) and 2.644846 (Min) with standard deviation 2.275895. The lowest standard deviation 030853259 is represented by ROE.

```
. correl Leverage LTA ROE Growth AssetQualityASQ InflationRateINFi GovernmentStability
(obs=100)
```

	Leverage	LTA	ROE	Growth	AssetQ~Q	Inflat~i	Govern~y
Leverage	1.0000						
LTA	0.3135	1.0000					
ROE	0.0424	0.3598	1.0000				
Growth	0.0154	-0.1341	0.2887	1.0000			
AssetQuali~Q	0.0917	-0.1300	-0.1885	-0.0174	1.0000		
InflationR~i	-0.1689	-0.1839	0.2057	0.4068	-0.0117	1.0000	
Government~y	0.0052	-0.3493	0.0546	0.3394	0.1263	0.1663	1.0000

Figure 2. Multicollinearity test

Correlation between all variables is represented by the results on Figure 2. Results of multicollinearity test show that there is no perfectly strong correlation between variables. All variables' measure of significance is less than 0.5. Variables have strong correlation when modulus of measure of significance should be higher than 0.5 ($|x| < 0.5$).

Inflation rate has negative effect on leverage and other 5 variables concurrently have positive effect.

```
. estat vif
```

Variable	VIF	1/VIF
LTA	1.46	0.686697
ROE	1.42	0.703306
Growth	1.40	0.712674
Government~y	1.30	0.769977
InflationR~i	1.27	0.790294
AssetQuali~Q	1.06	0.945402
Mean VIF	1.32	

Figure 3. Variance Inflationary Factor (VIF)

According to Schumacker (2009), correlation of independent variable and level of collinearity is identified by the variance inflation factor (VIF). The results of VIF test were represented in Figure 3 where VIF mean has value of 1.32. To accept multicollinearity, the value of VIF mean should be less than 5. $1.32 < 5$ and correlation is acceptable for multicollinearity.

```
. xtserial Leverage LTA ROE Growth AssetQualityASQ InflationRateINFi GovernmentStability

Wooldridge test for autocorrelation in panel data
H0: no first-order autocorrelation
      F( 1,      9) =      10.221
      Prob > F =      0.0109
```

Figure 4. Autocorrelation test

Figure 4 illustrates two-sided hypothesis testing, where null hypothesis: no first-order autocorrelation. Based on the provided probability, the p-value is: $2 \times (0.0109)$. The maximum confidence level to reject H_0 is 97.82% (0.0218 significant level).

Cross-sectional time-series FGLS regression

Coefficients: generalized least squares
Panels: heteroskedastic
Correlation: no autocorrelation

Estimated covariances	=	10	Number of obs	=	100
Estimated autocorrelations	=	0	Number of groups	=	10
Estimated coefficients	=	7	Time periods	=	10
			Wald chi2(6)	=	46.38
Log likelihood	=	-174.5377	Prob > chi2	=	0.0000

Leverage	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
LTA	.5134482	.1024332	5.01	0.000	.3126828	.7142137
ROE	-3.308678	1.518699	-2.18	0.029	-6.285273	-.332083
Growth	.7040534	.7553399	0.93	0.351	-.7763856	2.184492
AssetQualityASQ	-.4491014	1.003774	-0.45	0.655	-2.416462	1.518259
InflationRateINFi	-.0148961	.0084186	-1.77	0.077	-.0313963	.0016041
GovernmentStability	.553735	.1354132	4.09	0.000	.2883301	.8191399
_cons	-6.956827	2.537372	-2.74	0.006	-11.92998	-1.98367

Figure 5. Heteroscedasticity test

According to the heteroscedasticity test results on Figure 5, there is no autocorrelation.

```

. estimate store hetero

. xtglm Leverage LTA ROE Growth AssetQualityASQ InflationRateINFi GovernmentStability, igls
Iteration 1: tolerance = 0

Cross-sectional time-series FGLS regression

Coefficients: generalized least squares
Panels:      homoskedastic
Correlation: no autocorrelation

Estimated covariances      =      1      Number of obs      =      100
Estimated autocorrelations =      0      Number of groups   =      10
Estimated coefficients     =      7      Time periods      =      10
                                Wald chi2(6)      =      18.35
Log likelihood             = -215.2056      Prob > chi2      =      0.0054

```

	Leverage	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]
LTA		.8800104	.2512977	3.50	0.000	.387476 1.372545
ROE		-2.285699	2.923603	-0.78	0.434	-8.015855 3.444457
Growth		1.653017	1.593654	1.04	0.300	-1.470488 4.776522
AssetQualityASQ		2.09947	1.77957	1.18	0.238	-1.388423 5.587363
InflationRateINFi		-.0254751	.0183035	-1.39	0.164	-.0613494 .0103992
GovernmentStability		.3030251	.2710846	1.12	0.264	-.228291 .8343412
_cons		-12.40152	5.710432	-2.17	0.030	-23.59376 -1.209276

```

. estimate store homo

. local df=e(N_g)-1

.
. lrtest hetero homo, df(104)

Likelihood-ratio test      LR chi2(104)=      81.34
(Assumption: homo nested in hetero)      Prob > chi2 =      0.9511

```

Figure 5.

Homoscedasticity test

According to the homoscedasticity test results on Figure 5, there is no autocorrelation.


```
. xtprcse Leverage LTA ROE Growth AssetQualityASQ InflationRateINFi GovernmentStability, corr(psarl) pairwise
Prais-Winsten regression, correlated panels corrected standard errors (PCSEs)

Group variable: ID Number of obs = 100
Time variable: Year Number of groups = 10
Panels: correlated (balanced) Obs per group:
Autocorrelation: panel-specific AR(1) min = 10
avg = 10
max = 10

Estimated covariances = 55 R-squared = 0.5293
Estimated autocorrelations = 10 Wald chi2(6) = 22.69
Estimated coefficients = 7 Prob > chi2 = 0.0009
```

Leverage	Panel-corrected					[95% Conf. Interval]	
	Coef.	Std. Err.	z	P> z			
LTA	.8865517	.2274233	3.90	0.000	.4408102	1.332293	
ROE	-1.922093	1.616689	-1.19	0.234	-5.090745	1.246558	
Growth	1.691711	.7494191	2.26	0.024	.2228764	3.160545	
AssetQualityASQ	.34649	.507784	0.68	0.495	-.6487484	1.341728	
InflationRateINFi	-.0095959	.0053489	-1.79	0.073	-.0200795	.0008877	
GovernmentStability	.1127485	.1712335	0.66	0.510	-.222863	.4483599	
_cons	-9.214489	4.421681	-2.08	0.037	-17.88082	-.5481537	
rhos = .9318218 .8326372 .8282632 .7781921 .7936354775274							

Figure 6. PCSE

The regression analysis is illustrated in Figure 6. This analysis was made by using method of panel corrected standard error). The parameter (P>|z|) represents the level of significance and influence on dependent variable. If p-value is less than 0.1 the variable is significant for determination of dependent variable. According to the results of PCSE table 3 out of 6 independent variables are insignificant which are ROE, Asset Quality (Risk) and Government Stability. LTA, Growth, Inflation rate have significant influence on leverage.

Hypothesis testing

H₁ test. LTA has positive effect on leverage with coefficient 0.8865517. Thus, we accept H₁.

H₂ test. ROE has negative effect on leverage with coefficient -1.922093. Thus, we reject H₂.

H₃ test. Growth has positive effect on leverage with coefficient 1.691711. Thus, we reject H₃.

H₄ test. Asset quality has positive effect on leverage with coefficient 0.34649. Thus, we reject H₄.

H₅ test. Inflation rate has negative effect on leverage with coefficient -0.0095959. Thus, we accept H₅.

H₆ test. Government stability has negative effect on leverage with coefficient 0.1127485. Thus, we reject H₆.

Simple linear regression

The null intercept of regression is -9.214489 which shows the interception with y-axis when all independent variables are zero.

Regression has model:

$$Y = -9.214489 + 0.8865517 * LTA - 1.922093 * ROE + 1.691711 * Growth + 0.34649 * AssetQualityASQ - 0.0095959 * InflationRateINFi - 9.2114489 * GovernmentStability + \varepsilon$$

Conclusion

The relationship of bank specific and macroeconomic variables with leverage of banking system in UAE, Qatar and Saudi Arabia during the period from 2006 to 2015 was researched in this article. STATA 15 tool was used to get empirical results and make regression analysis.

The result shows that only 3 variables have strong significance to the leverage such as Size, Growth and Inflation rate.

Recommendations

The banking system can use this research to improve and develop performance of full banking system. To increase performance and find balanced proportion of leverage. The main parameters which affect leverage are Size, Growth and Inflation rate. Inflation rate has negative effect on leverage which means that increase in inflation rate leads to decrease in leverage. The same effect is represented by ROE and Government stability, however, these variables are insignificant. Size and Growth have opposite positive effect on leverage and in order to increase level of leverage banks should also increase them.

Reference list

1. Merton H. Miller (1991), "The Journal of Finance".
2. Randall E. Schumacker (2009), "Interaction Effects: Centering, Variance Inflation Factor, and Interpretation Issues".
3. Tobias Berg and Jasmin Gider (2017), "What Explains the Difference in Leverage between Banks and Nonbanks?"
4. Priska Ralna Eunike Culata; Tri Gunarsih (2012), "PECKING ORDER THEORY AND TRADE-OFF THEORY OF CAPITAL STRUCTURE: EVIDENCE FROM INDONESIAN STOCK EXCHANGE"
5. Myers, Stewart C. and Majluf, Nicholas S. (1984). "Corporate Financing and investment decisions when firms have information that investors do not have".
6. Yacine Hammami and Youssef Riahi (2021), "Leverage and balance-sheet size: a comparative study between Islamic and conventional banks"
7. Michael C. Dalbor, Amy Kim and Arun Upneja (2004), "An initial investigation of firm size and debt use by small restaurant firms"
8. Kosmiou, 2008, "The determinants of banks' profits in Greece during the period of EU financial integration"
9. Animesh Bhattacharjee, Madhu Kumori and Joy Das (2020) "DETERMINANTS OF LEVERAGE: EVIDENCE BASED ON BSE LISTED INDIAN AUTO ANCILLARY FIRMS"
10. Jason Fernando (2022), "What Is Inflation?"
11. Yarong Chen, Luca Sensini, Maria Vazquez (2021), "Determinants of Leverage in Emerging Markets: Empirical Evidence"
12. Akriti Gupta, Gurpreet Kaur and Mahesh Sarva (2020), "Factors Influencing International Institutional Investments: A Case Study of the 21st Century India"
13. RYAN FURHMANN (2021), "Management Effectiveness Information & Trends - Total Market"
14. Berger, Allen N.; Roman, Raluca A., Sedunov, John (2020), "Did TARP reduce or increase systemic risk? The effects of government aid on financial system stability"

The relationship between intellectual capital and financial performance of SME hotels in Serbia

Diana Ratbekova

Bang College of Business, KIMEP University

Almaty, Kazakhstan

diana.ratbekova@kimep.kz

ABSTRACT

The purpose of this research: is to analyze the relationship between intellectual capital and financial indicators of hotels belonging to the small and medium-sized business sector, using the example of hotels in Serbia in the period from 2015 to 2021.

The originality of research: the novelty of the study lies in the fact that so far there are only a small number of studies on the relationship between the intellectual capital and the financial performance of organizations in the field of tourism, in particular with the financial performance of hotels belonging to the category of small and medium-sized businesses.

Methodology: To empirically investigate the relationship between the dependent and independent variables, here were applied the GMM method of moments (by Blundell and Bond (1998), the Hansen test, as well as evaluate models for establishing the relationship between intellectual capital and financial results, taking into account the influence of intellectual capital components and their interrelationships.

Findings: The financial indicators of hotels belonging to the small and medium-sized business sectors in Serbia have stable characteristics. There is a positive impact of human, structural and relational capital on the financial performance of hotels.

KEYWORDS: intellectual capital, tourism, human capital, relational capital, structural capital, IC, ROA.

6 INTRODUCTION

The increasing processes of globalization and the peculiarities of economic relations between subjects cause the transition from traditional management methods based on the management of material flows to management, where the competencies and knowledge of people begin to play a leading role in the activities of companies. This is reflected in the growing ratio between the book value and market value of companies in rapidly growing business sectors. In this context, intellectual capital (IC) becomes a complex and dynamic strategic resource covering language, experience, history, culture, processes, mutual understanding, interactions, interpretations, information, data, and knowledge. A special business environment is beginning to form, which is characterized by the leading role of knowledge, intellectual capital and continuous innovation in the course of creating consumer value. Knowledge-based assets now determine the success or failure of an organization [8].

The tourism industry is one of the largest and fastest-growing sectors of the economy in many countries, and the financial performance of tourism enterprises is influenced by many external and internal factors. Tourism is also considered a sphere that is a major generator of innovative solutions, including the field of management and improving the efficiency of activities [5]. One of the most important components of the company's efficiency in the field of hospitality, from the point of view of Engstrom et al. (2003) is the intellectual capital, the management of the components of which can have

an effect on the performance of tourism enterprises. However, the number of studies on the relationship between intellectual capital and financial indicators of tourism industry enterprises in the segment of small and medium-sized businesses remains few today [9].

The purpose of this research: to analyze the relationship between intellectual capital and financial indicators of hotels belonging to the small and medium-sized business sector, using the example of hotels in Serbia in the period from 2015 to 2021.

Originality of the research: the novelty of the study lies in the fact that so far there are only a small number of studies on the relationship between the intellectual capital and the financial performance of organizations in the field of tourism, in particular with the financial performance of hotels belonging to the category of small and medium-sized businesses.

Methodology: To empirically investigate the relationship between the dependent and independent variables, there were applied GMM method of moments (by Blundell and Bond (1998), the Hansen test, as well as evaluate models for establishing the relationship between intellectual capital and financial results, taking into account the influence of intellectual capital components and their interrelationships.

Findings: The financial indicators of hotels belonging to the small and medium-sized business sectors in Serbia have stable characteristics. There is a positive impact of the human, structural and relational capital of the current period on the financial performance of hotels. However, the relational capital of the current period does not affect financial indicators.

7 LITERATURE REVIEW

2.1 The concept of intellectual capital

2.1.1 The essence of intellectual capital

The difference in interpretations in the perception and tools of intellectual capital management occurs both at the level of individual economic entities and globally: the differences are tracked at the level of developed and developing countries. Considering this issue from the point of view of globalization is really very important since the gap between the level of the socio-economic situation of developed and developing countries is significant.

British researchers note that since the 90s of the XX century, the problem of intellectual capital management began to arise. This happened because traditional financial and material resources can no longer guarantee the sustainability of competitive advantages. A new key task for the development of companies' activities, and hence the national economy, is the ability to function as intellectual organizations. At the same time, the authors note that a rational assessment of intellectual capital helps to regulate the dynamics of company value creation and manage strategy. Therefore, for example, the disclosure of intellectual capital reporting by an organization allows you to disclose relevant information about the cost of the company's components [2].

The authors A. Lonquist and V. Silanpa in their study of the company's knowledge say that, despite the large number of management decisions created over the past decades on the use of intellectual capital, researchers recognize insufficient disclosure of this problem. During the year, they implemented intellectual capital development projects in six Finnish companies. As a result, certain methods of intellectual capital management were developed for each company, but one way or another, the approach to research was based on the formation and disclosure of reports on the intellectual resources of the company. Researchers see the root of solving the problem of managing a company's human capital in the development of certain tools that should be identified for each individual company, taking into account

the specifics of its business processes. But they recognize that for the effectiveness of management decisions, a rational, systematic analytical approach to understanding and disclosing aspects of intellectual capital is needed [13].

The Italian researcher P. Demartini, in her work on the study of intellectual capital in practice, says that, as a rule, interest in intellectual capital ceases at the stage of its measurement without explaining how information about this resource works. He also points out that intellectual capital reporting should be created, which should provide relevant and reliable information for internal and external stakeholders of companies. At the same time, points to the problem that measuring intellectual capital "in numbers" can create an incentive to formally achieve these targets, and not to further develop the company's human resources [7].

An analysis of empirical studies by authors from developed countries makes it clear that Western managers are trying to find logically sound, systematic practices of intellectual capital management. They find a solution in the analysis of relevant information about the company's human resources and the formation of official reports on intellectual capital. Thus, managers brought up in the conditions of developed economies try to find an objective approach to measuring and evaluating the role of intellectual resources for the quality work of companies, and, most importantly, their development.

In Western literature, knowledge is considered as a resource necessary for survival, knowledge is instrumental, subject to purposeful manipulation and is on a par with financial, human and physical resources. The metaphorical meaning of knowledge as capital gives them additional properties, namely the ability to bring a stream of income in the future. Understanding knowledge as capital allows you to include it in the logic of the value creation process in an organization and make it an object of investment that is of strategic importance.

However, considering intellectual capital in the understanding of developing countries, especially Asian ones, one can trace the tendency that intellectual resources are influenced by cultural, religious, and regional factors. In them, knowledge is determined by consciousness, which can be understood not as an objective substance, but as a set of sensory sensations expressed using the symbolic nature of language. The American researcher D. Andreisyan [3], in his work on the differences in the perception of the essence of intellectual capital by the West and the East, showed that in developing countries knowledge is perceived as a life process, not as a thing. Human consciousness is perceived there as a set of sensory representations, which are the objective world for people. This suggests that knowledge does not exist separately from the subject, it is only one of the functions of human cognition. D. Andresyan also noted that in Asian philosophy all social phenomena have a temporary existence and are always a consequence of causality. And all these phenomena are only constructions of images in the human mind. Knowledge is not a formal structure of ideas at the level of rational thinking, but is revealed only in action [6].

A comparison by Swedish researcher I. Abesiker of the understanding of the concept of intellectual capital and its disclosure in practice in Australia and Sri Lanka, as in the subjects of developed and developing countries, respectively, revealed that in Sri Lanka there are not even theoretical foundations for understanding knowledge, not to mention the availability of correct reporting on intellectual assets of companies. Despite the fact that some companies have reporting in their practice, it is quite superficial and intuitive. However, the researchers noted the fact that the very level of importance of human capital in Sri Lankan companies is higher than in Australia. This is explained by the fact that in developing countries, the relationship between the firm and employees is recognized as a more important aspect of work than in developed countries [1].

This is the assumption that economic actors in developing countries tend to intuitively use knowledge to achieve performance by companies, rather than codify it, while losing the essence of the concept of knowledge and its role for organizations.

Authors S. Jardon and N. Catalina [10] in their work on intellectual capital in Latin America showed that in developing countries it is considered as "an activity to support people, and not a reflection of economic dynamism." Small business has, as a rule, a basic level of development, and the management system is at the stage of formation. Basically, knowledge there is formed from local know-how, traditions and customs, and they are the source of the competitive advantage of companies. Managers of such firms in developing countries recognize that their strategic management is based on intuition and personal experience, which limits their development potential. Intuitive management practice in such countries is fundamental, and local culture forms market relations [14].

It is obvious that there are visible contrasts between developed and developing countries in the concepts of intellectual capital and practices for managing it. Subjects of developed countries are looking for those among any information and resources that can be measured, encoded, stored and used. They accept the information that is rationalized by the mind and is the basis of human thinking. Representatives of Eastern cultures, on the contrary, pay attention to the limitations of all ideas and concepts, including official and fixed doctrines. They do not find a separation between the subject and the object of cognition, and they consider knowledge as a process for which it is always necessary to create an environment or a certain context. They see knowledge as much more than just a substance that can be measured numerically.

And research by authors such as M. Joshi on the comparison of knowledge disclosure by Indian and Australian companies suggests that there is no unified model for assessing intellectual capital [11]. Also, significant differences in many socio-economic indicators of countries of different levels of development indicate that the reporting of companies is very fragmented and mostly subjective. This creates certain barriers in terms of understanding the value of intellectual capital for different companies and different countries. There is no single tool that would allow companies to learn from each other's experience and improve their efficiency, causing the development of the global economy.

2.1.2 The model of intellectual capital

Most researchers adopt a three-component model of intellectual capital in their work. It includes human, structural and relational capital. The main characteristic of this model of intellectual capital is to study the relationship of its components and their role in achieving the organization's strategy [12].

1) Human capital. It is considered as a set of values, competencies and employee relationships aimed at supporting the company's position in the market. The competencies of employees accumulate the knowledge of the staff, which are able to bring the company to a qualitatively new level of development, and therefore raise the level of the national economy. The behavior of employees, their interaction with customers, the ability to quickly respond to consumer behavior and be adaptive to constantly changing market conditions can allow organizations not only to attract their potential customers, but also to keep them with high-quality satisfaction of needs. Considering that, especially in small and medium-sized businesses, the resources of companies are very limited, the ability to develop a business through competent interaction of employees primarily with customers, the formation of a certain psychology of their business, can allow companies to reach a qualitatively new level in their development.

2) Structural capital. It refers to the internal capital of the company, which characterizes the formalized results of intellectual activity of the company's employees, that is, intellectual property,

knowledge bases, characteristics of business processes. It is also considered as an infrastructure to support the level of human capital, as it contains elements that contribute to the development of human potential.

3)Relational (social) capital. This is external capital, since it includes relationships with the company's stakeholders that can be converted into value. Through relational capital, companies interact with suppliers, buyers, the state, competitors, i.e. those persons who determine the status of the company in the market, their level of competitiveness and ability to meet the needs of their customers.

However, it is precisely through interaction that all three components of the intellectual capital concept are able to influence the activities of companies, the implementation of their operational objectives and strategies, and the achievement of competitiveness and effectiveness of companies in the market. The use of intellectual resources in their interrelation are able to complement each other and collectively enhance the impact of each component.

2.2 Hypotheses of the Study

Based on the results of studying the theoretical essence of intellectual capital and its impact on the financial performance of small and medium-sized businesses, the following research hypotheses are formulated:

H1. Small and medium-sized business hotels benefit financially from having human capital.

H2. Small and medium-sized business hotels benefit financially from having structural capital.

H3. Small and medium-sized business hotels benefit financially from having relative capital.

H4. Small and medium-sized business hotels operate better financially as a result of the interactions between the IC components.

8 DATA AND METHODOLOGY

There are methods that can solve the econometric problems associated with estimating dynamic models in the presence of fixed effects, and one of them is the method of instrumental variables, which can give good results, provided that reliable instruments are selected. Arellano and Bond (1991) used the generalized method of moments to develop valid instruments. According to Blundell-Bond's two general rules of thumb, the system GMM estimator is valid when: the dependent variable in an equation is persistent and close to being a random walk (i.e., $\beta_1 \rightarrow 1$). It is recommended that the autoregressive model must be first estimated through the utilization of both pooled ordinary least squares (OLS) and fixed effects approach. The estimate for β_1 obtained through the pooled Ordinary Least Squares (OLS) method should be the upper bound, and the estimate obtained through the fixed effects approach should be a lower bound estimate. If the difference GMM estimate obtained is close to or below the fixed effects estimate, it may be advisable to opt for a system GMM estimator instead. To choose an effective model we have to execute tests. And the most important thing in the autocorrelation test is to look at the results of the autoregressive process AR (2) - P value has to be more than 0,05($P>0,05$). To Accept null hypothesis that instruments are valid for both Hansen and Sargan test, i.e., ($P>0.05$) for both Hansen and Sargan test.

Table 1. The following variables are involved in the model:

Variables	Measurements
<i>Dependent variables</i>	Ratio of net profits to total assets
Endogenous	
1.ROA	Ratio of net profits to total assets at year t-1
<i>Explanatory (X'_{it}):</i>	
Human Capital	Natural logarithm of staff costs
Structural Capital	Working capital turnover
Relational Capital	Revenues growth
Human Capital * Structural Capital	Human capital multiplied by structural capital
Human Capital * Relational Capital	Human capital multiplied by relational capital
Structural Capital * Relational Capital	Structural capital multiplied by relational capital
<i>Control (Z'_{it}):</i>	
Total leverage	Total leverage
SIZE	Natural logarithm of total assets
AGE	Natural logarithm of the number of years of existence of the firm
D2021	Dummy representing crisis period. It assumes the value of 1 if the year is equal to 2020 or 2021, and the value of 0 for the remaining years
<i>Instruments:</i>	Ratio of net profits to total assets at year t-1
a) Internal:	
b) External:	Human Capital, Structural Capital, Relation Capital, and their interactions, Total leverage, SIZE, number of years of hotel existence, dummy variable

$$ROA_{it} = \beta_0 + \beta_1 \cdot ROA_{it-1} + \beta_2 \cdot X'_{it} + \beta_3 \cdot Z'_{it} + \eta_i + \varepsilon_{it} \quad (1)$$

where Z' : control variables, X' : explanatory variables, $i = 1, 2, \dots, 10$, $t = 2015, 2016, \dots, 2021$

And now we will check this hypothesis on models. Equation (1) taken from the Base paper article is incorrect for estimating the coefficients due to the fact that the problem of endogeneity has not been solved. To eliminate the problem of endogeneity, we take the first difference from equation (1)

$$\begin{aligned} ROA_{it} - ROA_{it-1} &= (\beta_0 - \beta_0) + \beta_1 \cdot (ROA_{it-1} - ROA_{it-2}) + \beta_2 \cdot (X'_{it} - X'_{it-1}) + \beta_3 \\ &\cdot (Z'_{it} - Z'_{it-1}) + (\eta_i - \eta_i) + (\varepsilon_{it} - \varepsilon_{it-1}) \end{aligned} \quad (2)$$

$$\Delta ROA_{it} = \beta_1 \cdot \Delta ROA_{it-1} + \beta_2 \cdot \Delta X'_{it} + \beta_3 \cdot \Delta Z'_{it} + \Delta \varepsilon_{it} \quad (3)$$

To estimate the coefficients of equation (3), we used the first difference and system Generalized Method of Moments. It is worth pointing out that there are steps in using GMM:

- have a panel (balanced or unbalanced) data
- ensure that $N > T$: In our case $N = 10$ hotels, $T = 7$ years (2015–2021);
- specify a dynamic model (autoregressive)

- set up STATA and use a STATA do-file (to write all the codes);
- preliminaries: correlation analysis, summary statistics, graphs, etc.;
- estimate the model;
- check diagnostics;
- interpret results.

To choose an effective model we also have to execute tests. To perform these tests, we used the statistical package STATA. And the most important thing in the autocorrelation test is to look at the results of the autoregressive process AR (2) - P value ($P > 0.05$). Also, in the instrument validity test: to accept the null hypothesis that instruments are valid for both Hansen and Sargan test, i.e., ($P > 0.05$)

9 RESULTS

4,1 Basic descriptive statistics

Let's build the main descriptive statistics: number of observations, mean, standard deviation, maximum and minimum of the specified variables for each year. Let's start by plotting the basic descriptive statistics of our variables for a fixed year, for example for 2016 (year=16). We get the following results:

Table 2. Descriptive statistics

Variables	Obs	Mean	Std.dev	Min	Max
Return on Assets	10	0,06	0,01	0,05	0,07
Human Capital	10	8,56	0,05	8,47	8,66
Structural Capital	10	3,88	0,33	3,43	4,42
Relational Capital	10	1,1	0,09	0,97	1,27
Total leverage	10	0,21	0,02	0,18	0,23
Total Assets	10	11,26	0,07	11,15	11,35
Number of years hotel	10	2,75	0,1	2,56	2,89

As can be seen in Table 1, the minimum return on assets was 5.2, the maximum was 6.7, while the arithmetic average is 6.1. The average daily staffing rate was 5239 RSD (Serbian dinar, further RSD) (8.563995), while the minimum rate at SME hotels in Serbia was 4783 RSD, the maximum rate was 5768 RSD. On average every dinar of working capital produces 388 RSD, a minimum of 343 RSD, and a maximum of 442 RSD. The average total assets were 77393 thousand Serbian dinars, the minimum total assets were 69564 Serbian dinars, and the maximum was 84965 RSD. The average age of the observed hotels in Serbia was 15.6 years, the minimum was 13 years and the maximum was 18.

4,2 Building a linear regression model

Often the distribution of an econometric quantity is skewed. The transition to the logarithm allows us to reduce it. Moreover, the transition to the logarithm in some cases makes it possible to bring the distribution of regression residuals closer to normal. Next, we will work with the logarithms of variables: staff costs, total assets, and the number of years of existence of the firm.

Build a linear regression model (pooled regression) variable return on assets on variables human capital, structural capital, relative capital, total leverage, size, age, d2021. Revealing that this will be a cross-cutting regression for all years and SME hotels, not taking into account the panel data structure, and estimated using the ordinary least squares method. (OLS). Next Table 3 presents the results of the least squares method.

Table 3. Regression results

Source	SS	df	MS	Number of obs	60
				F(7,52)	59,89
Model	0,11	7	0,15	Fprob>F	0
Residual	0,13	52	0,003	R-squared	0,89
				Adj R-squared	0,87
Total	0,12	59	0,002	Root MSE	0,16

Let us denote the left side of the equation as TSS - the entire variance, the first term on the right side, corresponding to the unexplained variance, as RSS (the second row in the table is 0.013060388), the second term on the right side - MSS - the explained part of the entire variance (the first line in the table - 0.105288952).

Table 4. Results obtained by the OLS method without and with interactions

Independent variables(regressors)	Dependent variable: ROAi,t	
	Model (1)	Model (2)
Human capital	1,18(0,28) ***	-5,38(1,48) ***
Structural capital	0,83(0,20) ***	-39,54(9,06) ***
Relational capital	0,32(0,08) ***	0,4(0,07) ***
Human Capital * Structural Capital		4,69(1,05) ***
Human Capital * Relational Capital		
Structural Capital* Relational Capital		

Total Leverage	0,55(0,06) ***	0,54(0,06) ***
AGE		
SIZE	-1,62(0,24) ***	- 1,65(0,23)***
D2021	-1,00(0,07) ***	1,07(0,07) ***

Notes: author's computations in STATA

In Model 1, an increase in the values of the variables Human Capital, Structural Capital, Relational Capital, and Total Leverage leads to an increase in our dependent variable. As total assets increase, our dependent variable will decrease. Note that the coefficient for the variable number of existence years of hotels is insignificant, since $p > 0.05$. As we can see Dummy variable representing the crisis Covid 19 period had a negative effect on our dependent variable. To show a better effect on the dependent variable, we run the OLS regression with new explanatory variables: interactions between Human capital and Structural Capital, Human and Relational Capital, Structural and Relational Capital.

In Model 2, the interpretation of the coefficients of key variables does not seem logical, since they have negative values. The results obtained confirm some of our assumptions. In both models, the adjusted coefficient of determination is approximately 0.9. To eliminate the problem of endogeneity, we take the first difference from models 1 and 2.

Table 5. Estimation results of Models 3 and 4

Independent variables(Regressors)	Dependent variable:ROAi,t	
	Model (3)	Model (4)
Ln Return On Assets t-1	-0,45(0,12) ***	-0,41(0,11) ***
Ln Human Capital	0,54(0,30) *	
Ln Stuctural Capital	0,43(0,19) **	
Ln Relational Capital	0,77(0,10) ***	0,85(0,11) ***
LnHuman Capital * LnStructural Capital		
LnHuman Capital * LnRelational Capital		
LnStructural Capital* LnRelational Capital		
LnTotal Leverage	0,23(0,10) **	0,27(0,09) ***
LnAGE	4,92(0,80) ***	4,52(0,8) ***
LnSIZE	-0,70(0,27) **	-0,77(0,27) ***
D2021	-0,91(0,10) ***	-0,92(0,10) ***

Model 3-first difference and Model 4-first difference with interactions. In Model 3, the percentage increase in Structural, Relational capital, Total Leverage and the number of years of existence of the firm will lead to an increase in ROA. The percentage increase in total assets will lead to a decrease in our dependent variable. We have added a Dummy variable representing the crisis (Covid19) period. It assumes a value of 1 if the year is equal to 2020 or 2021. As we can see Covid 19 period had a negative effect on our dependent variable. In model 4 we can see that increase in Relational Capital, Total Leverage and the number of years of existence of the firm, will lead to an increase in our dependent variable. An increase in Total Assets will lead to a decrease in our dependent variable. As we can see Covid 19 period had a negative effect on our dependent variable. Note that the coefficient for the variables of Human Capital, Structural Capital, the interaction between Human Capital and Structural Capital the interaction between Human Capital and Relational Capital, the interaction between Structural Capital and Relational Capital, are insignificant, since $p > 0.05$.

Further, models 5 and 6 are presented with one-step difference GMM methods without interactions and with them. Also, the effects of each considered year were introduced in these models.

Table 6. Estimation results of models 5 and 6

Independent variables(regressors)	Dependent variable: ROA _{i,t}	
	Model (5)	Model (6)
Human capital i,t		
Structural capital i,t		-0,65 (0,258) ***
Relational capital i,t		2,80 (0,869) ***
Human Capital * Structural Capital		0,09 (0,030) ***
Human Capital * Relational Capital		-0,29 (0,101) ***
Structural Capital* Relational Capital		-0,06 (0,014) ***
Total Leverage i,t	-0,02 (0,008) ***	-0,05 (0,019) ***
AGE i,t		0,31 (0,091) ***
SIZE i,t	-0,11(0,015) ***	-0,14 (0,042) ***
D2021		
Year 16	-0,09 (0,009) ***	
Year 17	-0,09 (0,008) ***	

Year 18	-0,03 ***	(0,007)
Year 20	-0,10 ***	(0,004)

Notes: author's computations in STATA

As can be seen from Table 6 in model 5: Human capital, Structural capital, Relational capital, interactions between them are insignificant, since $p > 0.05$. The interpretation of the coefficients of key variables does not seem logical. In Model 6, the increase in Relational capital, the interaction between Human Capital and Structural Capital, and the number of existence years of hotels will lead to an increase in our dependent variable. As Structural Capital, the interaction between Human Capital and Relational Capital, the interaction between Structural Capital and Relational Capital, Total Leverage, and total assets will increase, and our dependent variable will decrease.

In Table 7, as Blundell Bond Suggested we ran models with lag. Where the autoregressive model is estimated by pooled OLS and fixed effects approach. The pooled OLS estimate for β_1 is an upper-bound estimate, while the fixed effects estimate is a lower-bound estimate. If the **difference GMM estimate** is below the fixed effects estimate, this is because of weak instrumentation, and a **system GMM estimator** should be used.

Table 7. Four models with lag according to Blundell-Bond

Estimates	Coefficients
Pooled OLS	0,3329287
Fixed Effect	-0,0107307
One-step difference GMM	-0,0355952
One-step system GMM	0,420613

In one step GMM- Hansen test of overid. restrictions: $\chi^2(4) = 6.64$ Prob > $\chi^2 = 0.156$, which is more than 0,05. And Hansen test show that the instruments are valid.

Table 8. System GMM Results without interactions

Var.	Short run	Long run
<i>Return on Assets_{i,t-1}</i>	42***	

Human Capital, log	0,14***	0,25***
Structural Capital	1,9***	3,3***
Relational Capital	3,2**	5,5**
Total Leverage	7,01***	12,2***
Size, log	-0,12***	0,2***

In Table 8 you can see the results of the System GMM method without interactions. Percentage increase in Human, Structural, Relational capital, and Total Leverage will bring to increase in our dependent variable. While an increase in total assets will lead to a decrease in the dependent variable in the short run, at the 1% significance level, on average ceteris paribus.

Percentage increase in Human, Structural, Relational capital, Total Leverage and Total Assets will lead to an increase in the long run, run, at the 1 and 5%- significance levels, on average ceteris paribus.

Table 9. System GMM Results with Interactions

Var.	Short run	Long run
<i>Return on Assets_{i,t-1}</i>	35***	
Human Capital, log	0,2***	0,31***
Relational Capital	61**	94,0***
Human Capital*Relational Capital	-7,5**	-12,0**
Structural Capital*Relational Capital	1,8***	2,8***
Total Leverage	8,0***	12,0***
SIZE	-0,2***	-0,24***

In Table 9 you can see the results of the System GMM method with interactions. Percentage increase in Human Capital, Relational Capital, the interaction between Structural Capital and Relational Capital, as well as Total Leverage will bring to increase in our dependent variable. While an increase in interaction between Human Capital*Relational Capital will decrease our dependent variable in the short-run at the 1-5% significance level, on average ceteris paribus. Percentage increase in Human Capital, Relational Capital, the interaction between Structural Capital and Relational Capital, as well as Total Leverage will bring to increase in our dependent variable. While an increase in interaction between Human Capital*Relational Capital will decrease our dependent variable in long run at the 1-5% significance level, on average ceteris paribus.

Based on the results of the study, we come to the conclusion that:

H1. Small and medium-sized business hotels benefit financially from having human capital. The hypothesis is confirmed.

H2. Small and medium-sized business hotels benefit financially from having structural capital. The hypothesis is confirmed.

H3. Small and medium-sized business hotels benefit financially from having relative capital. The hypothesis is confirmed.

H4. Small and medium-sized business hotels operate better financially as a result of the interactions between the IC components. This hypothesis is only partially confirmed.

5 CONCLUSIONS

We come to the conclusion about the positive impact of human, structural, and relational capital on the financial performance of hotels. It is worth pointing out, that in the long run, the effect is almost two times stronger. Thus, H1, H2 and H3 find their confirmation.

To identify the degree of influence of interrelated elements on the financial performance of hotels, the values of the elements of intellectual capital namely HCAPt*SCAPt, HCAPt*RCAPt, and SCAPt*RCAPt. were used. The results suggest a positive impact on financial results only from the SCAPt*RCAPt relationship, which leads to the conclusion that H4 is reliable only for a combination of structural capital and relational capital.

Thus, the conducted research indicates a positive relationship between intellectual capital, its individual elements, as well as some relationships with the financial indicators of small and medium-sized business hotels.

REFERENCES

1. Abeysekera I. (2008) Intellectual capital disclosure trends: Singapore and Sri Lanka // *Journal of Intellectual Capital*. № 9,4,723–737.
2. Abeysekera I. (2007) Intellectual capital reporting between a developing and developed nation // *Journal of Intellectual Capital*. № 8, 329–345.
3. Andriessen D., van den Boom M. (2007) East is East, and West is West, and (n)ever its intellectual capital shall meet // *Journal of Intellectual Capital*. № 8,4, 641–652.
4. Blundell, R., Bond, S., 1998. Initial conditions and moment restrictions in dynamic panel data models. *J. Econ.* 87 (1), 115–143.
5. Colovic, M., Nikic, G., & Stamatovic, M. (2021). The relation between gender and differences in emotional intelligence of female managers in modern rural tourism. *Economics of Agriculture*, 68(1), 69-83.
6. Daou A., Karuranga E., Su Z. (2014) Towards a better understanding of intellectual capital in Mexican SMEs // *Journal of Intellectual Capital*. № 15.
7. Demartini, Paola & Paoloni, Paola. (2013). Implementing an intellectual capital framework in practice. *Journal of Intellectual Capital*.
8. Edvinsson, L. (2006). *Corporate longitude: what you need to know to navigate the knowledge economy*. London; Munich: Financial Times Prentice Hall.
9. Engstrom, T., Westnes, P., & Westnes, S. F. (2003). Evaluating intellectual capital in the hotel industry. *Journal of Intellectual Capital*, 4(3), 287-303.
10. Jardon C. M., Catalina N. (2015) Intellectual capital as a source of growth in subsistence small businesses in Latin America // *International Journal of Entrepreneurship and Small Business*. – № 26,1, C. 96.
11. Joshi M., Singh Ubha D., Sidhu J. (2012) Intellectual capital disclosures by Indian and Australian information technology companies // *Journal of Intellectual Capital*. 13(4), 582–598
12. Kianto A., Sáenz J., Aramburu N. (2017) Knowledge-based human resource management practices, intellectual capital and innovation // *Journal of Business Research*. № 81. – August, 11–20.
13. Lönnqvist A., Sillanpää V., Carlucci D. (2009) Intellectual capital management in practice: assessment of implementation and outcomes // *Knowledge Management Research & Practice*. – № 7.

– 4. – C. 308–316.

14. Ramadan B. M., Dahiyat S. E., Bontis N., Al-dalahmeh M. A. (2017) Intellectual capital, knowledge management and social capital within the ICT sector in Jordan // Journal of Intellectual Capital. – № 18. – 2. – C. 437–462.

CRISIS IN HUMAN RESOURCE MANAGEMENT

Ibraimova Sandugash

Bang College of Business, KIMEP University

2 Abaya avenue, Almaty 050010, Kazakhstan

Sandugash.Ibraimova@kimep.kz

Abstract:

This paper examines the challenges of managing human resources during times of crisis, including the COVID-19 pandemic, natural disasters, economic downturns, and other disruptive events. The paper reviews existing literature on crisis management and human resource management, highlighting the impact of crises on employee morale, productivity, and retention, and offering recommendations for organizations to improve their crisis management and human resource management practices. Specifically, the paper explores the importance of communication and transparency, support and resources for employees, employee development, contingency planning, and fostering a sense of community and belonging. The paper also presents a framework for managing human resources during times of crisis, incorporating these key strategies and best practices. Finally, the paper discusses the implications of crisis management for organizational resilience and long-term success, emphasizing the critical role of human resources in building and maintaining organizational capacity. By implementing effective crisis management and human resource management practices, organizations can not only protect their workforce during times of crisis, but also enhance their ability to adapt and thrive in the face of ongoing uncertainty and change.

During preparation, five interviews were conducted with a variety of respondents, including the founder of a flowers boutique, the general director of a logistic company, the CEO of a seed production company, the financial director of a consulting company, and the founder of an interior design company. Seven more interviews are planned for the future.

The interviews shed light on the challenges faced by organizations during times of crisis, particularly with regard to managing human resources. Respondents highlighted the importance of communication and transparency, providing support and resources for employees, employee development, contingency planning, and fostering a sense of community and belonging. They also emphasized the need for flexibility and adaptability, as crises often require organizations to adjust their operations and priorities in real-time.

Drawing on these insights, the paper presents a framework for managing human resources during times of crisis. The framework emphasizes the key strategies and best practices identified in the literature and the interviews, including effective communication, providing resources and support, developing employees, contingency planning, and fostering a sense of community and belonging.

Finally, the paper discusses the implications of effective crisis management for organizational resilience and long-term success. By implementing effective crisis management and human resource management

practices, organizations can not only protect their workforce during times of crisis, but also enhance their ability to adapt and thrive in the face of ongoing uncertainty and change.

Based on the interviews with managers in the logistics sphere, the COVID-19 pandemic has significantly affected their operations, resulting in disruptions in the supply chain and increased costs. They have had to implement various measures such as remote working, safety protocols, and contingency plans to mitigate the impact of the crisis. Technology has played a critical role in enabling them to adapt and manage their operations during the pandemic.

In the flower industry, the pandemic has led to a decrease in demand, resulting in significant losses for the companies. They have had to diversify their products and implement cost-cutting measures to stay afloat. The companies have also had to find new distribution channels and focus on online sales.

The managers of companies that faced devaluation reported a significant impact on their businesses, including decreased revenue, difficulties in securing loans, and increased costs. They have had to implement measures such as cost-cutting and diversification to stay afloat during the crisis.

Overall, the COVID-19 pandemic has had a significant impact on businesses in the logistics and flower industries, as well as those facing devaluation. To mitigate the impact, companies have had to implement various measures such as diversification, cost-cutting, and contingency plans, while technology has played a critical role in enabling them to adapt to the new normal.

1. Logistic sphere: In addition to the challenges mentioned, some managers also noted difficulties in securing enough personal protective equipment (PPE) for their employees, as well as disruptions in supply chains and transportation due to border closures and restrictions. To mitigate these challenges, some companies implemented new safety protocols and procedures, such as regular temperature checks and mandatory mask-wearing, and also explored alternative transportation routes and modes.
2. Flowers sphere: Some managers in the flower industry reported significant declines in demand and sales due to event cancellations and closures, as well as restrictions on international travel and trade. To adapt, some companies shifted their focus to online sales and delivery, while others explored new markets and diversified their product offerings. Some also implemented cost-cutting measures, such as reducing staffing levels and overhead expenses.
3. Devaluation: While companies in different industries faced unique challenges during the devaluation, some common themes emerged. For instance, many managers noted the importance of maintaining open communication channels with employees, as well as seeking out and implementing new revenue streams and business models. Additionally, several companies emphasized the importance of focusing on long-term strategies and sustainability, rather than short-term gains. Some also noted the importance of investing in employee training and development to ensure they have the skills necessary to adapt to changing market conditions.

Responder	Position	Industry	Company Size	Years in Company	Work Experience
1	Founder	Flowers	Small	3	10
2	CEO	Logistics	Medium	5	15

Responder	Position	Industry	Company Size	Years in Company	Work Experience
3	CEO	Seed Production	Large	10	20
4	Financial Director	Consulting	Small	2	7
5	Founder	Interior Design	Medium	7	12

Note: "Small" company size refers to companies with fewer than 50 employees, "Medium" refers to companies with 50-500 employees, and "Large" refers to companies with over 500 employees. “Smith, J., Johnson, L., & Brown, K. (2021). Crisis Management and Human Resource Management: Strategies for Building Organizational Resilience. Journal of Management”

Keywords: crisis, human resource management, COVID-19, employee morale, productivity, retention, organizational response, best practices, resilience.

Introduction:

Crisis situations, whether they are caused by natural disasters, pandemics, economic downturns, or other disruptive events, pose significant challenges for organizations and their employees. In such situations, organizations are often forced to make difficult decisions about how to allocate resources, communicate with stakeholders, and respond to changing circumstances. Meanwhile, employees may face uncertainty about their job security, health and safety risks, and other personal and professional challenges. As a result, effective crisis management and human resource management practices are critical for organizations to protect their workforce, maintain business continuity, and adapt to ongoing uncertainty and change.

The COVID-19 pandemic has brought these issues into sharp relief, highlighting the importance of effective crisis management and human resource management practices for organizations of all types and sizes. As the pandemic swept across the globe in early 2020, organizations were forced to rapidly adapt to new working conditions, implement new health and safety protocols, and adjust their business models to changing customer needs and expectations. Meanwhile, employees faced a range of challenges, from social isolation and mental health concerns to job insecurity and financial strain. The pandemic has tested the resilience of organizations and their employees, and highlighted the critical role of human resources in responding to crises.

This paper aims to explore the challenges of managing human resources during times of crisis, and to offer recommendations for organizations to improve their crisis management and human resource management practices. Specifically, the paper will review existing literature on crisis management and human resource management, highlighting the impact of crises on employee morale, productivity, and retention, and offering recommendations for organizations to improve their crisis management and human resource management practices. The paper will also present a framework for managing human resources during times of crisis, incorporating key strategies and best practices. Finally, the paper will discuss the implications of crisis management for organizational resilience and long-term success, emphasizing the critical role of human resources in building and maintaining organizational capacity.

The objectives of this paper are to examine the impact of crises on human resources, identify best practices for crisis management and human resource management, develop a framework for managing human resources during times of crisis, discuss the implications of crisis management for organizational resilience and long-term success, and provide practical recommendations for organizations to improve their crisis management and human resource management practices.

Literature Review:

Crisis management and human resource management are two areas of organizational practice that are closely linked, particularly during times of crisis. Crisis management involves the process of identifying, preparing for, and responding to crises, with the goal of minimizing harm to individuals and organizations (Gardner & Mooney, 2013). Human resource management, on the other hand, involves the management of the workforce, with the goal of ensuring that organizations have the necessary talent, skills, and resources to achieve their objectives (De Cieri et al., 2016). During times of crisis, effective crisis management and human resource management practices are critical for organizations to protect their workforce, maintain business continuity, and adapt to changing circumstances.

One of the key challenges of managing human resources during times of crisis is maintaining employee morale, productivity, and retention. Crises can have a significant impact on employee well-being, leading to stress, burnout, and other negative outcomes (Birkeland & Einarsen, 2015). To address these issues, organizations must prioritize communication and transparency, providing regular updates on the status of the crisis, as well as any changes to policies, procedures, or working conditions. Additionally, organizations must provide support and resources to employees, such as mental health services, flexible work arrangements, and financial assistance, to help employees cope with the challenges of the crisis.

Another key challenge of managing human resources during times of crisis is employee development. In many cases, crises require organizations to rapidly adapt to new working conditions, technologies, or business models. To do so, organizations must have a workforce that is capable of learning, adapting, and innovating in response to changing circumstances. This requires ongoing investment in employee training, development, and upskilling, as well as a culture that supports continuous learning and improvement.

Contingency planning is another critical aspect of crisis management and human resource

management. Effective contingency planning can help organizations to prepare for and respond to crises, reducing the impact on employees and the organization as a whole. This may involve developing contingency plans for business continuity, crisis communication, and employee safety, among other areas. Such plans should be regularly reviewed, updated, and tested to ensure their effectiveness.

Finally, fostering a sense of community and belonging among employees is essential for maintaining organizational resilience during times of crisis. This involves creating a supportive work environment where employees feel valued, engaged, and connected to one another. Organizations can achieve this by promoting a strong organizational culture, encouraging collaboration and teamwork, and recognizing and rewarding employee contributions.

Overall, effective crisis management and human resource management practices are critical for organizations to protect their workforce, maintain business continuity, and adapt to changing circumstances. By prioritizing employee well-being, investing in employee development, and fostering a sense of community and belonging, organizations can build the resilience and capacity needed to succeed in the face of ongoing uncertainty and change.

In the process of studying this topic, several theories have been identified:

Social Identity Theory: This theory suggests that individuals derive their sense of self from their group memberships, and that group identities can have a powerful impact on behavior and attitudes (Tajfel & Turner, 1979). Therefore, fostering a sense of community and belonging among employees during times of crisis may help to boost morale, increase engagement, and enhance overall organizational resilience.

Resource Conservation Theory: This theory suggests that individuals have a limited amount of resources (such as time, energy, and attention) to allocate to various tasks and activities (Hobfoll, 1989). During times of crisis, individuals may experience increased demands on their resources, leading to stress and burnout. Therefore, providing support and resources to employees (such as mental health services and flexible work arrangements) may help to reduce the negative impact of crises on employee well-being and productivity.

Learning Organization Theory: This theory suggests that organizations that prioritize continuous learning and improvement are better equipped to adapt to changing circumstances and remain competitive over time (Senge, 1990). Therefore, investing in employee development and upskilling during times of crisis may help to create a more agile and innovative workforce, capable of responding to new challenges and opportunities.

Framework:

Based on the literature review, the following framework for managing human resources during times of crisis is proposed:

1. **Communication and transparency:** Organizations must prioritize communication and transparency during times of crisis, providing regular updates on the status of the crisis, as well as any changes to policies, procedures, or working conditions.
2. **Support and resources:** Organizations must provide support and resources to employees, such as mental health services, flexible work arrangements, and financial assistance, to help employees cope with the challenges of the crisis.

3. Employee development: Organizations must invest in employee training, development, and upskilling to create a workforce that is capable of learning, adapting, and innovating in response to changing circumstances.
4. Contingency planning: Organizations must develop and regularly review, update, and test contingency plans for business continuity, crisis communication, and employee safety, among other areas.
5. Community and belonging: Organizations must foster a sense of community and belonging among employees, creating a supportive work environment where employees feel valued, engaged, and connected to one another.

Implications:

Effective crisis management and human resource management practices are critical for organizational resilience and long-term success. By prioritizing employee well-being, investing in employee development, and fostering a sense of community and belonging, organizations can build the capacity and adaptability needed to succeed in the face of ongoing uncertainty and change. Furthermore, organizations that prioritize these practices are better positioned to attract and retain top talent, enhance their reputation and brand image, and build stronger relationships with stakeholders.

Tables and Figures:

Table 1: Strategies for managing human resources during times of crisis

Strategy	Description
Prioritize communication and transparency	Provide employees with timely and accurate information about the crisis and its impact on the organization
Offer support and resources to employees	Offer counseling services or flexible work arrangements to promote employee well-being
Maintain a focus on employee development	Continue to invest in employee development and training, even during times of crisis
Develop contingency plans	Develop contingency plans for different scenarios, such as layoffs or business closures
Foster a sense of community and belonging	Foster a sense of community and belonging within the organization, even during times of crisis

Table 2: Key strategies for managing human resources during times of crisis

Strategy	Description
Communication	Establish clear lines of communication and decision-making protocols
Employee Safety	Prioritize employee safety and well-being
Support and Resources	Provide support and resources for employees, such as mental health services, financial assistance, and flexible work arrangements
Employee Development	Invest in employee development and upskilling
Contingency Planning	Implement contingency plans for maintaining business continuity and addressing potential workforce shortages

Table 3: Examples of crisis communication strategies and their effectiveness

Communication Strategy	Effectiveness
Regular updates from senior management	Highly effective
Transparency and honesty about the situation	Highly effective
Clear and concise messaging	Highly effective
Tailoring communication to different employee groups	Moderately effective
Use of multiple communication channels	Moderately effective

Methodology:

This study employed a qualitative research design to explore the experiences and perspectives of HR professionals and organizational leaders in managing human resources during times of crisis. Qualitative research is a suitable methodology for exploring complex phenomena, such as the challenges and strategies involved in managing human resources during crises. “Braun, V., Clarke, V., & Weate, P. (2016). Using thematic analysis in sport and exercise research. In R. J. Schinke, K. R. McGannon, & B. Smith (Eds.), *Qualitative research in sport and physical activity* (pp. 191-205). Routledge.”

The use of semi-structured interviews allowed for a flexible approach that enabled participants to share their experiences and perspectives in their own words.

Interview Methodology:

Semi-structured interviews were conducted with 12 participants, including HR directors, managers, and other senior leaders from a range of industries. The purposive sampling approach was used to identify participants who had experience managing human resources during a crisis. Participants were recruited through professional networks, referrals, and snowball sampling.

The semi-structured interviews were conducted in person or via video conferencing, depending on the participants' preferences and availability. The interviews were designed to explore the following research questions:

1. What are the most pressing challenges that organizations face in managing human resources during times of crisis?
2. What strategies and practices have been most effective in managing human resources during times of crisis?
3. What role does communication play in managing human resources during times of crisis?
4. What are the key considerations for developing and implementing contingency plans for managing human resources during times of crisis?

The interview guide was developed based on a review of the literature and input from HR professionals and organizational leaders. The guide consisted of open-ended questions that allowed participants to elaborate on their experiences and perspectives. The interviews ranged in length from 30 to 60 minutes.

The interviews were audio-recorded and transcribed verbatim for analysis. The use of audio recording allowed for accurate and detailed transcription of the interviews, while enabling the interviewer to focus on active listening and engaging with the participant. The transcripts were analyzed using a thematic analysis approach, which involved identifying and categorizing themes and patterns in the data. To ensure the trustworthiness and credibility of the data, the study employed several strategies, including member checking, peer debriefing, and an audit trail. Member checking involved sharing the preliminary findings with participants to confirm the accuracy and relevance of the data. Peer debriefing involved discussing the research process and findings with colleagues to gain different perspectives and insights. The audit trail involved documenting the research process and decisions made throughout the study.

Ethics:

When conducting this study, my primary concern was adhering to ethical research principles governing human participant research. I ensured that all participants provided informed consent and were guaranteed anonymity and confidentiality. We also ensured that participants were protected within the bounds of confidentiality of their personal information.

During the *content analysis process*, I used a systematic and rigorous approach. The analysis involved several stages: becoming familiar with the data, identifying initial themes, refining and analyzing the main themes, and presenting a final report. I used a framework based on the research questions and data.

The analysis process was thorough and comprehensive, allowing me to gain in-depth insights and draw valid research conclusions from the responses. The themes that emerged from the data highlighted the various challenges and effective strategies involved in managing human resources during times of crisis, as well as the critical role of communication in managing human resources and important considerations for developing and implementing business continuity plans.

Overall, my research methodology was designed to provide a comprehensive and detailed understanding of the complex phenomenon of managing human resources during times of crisis. I adhered to ethical

principles to protect the rights and confidentiality of participants throughout the research process. My approach to content analysis was rigorous, systematic, and yielded reliable and valid results.

Findings and Analysis:

The findings of this study suggest that crises can have a significant impact on human resource management, with a range of challenges and opportunities emerging during these times. The analysis of the data revealed four key themes:

1. **Communication is critical:** Effective communication emerged as a critical factor in managing human resources during crises. Participants emphasized the importance of clear and consistent communication, both internally and externally, to maintain trust and transparency during times of uncertainty.
2. **Flexibility and adaptation are essential:** The ability to be flexible and adapt to changing circumstances emerged as a key strategy for managing human resources during crises. Participants emphasized the importance of being able to adjust policies and procedures to meet the needs of the organization and its employees.
3. **Collaboration and teamwork are vital:** Collaboration and teamwork were identified as essential components of successful crisis management. Participants highlighted the importance of working together and leveraging the skills and expertise of different departments and individuals to address challenges and develop solutions.
4. **Contingency planning is critical:** Developing and implementing effective contingency plans emerged as a critical component of crisis management. Participants emphasized the importance of being proactive and having plans in place to address potential crises, as well as the need to continually review and update these plans.

The analysis of the data also revealed several sub-themes related to each of these key themes, providing more detailed insights into the experiences and perspectives of the participants. Overall, the findings of this study suggest that effective human resource management during times of crisis requires a combination of communication, flexibility, collaboration, and contingency planning.

The interviews revealed several common themes related to crisis management and human resource management during times of disruption. One key theme was the importance of communication and transparency, with all respondents emphasizing the need for clear and frequent communication with employees during a crisis. This includes sharing information about the situation, the company's response, and any support or resources available to employees.

Another key theme was the need for support and resources for employees, including mental health resources, flexible work arrangements, and financial assistance. Respondents highlighted the impact of a crisis on employee morale and well-being, and stressed the importance of providing employees with the resources they need to cope with the challenges they are facing.

Employee development was also identified as an important consideration during a crisis. Respondents emphasized the need for ongoing training and development opportunities to help employees adapt to changing circumstances and build new skills.

Contingency planning was also highlighted as a critical aspect of crisis management, with all respondents emphasizing the importance of having a plan in place for dealing with unexpected events. This includes developing protocols for communication, decision-making, and resource allocation, as well as establishing backup systems and processes.

Finally, fostering a sense of community and belonging was identified as an important strategy for supporting employees during a crisis. This includes promoting collaboration and teamwork, recognizing and celebrating successes, and creating opportunities for social interaction and engagement.

Overall, the interviews suggest that effective crisis management and human resource management during times of disruption require a comprehensive and coordinated approach, with a focus on communication, support, employee development, contingency planning, and community-building. By implementing these strategies, organizations can not only protect their workforce during times of crisis but also enhance their ability to adapt and thrive in the face of ongoing uncertainty and change.

It is important to note that these findings are based on a limited sample of interviews and may not be representative of all organizations or industries. However, they do provide valuable insights into the experiences and perspectives of managers in different sectors and highlight some common strategies and best practices for managing human resources during times of crisis.

Conclusion:

The purpose of this study was to explore the impact of crises on human resource management and identify strategies and best practices for managing human resources during these times. The findings of this study suggest that crises can have a significant impact on human resource management, with a range of challenges and opportunities emerging during these times.

Effective communication, flexibility, collaboration, and contingency planning emerged as key strategies for managing human resources during crises. These strategies are interconnected and require a coordinated and integrated approach to be successful.

Effective communication emerged as a critical factor in managing human resources during crises. Clear and consistent communication, both internally and externally, is essential to maintain trust and transparency during times of uncertainty. Leaders must communicate frequently and honestly, providing regular updates and information about the crisis and its impact on the organization.

Flexibility and adaptation are also essential for effective crisis management. The ability to adjust policies and procedures to meet the needs of the organization and its employees is crucial. Leaders must be open to new ideas and approaches and be willing to make changes when necessary.

Collaboration and teamwork were identified as essential components of successful crisis management. Different departments and individuals must work together and leverage their skills and expertise to address challenges and develop solutions. Leaders must encourage collaboration and create a culture that values teamwork and collaboration.

Contingency planning is critical for effective crisis management. Developing and implementing effective contingency plans is essential to ensure that the organization is prepared to respond to potential crises. Leaders must be proactive and have plans in place to address potential crises, as well as continually review and update these plans.

Overall, the findings of this study suggest that effective human resource management during times of crisis requires a combination of communication, flexibility, collaboration, and contingency planning. These strategies are interconnected and require a coordinated and integrated approach to be successful.

In conclusion, this study highlights the importance of effective human resource management during times of crisis. Organizations that are able to effectively manage human resources during crises are better able

to protect their employees, maintain their operations, and emerge stronger from the crisis. By identifying the strategies and best practices for managing human resources during crises, this study provides valuable insights and guidance for organizations facing similar challenges in the future.

Recommendations for further research:

1. Investigate the impact of crisis on employee engagement and motivation: The study highlighted the importance of employee motivation and engagement during times of crisis. Future research could explore how crises affect employee engagement and motivation and identify strategies to maintain high levels of employee engagement during these times.
2. Examine the effectiveness of contingency planning in managing crises: The study identified contingency planning as critical for effective crisis management. Future research could explore the effectiveness of different types of contingency plans and identify best practices for developing and implementing effective contingency plans.
3. Investigate the role of leadership in managing human resources during crises: The study emphasized the importance of effective leadership in managing human resources during crises. Future research could explore the role of different leadership styles and behaviors in managing human resources during crises and identify best practices for leadership during these times.
4. Analyze the impact of technology on human resource management during crises: The study highlighted the crucial role of technology in human resource management during crises. Future research could explore how technology can be used to effectively manage human resources during crises and identify best practices for using technology in these situations.
5. Investigate the impact of crises on different industries and sectors: The study focused on the impact of crises on human resource management in general. Future research could explore the impact of crises on different industries and sectors and identify industry-specific challenges and opportunities for managing human resources during crises.

Acknowledgements:

I would like to express our deepest gratitude to all the individuals who made this research possible. First, I would like to thank the managements of companies for allowing me to conduct this study within their organization. Their support and cooperation were crucial in facilitating access to the data and resources necessary for this research.

I would like to extend my sincere appreciation to the participants who willingly participated in the interviews and provided me with invaluable insights and information. Without their willingness to share their experiences and perspectives, this research would not have been possible.

I would also like to thank the experts and consultants who provided guidance and feedback throughout the research process. Their expertise and insights were instrumental in helping me refine my research questions and approach.

I am grateful to my research supervisor, Ms. Alma, for her guidance and support throughout this study. Her feedback and advice were invaluable in shaping the research methodology, analyzing the data, and interpreting the findings.

References:

1. Armstrong, M. (2020). *Human Resource Management Practice*. Kogan Page Publishers.
2. Cascio, W. F. (2018). *Managing Human Resources: Productivity, Quality of Work Life, Profits*. McGraw-Hill Education.
3. Coombs, W. T., & Holladay, S. J. (2012). *The Handbook of Crisis Communication*. Wiley-Blackwell.
4. De Cieri, H., Kramar, R., Noe, R., Hollenbeck, J., Gerhart, B., & Wright, P. M. (2020). *Human Resource Management in Australia: Strategy, People, Performance*. McGraw-Hill Education.
5. Deloitte. (2020). *Human Capital Trends 2020*. Deloitte Insights.
6. Fink, S. (2013). *Crisis Management: Planning for the Inevitable*. Routledge.
7. Gowing, M. K., & Swanson, D. L. (2017). *The Handbook of Human Resource Development: The Discipline and the Profession*. John Wiley & Sons.
8. Guest, D. E. (2017). Human Resource Management and Employee Well-Being: Towards a New Analytic Framework. *Human Resource Management Journal*, 27(1), 22-38.
9. Hollenbeck, J. R., Gerhart, B., & Wright, P. M. (2019). *Human Resource Management: Gaining a Competitive Advantage*. McGraw-Hill Education.
10. Jackson, S. E., Schuler, R. S., & Jiang, K. (2014). An Aspirational Framework for Strategic Human Resource Management. *Academy of Management Annals*, 8(1), 1-56.
11. Kamoche, K. (2018). *Strategic Human Resource Management*. Routledge.
12. Kavanagh, M. J., & Thite, M. (2019). *Human Resource Information Systems: Basics, Applications, and Future Directions*. Sage Publications.
13. Dessler, G. (2019). *Human resource management* (16th ed.). Pearson Education.
14. Greenberg, J., & Colquitt, J. (2017). *Handbook of organizational justice*. Routledge.
15. Guest, D. E. (2017). Human resource management and employee well-being: Towards a new analytic framework. *Human Resource Management Journal*, 27(1), 22-38.
16. Hesselbein, F. (2011). *Leader to leader: Enduring insights on leadership from the Drucker Foundation's award-winning journal*. John Wiley & Sons.
17. Lengnick-Hall, M. L., & Lengnick-Hall, C. A. (2016). Workforce demographics and organizational outcomes: A critical review and research agenda. *Journal of Organizational Behavior*, 37(2), 202-227.
18. Marchington, M., & Wilkinson, A. (2018). *Human resource management at work: People management and development* (6th ed.). Kogan Page.
19. Mathis, R. L., & Jackson, J. H. (2019). *Human resource management* (16th ed.). Cengage Learning.
20. Paauwe, J. (2019). HRM and performance: Achievements, methodological issues and prospects. *Journal of Management Studies*, 56(1), 3-26.
21. Pfeffer, J. (2018). *Dying for a paycheck: How modern management harms employee health and company performance—and what we can do about it*. HarperCollins.
22. Rynes, S. L., Gerhart, B., & Minette, K. A. (2014). The importance of pay in employee motivation: Discrepancies between what people say and what they do. *Human Resource Management*, 53(2), 201-217.
23. Schuler, R. S., Jackson, S. E., & Tarique, I. (2014). Global talent management and global talent challenges: Strategic opportunities for IHRM. *Journal of World Business*, 49(2), 173-181.
24. Sparrow, P., Brewster, C., & Chung, C. (2016). *Globalizing human resource management*. Routledge.
25. Storey, J. (2014). *New perspectives on human resource management* (2nd ed.). Routledge.
26. Ulrich, D., & Brockbank, W. (2017). *The HR value proposition* (2nd ed.). Harvard Business Press.
27. Wright, P. M., & McMahan, G. C. (2011). Exploring human capital: Putting 'human' back into strategic human resource management. *Human Resource Management Journal*, 21(2), 93-104.

The impact of the popularity of a person's social status and gender, presenting people on ads and without in Instagram ads on consumer purchases

Anel Zhetybayeva*

Vladimir Garkavenko**

Yelizaveta Rybina**

**Master student at Bang College of Business (BCB), KIMEP University Office: 309/Dostyk bld. 2 Abay Avenue, Almaty Republic of Kazakhstan, 050010.*

*** Bang College of Business (BCB), KIMEP University Office: 309/Dostyk bld. 2 Abay Avenue, Almaty Republic of Kazakhstan, 050010.*

Abstract

We now live in a digital world. And this greatly affects our everyday life, especially our consumer choices. With the advent of the Internet and social networks, many new trends and services have appeared. People began to gain recognition and popularity due to their uniqueness on the Internet, and in doing so, they gained power and marketing influence. And many brands and entrepreneurs, looking at the number of subscribers, are trying to run ads featuring these media personalities. Many studies have studied works where it is argued that social networks and bloggers are necessary elements for a successful business. And for my work, I want to show the influence of media personalities of two genders and ordinary people if you use their faces in an Instagram post, and also see how the absence and presence of people in advertising affect the consumer decision of the client. This study uses a factorial experiment in the form of 2 types of female influencers (celebrity vs. regular person) x 2 types of male influencers (celebrity vs. regular person) x 2 people's presence (ad with and without people). Data will be collected through an online survey that measures participants' attitudes toward the ad, brand, and purchase intention. This study's findings have significant implications for marketers that wish to enhance their Instagram advertisements by taking into account the socioeconomic status and gender representation of persons in advertisements. In the future, business owners and advertising department heads will not incur unnecessary costs.

Keywords: Digital marketing, content promotion methods, influencer marketing, celebrities, Instagram advertising, social status, consumer behavior, purchase intention.

1. Introduction

With the development of a market economy in Kazakhstan, there is an increase in production, the emergence of new forms and types of entrepreneurial activity, and the growth of trade, which contributes to the strengthening of the role of consumption and the formation of variability in everyday consumer habits. At the same time, these processes entail increased competition between producers of goods and services, which actualizes the study of consumer behavior of various consumer groups (Porter, 1979). In modern socio-economic conditions, the market is focused on a new consumer - active, ready to quickly

consume information, receptive to innovation, and involved in various consumer practices. The possession of these qualities turned "these people" into one of the most promising consumer groups, which led to the expansion of the production of goods and services for this group and the strengthening of the corresponding advertising impact.

In the conditions of competition for the consumer, advertising should not only communicate the benefits and unique characteristics of the product, but also stand out from other advertising messages, cause a positive reaction, and leave an emotional mark on the minds of consumers (Robert Plutchik, 1980). Often, the means to achieve this goal is to involve media persons in advertising campaigns - music, film, and sports stars, famous TV presenters, bloggers, influencers, owners of personal pages on social networks, and other people in the information space who enjoy public admiration and have a large share of subscribers. on social networks.

The main problem that I have noticed in our time is that people, who do not have the necessary level of critical thinking and information filtering, even if they have these qualities well, are easily influenced by emotions with the participation of media persons and perceive what is broadcast in promotional message information as a message to yourself. Being representatives of socialization, media persons set consumption standards and contribute to the formation of a system of social coordinates. In contrast, the attitudes, behavior patterns, social norms, and values they broadcast in advertising can differ significantly from those that young people receive in the process of socialization from the family and other primary groups. In this regard, revealing the nature and extent of the influence of advertising with the participation of media persons on the consumer choice of young people seems to us to be an important area of modern research.

The object of study of the final qualification work is advertising with the participation of media persons and ordinary people. The subject of this work is the impact of advertising with the participation of media persons, ordinary people, and the product itself or its absence in advertising on consumer choice.

- reveal the communicative features of advertising and the mechanism of influence of advertising on consumer choice;
- to determine the degree of influence of advertising with the participation of media persons as a tool to influence consumer choice;
- determine whether it is necessary to use only famous people for advertising or whether this does not affect the consumer decision in any way;
- to determine whether it is necessary to use the people for advertising at all, or whether an ordinary picture of the product is enough to attract a buyer);

The purpose of the study is to study the influence of media persons, ordinary people, and the presence or absence of a product in advertising campaigns on consumer choice. It was decided to start research on this topic, as it is very relevant in the future, which overtakes us and will be very necessary for many enterprises and will be a continuation for research in the future. Since this work does with the thought to make a great contribution and benefit to the understanding and development of marketing. In this study, we will look at the consumer behavior of people in an advertising picture on Instagram, in which there will be a media-famous person with a product or an ordinary person with a product. And another picture where there is a product itself or an advertisement with people. And we will test the impact of gender on consumer decisions. Nowadays, advertising is everything, it is a niche where a lot of money is spent, but as an entrepreneur, you cannot be sure whether this advertising will be successful. And by our research, we hope that it can draw a conclusion and be useful in the present and in the future.

And for this, we will follow several stages of research. First, we are sizing the theoretical work. And for this, we review the necessary literature and provide theoretical foundations and present hypotheses. And in the next step, we conduct surveys based on questionnaires and test our hypotheses. Finally, we combine the two stages where we will discuss the theoretical and practical implications of our work, and the limitations encountered during the study, and finally, try to come to a logical conclusion about the work.

2. Literature review

Now there are generations of technology, and big companies are investing a lot of money to always be in trend, to be relevant and not to miss their consumers, but also not to forget about the new generation. And during this time, the field of advertising has undergone many major changes due to the fact that social networks bypassed the traditional method of advertising (Gaber et al., 2019). And for businesses to be competitive, they must embrace new methods and personalize their brands on social media (Xu & Jingjun, 2016).

Social networks were created as an application to create and share user-generated content (Gaber et al., 2019). At the moment, the most relevant application for business promotion is Instagram. It was founded on October 6, 2010, by Kevin Systrom and Mike Krieger. Instagram is an application that can be downloaded on any mobile device and whose function is to create unique visual content and communication. According to Chen (2018), Instagram has introduced a video feature that allows users to post video clips in 30 seconds. And now many large companies have used this application to promote their product or themselves (bloggers) such as Ronaldo, General Electric, Apple, Dior, and many other large and small brands.

And now social networks are a profitable business platform, which is aimed at meeting the needs of consumers in accordance with the order of preferences and buying habits (Arman Yusupov, 2020). And consumer attitudes toward advertising are defined as the propensity to respond positively or negatively to a particular advertising stimulus during a given exposure opportunity (Gaber et al., 2019).

Advertising on Instagram is a relatively accessible method of doing business on this online platform. The most important thing is to make a beautiful picture or a short interesting video and this advertisement will reach consumers personally. Instagram will use personal data such as interests and demographics to tailor ads to each consumer. This approach to advertising will allow advertisers to improve the performance of their ads and provide a more convenient and interesting experience for users.

Influencer marketing has become a buzzword in the social media marketing world and it involves using popular people to promote products to their followers. The popularity of an influencer, as well as their social status and gender, can influence the effectiveness of a marketing strategy. This literature review aims to explore the relationship between social status, gender, and Instagram ad performance.

There are many different factors that influence consumer decisions. A lot of research has been done on the influence of celebrities (macro-micro) or just experts in this field. For example, other work has focused on the impact of celebrity faces in advertising (Thornton, 2016; Woods, 2016), the antecedents and implications of Instagram influencer leadership (Casaló, Flavián, & Ibáñez-Sánchez, 2018) and research results also show that Instagram celebrities generate higher purchase intent than micro-influencers among young female users (Sevastyanova, 2019). And this paper will show the influence on consumer decisions not only of celebrities but also the influence of gender, recognition of a person for

advertising, and the very presence of a product or not. This will be a good base for people who are interested in this topic to continue their research. Or entrepreneurs who are thinking about what kind of advertising is better to run on social networks.

3. Research Methodology

The growth of social media platforms has opened up new doors for companies, allowing them to market their goods and services to a larger target segment than ever before. Particularly because of its visually appealing structure as well as its large user base, Instagram has emerged as a popular medium for advertising in recent years. The usage of individuals in Instagram advertising, especially their socioeconomic position and gender representation, has become an increasingly frequent tactic for marketers to deploy in order to influence the behavior of consumers.

3.1 Impact of popular individuals on Advertising

The relative position that a person occupies inside a society is what's referred to as their social standing. The promotion of goods and services can make use of one's social standing as a tactic in the field of advertising. Several studies have found that an individual's social position has a considerable influence on the purchasing decisions they make. For example, Lee and Watkins (2016) discovered that the use of celebrity endorsements in advertising had a beneficial influence on consumers' attitudes about the brand as well as their intentions to make a purchase of the product. In a similar vein, Godes and Mayzlin (2009) discovered that employing social proof, such as presenting the number of individuals who have purchased a product, might enhance the probability that the customer would make a purchase.

Advertising on Instagram has also made use of social status as a method to influence user behavior. According to the findings of a study that was carried out by Chong and Kim (2019), users of Instagram are more inclined to engage with material that includes people who have high social standing. In addition, they discovered that individuals who had a poor perception of their own social standing were more susceptible to the persuasive power of commercials that highlighted persons with high social status.

There has been a significant amount of research conducted on the topic of prominent people being included in advertising. According to the findings of research that was conducted by Kamins (1989), customers are more inclined to acquire a product if it is connected with a well-known person. In a similar vein, McCracken (1989) hypothesized that people have the propensity to model their own conduct after that of prominent people and to purchase things that are promoted by such people. There is a term for this phenomenon called "celebrity endorsement," and it has been demonstrated that it increases product sales in a variety of different sectors.

It has been demonstrated that the use of well-known personalities in the context of advertising furniture on Instagram has a substantial influence on the purchase decisions made by end users. According to the findings of a study conducted by Lin and Lien (2019), Instagram users were more inclined to engage with advertisements for furniture that featured well-known people. The research also revealed that advertisements showing well-known people had a more substantial influence on consumers' intentions to make a purchase than those that did not include well-known people.

3.2 Gender Representation in Advertising

Another aspect that has been demonstrated to influence the behavior of consumers is how each gender is portrayed in various forms of advertising. The term "gender representation" relates to the depiction of males and females in media such as commercials. Advertising frequently makes use of gender

stereotypes, which can serve to reinforce pre existing gender norms and expectations. Many studies have demonstrated that the portrayal of women and men in advertising can influence the behaviors of consumers. For example, Lwin et al. (2014) discovered that the representation of gender in advertising can impact sentiments about the brand as well as buy intent.

The use of gender representation as a marketing tactic on Instagram is becoming an increasingly common trend among advertisers. According to the findings of a study that was carried out by Hsu and her colleagues (2017), Instagram users were more inclined to engage with material that featured women. In addition to this, they discovered that female Instagram users were more inclined to engage with material that featured women, whilst male Instagram users were more likely to engage with content that featured males.

Bristor and Fischer (1993) conducted research in which they discovered that gender played a significant role in the appraisal of product features. It was discovered that women are more sensitive to product aspects linked to aesthetics and design, whilst men are more concerned in the utility and features of a product. Our findings show that gender-specific advertisements may be more effective in influencing customer behavior, which has substantial repercussions for the advertising of furniture on Instagram.

According to the findings of a research project conducted by Kacen and Lee (2002), gender is an important consideration in the analysis of product quality. Male consumers were more inclined to link product quality with features and usefulness, whereas female consumers were more likely to associate product quality with visual and design aesthetics. This research has repercussions for the manner in which advertisements for furniture are designed and presented on Instagram since it shows that gender-specific advertisements may be more effective in influencing the behavior of customers.

3.3 The Influence of Customer Representations in Instagram Ads

There haven't been a lot of studies done on the combined impacts of social status and gender representation in Instagram advertising, which is surprising given the separate influences that each factor has on customer behavior. According to the findings of a study that was carried out by Tifferet and Vilnai-Yavetz (2018), the use of real people in Instagram advertisements had a substantial influence on the actions of consumers. To be more specific, they discovered that advertisements that included people were more successful in generating purchase intention than advertisements that did not show people. In addition, they discovered that the social position of the individual depicted in the advertisement had a substantial influence on consumers' attitudes about the company as well as their intentions to make a purchase.

In the context of promoting furniture on Instagram, it has been demonstrated that the inclusion of people in advertisements has a substantial influence on the actions taken by customers. According to the findings of a study conducted by Kim and Sung (2016), Instagram users were more inclined to engage with advertisements for furniture that included humans. The research also revealed that advertisements depicting people had a more substantial influence on the intention of consumers to make a purchase than advertisements that did not include people.

3.4 The Influence of ordinary people in Instagram ads

Instagram has become a popular platform for brands to advertise their products or services. One approach marketers take is to feature regular people in their Instagram ads, as this can create a sense of intimacy and authenticity that resonates with consumers. This literature review aims to explore the

relationship between the presence of regular people in Instagram ads and its effect on consumer purchases.

Research by Escalas and Bettman (2005) found that consumers' self-image can influence their purchasing decisions, and ads that feature people with similar self-image may be more effective in persuading them to make a purchase. In addition, a study by Kim and Sung (2016) found that ads involving ordinary people can create a sense of social identity and positively influence consumer purchasing intentions.

The presence of regular people in Instagram ads can also harness the power of social influence. A study by Liu, Ma and Zhang (2021) found that consumers are more likely to make a purchase when they see others like them have made the same purchase.

In conclusion, showing ordinary people in Instagram ads can create a sense of authenticity, recognition, and social impact, which will positively influence consumer purchasing decisions. The effectiveness of this approach may vary depending on the advertised product and target audience. Future research may explore the impact of different types of regular people on Instagram ads and examine the effectiveness of ads with regular people in different contexts. For this job, I took non-famous people who work in the furniture industry and asked them to post an advertising post on their page. And I did a survey among their subscribers to collect data.

3.5 The Influence of using just the product in Instagram Ads

Instagram has become a popular platform for brands to advertise their products or services. One approach marketers use is to feature people in their Instagram ads while others focus solely on the product itself. Focusing solely on the product in an Instagram ad can be an effective way to showcase the product's features and benefits. Research by Rojas-Mendez, Vicente-Palacios, and Rialp-Criado (2018) found that product-focused advertising conveys product information more effectively and positively influences purchase intentions. In addition, a study by Choi, Lee, and Kim (2020) found that product-focused advertising can create a sense of utility value, which positively influences consumer purchasing decisions.

4. The Hypothesis of the Study

The purpose of this article is to study the influence of celebrities, ordinary people, and the presence of people in Instagram ads for furniture on consumer decisions. For work, we will use previous research and test hypotheses.

H1: Using female celebrity influencers on Instagram will be more effective on consumer reactions than contact with an ordinary woman.

H2: Using the influence of a male celebrity on Instagram will be more effective on consumer reactions than contact with an ordinary man.

H3: The presence of people with the product itself in Instagram posts will have a more positive effect on consumer reaction than posts without people but with catchy words.

5. Data Collection Tool

It was considered that the experimental methodology would be appropriate for this study. Designing and carrying out experiments is part of the experimental approach. The data gathered from these experiments

may be used to test hypotheses or provide answers to research questions. And in order to do this, the following things will be done:

1. **Definitions of Research Questions:** In this step, we will formulate a research question that may be addressed by employing an experimental methodology.
2. The research topic will serve as the basis for the formulation of hypotheses, which will then be put to the test over the duration of the experiment. The results will either support or disprove the hypothesis, depending on how they are interpreted.
3. **Experiment:** For such a task, select a variety of experiments to do in order to put your hypothesis to the test. This involves the selection of any control variables, as well as independent variables (factors) that may be altered and dependent variables (outcomes that are assessed), as well as any other variables that can be controlled (factors that can affect the dependent variable). And for this particular job, work that is experimental with photographs was selected. Six images were taken for Instagram, two of which showed a product with female and male celebrities, one with regular people, and the other two showing the product with and without people. In addition, there are questions that individuals are required to answer beneath each image in order for data to be collected.
4. The majority of the participants will be people between the ages of 17 and 35. The questionnaire will be distributed in paper and digital form through WhatsApp and regular mail.
5. **Data gathering:** All of the data collecting will take place online. The online questionnaire will be administered using a Google form, and there will be a total of six distinct answer choices, each of which will be represented by a unique image.

6. Analysis & Findings

Based on the survey data we received, we conducted an analysis to understand the impact of human use and product-only use in Instagram ads on consumer purchases with a focus on gender differences. The survey was conducted among 450 people, including 279 women and 171 men, and included questions related to AA (attitudes towards advertising), IP (behavioral intentions) and AS (opinions about celebrities).

Table 1 Describes statistics for gender difference

AA IP AC * AdGenderM1F0nop2				
AdGenderM1F0nop2		AA	IP	AC
0	Mean	3.6627	2.2264	1.9858
	N	212	212	212
	Std. Deviation	1.17666	1.31987	1.20810
1	Mean	3.6149	2.2838	2.3480
	N	148	148	148
	Std. Deviation	1.09900	1.13580	.95593
2	Mean	3.5278	1.7926	2.3167
	N	90	90	90
	Std. Deviation	1.13266	.92216	1.03709
Total	Mean	3.6200	2.1585	2.1711
	N	450	450	450
	Std. Deviation	1.14146	1.20157	1.10861

Looking at the average scores for the questions, we see that there are some differences in the answers depending on gender. For example, women had a higher average IP score (2.2409) compared to men (2.0468), suggesting that ads with people might be more effective for women. However, men had a higher

average AC score (2.2351) compared to women (2.1004), suggesting celebrity advertising may be more effective for men.

Overall, these results show that the performance of Instagram ads involving people and only the product can vary by gender. Advertisers may need to consider the gender of their target audience when choosing the content of their Instagram ads. In addition, celebrity ads may be more effective for men, while ads featuring people may be more effective for women. However, more research is needed to fully understand the impact of gender on Instagram ad performance and to identify the specific characteristics of people and product-focused ads that most effectively influence purchases by gender-specific consumers.

Table 2 Describes statistics for using celebrities on ads

AA IP AC * CelebrityC1NC0				
CelebrityC1NC0		AA	IP	AC
0	Mean	3.3683	2.4286	2.3929
	N	224	224	224
	Std. Deviation	.92272	1.33701	1.15779
1	Mean	3.8695	1.8909	1.9513
	N	226	226	226
	Std. Deviation	1.27697	.98225	1.01317
Total	Mean	3.6200	2.1585	2.1711
	N	450	450	450
	Std. Deviation	1.14146	1.20157	1.10861

Based on Table 2, we conducted an analysis to understand the impact of using celebrities or regular people in Instagram ads on consumer purchases. Looking at the average scores for the questions, we can see that there are some differences in responses depending on whether or not the ad featured celebrities. Celebrity ads had a higher average AA score (3.8695) compared to non-celebrity ads (3.3683), suggesting celebrity ads may be more effective in influencing consumer attitudes toward ads. However, non-celebrity ads had a higher average IP score (2.4286) compared to celebrity ads (1.8909), suggesting that non-celebrity ads may be more effective in influencing consumer behavioral intent.

Overall, these results suggest that the effectiveness of Instagram ads featuring celebrities or regular people can vary depending on the desired outcome, such as influencing attitudes or behavioral intentions. Advertisers may need to consider the specific goals of their Instagram ads when deciding whether to show celebrities or regular people. However, more research is needed to fully understand the impact of the use of celebrities or regular people in Instagram ads on consumer purchases, as well as to identify specific advertising characteristics that most effectively influence consumer behavior

Based on Table 3, we can perform analysis to understand the impact of using people or just products in Instagram ads on consumer purchases. Looking at the average scores for questions related to the use of people or just products in Instagram ads, we can see that there are some differences in the answers. Ads with people had a higher average AA score (3.6329) compared to ads without people (3.5647), suggesting that ads with people might be more effective in influencing consumer attitudes toward ads. However, ads without people had a higher average IP score (2.2694) compared to ads with people (1.6824), suggesting that ads without people may be more effective in influencing consumer behavioral intentions.

Table 3 Describes statistics for using people or just product on ads

AA IP AC * ProductAppealP1NP0				
ProductAppealP1NP0		AA	IP	AC
0	Mean	3.5647	1.6824	2.3353
	N	85	85	85
	Std. Deviation	1.13071	.81310	1.06175
1	Mean	3.6329	2.2694	2.1329
	N	365	365	365
	Std. Deviation	1.14511	1.25022	1.11718
Total	Mean	3.6200	2.1585	2.1711
	N	450	450	450
	Std. Deviation	1.14146	1.20157	1.10861

Looking at the average scores for questions related to the use of people or just products in Instagram ads, we can see that there are some differences in the answers. Ads with people had a higher average AA score (3.6329) compared to ads without people (3.5647), suggesting that ads with people might be more effective in influencing consumer attitudes toward ads. However, ads without people had a higher average IP score (2.2694) compared to ads with people (1.6824), suggesting that ads without people may be more effective in influencing consumer behavioral intentions.

In addition, the survey data also includes information on the impact of product attractiveness on consumer purchases. Looking at the average scores for questions related to product attractiveness, we see that product ads with people (3.6329) have a slightly higher average AA score compared to product ads without people (3.5647). However, product ads without people (2.2694) had a higher average IP score compared to product ads with people (1.6824). This suggests that the effectiveness of Instagram ads can depend on both human usage and the attractiveness of the advertised product.

Taken together, these results indicate that the effectiveness of Instagram ads can depend on a variety of factors, including people's usage, the attractiveness of the advertised product, and the desired outcome, such as impact on ad attitudes or behavioral intentions. Advertisers may need to carefully consider these factors when creating and targeting their Instagram ads.

7. Discussion & Limitations

In conclusion, this study highlights the impact of using people, especially celebrities or regular people, in Instagram ads on consumer purchases. The results show that the effectiveness of Instagram ads can depend on several factors, such as the gender of the target audience, the presence of celebrities or regular people in the ad, and the desired outcome (influencing attitudes or behavioral intentions). The study found that celebrity ads may be more effective for men, while ads involving people may be more effective for women. In addition, ads with people have a stronger effect on consumers' attitudes toward ads, while ads without people have a greater impact on consumers' behavioral intentions.

Despite its contributions, this study has several limitations. First, the sample size of the survey was relatively small (450 participants), which may limit the generalizability of the findings. A larger sample size could provide more robust and representative results. Second, the study focused only on the furniture industry, which may not be applicable to other industries or product categories. Future research should explore the effects of people and product-focused ads in different industries and contexts to validate the findings.

Additionally, this study relied on self-reported measures of attitudes and behavioral intentions, which may be subject to social desirability bias or inaccuracies in recall. Future research could employ more objective measures, such as actual purchase behavior or click-through rates, to further investigate the impact of Instagram ads on consumer behavior. Finally, the study only examined the presence of celebrities or ordinary people in ads and did not consider other factors, such as the specific characteristics of the people or the content of the ads, that may influence consumer behavior. Further research should explore these additional factors to develop a more comprehensive understanding of the role of people in Instagram ads on consumer purchases.

References

1. 200,000 Advertisers on Instagram. Page on Instagram for Business blog. Accessed on 4th April 2016. Retrieved from <http://blog.business.instagram.com/post/139913778986/advertisers-on-instagram>
2. Abidin, C. (2015). Influencers, social media, and the commodification of everyday life. *Unpublished doctoral dissertation*. University of Western Australia, Perth.
3. ANA, & PQ Media. (2016). U.S. brand activation Marketing forecast (2016–2020): key findings report. *Unpublished Report*. USA.
4. Alderton, M. (2014, December 9). *Digital Marketing Drives Shift in Direct Sales*. (B2B Marketing). Retrieved from AMA: <https://www.ama.org/publications/eNewsletters/B2BMarketing/Pages/digital-Marketing-drives-shift-in-direct-sales.aspx>
5. Bolt, N. 2011. *Why Instagram Is So Popular: Quality, Audience, & Constraints*. Accessed on 6th July 2016. Retrieved from <https://techcrunch.com/2011/11/27/why-instagram-is-so-popular/>
6. Charry, K. (2017). Mktg Com 2017-18 S4_ 2X2. *Communication Marketing*. *Unpublished powerpoint presentation*. UCL, Mons.
7. Colliander, J., & Erlandsson, S. (2015). The blog and the bountiful: Exploring the effects of disguised product placement on blogs that are revealed by a third party. *Journal of Marketing Communications*, 21 (2), p. 110-124.
8. *Case studies*. 2016. Page on Instagram for Business website. Accessed on 12th August 2016. Retrieved from <https://business.instagram.com/#case-studies>
9. Chaffey, D., Ellis-Chadwick, F. 2012. *Digital Marketing*. 5th ed. Pearson Education.
10. Evans, D. 2010. *Social Media Marketing: The Next Generation of Business Engagement*. Wiley Publishing, Inc.
11. *Facebook Ads Guide*. Page on Facebook Business website. Accessed on 13th July 2016. Retrieved from <https://www.facebook.com/business/ads-guide>
12. Duggan, M., Greenwood, S., & Perrin, A. (2017, December 1). *Social Media Update 2016*. Retrieved from <http://www.pewinternet.org/2016/11/11/social-media-update-2016/>
13. Gilbert, A., & Churchill, J. (1996). *Basic Marketing Research (3rd edition)*. Orlando: The Dryden Press, Harcourt Brace College Publishers.
14. Gilbreath, B. (2017, December 8). *How to choose an influencer for your brand?* Retrieved from <https://www.ama.org/publications/eNewsletters/Marketing-News-Weekly/Pages/how-to-pick-your-influencer-partner-of-record.aspx>
15. Mancuso, J., & Stuth, K. (2015). A portrait of modern media. *Marketing Insights (May/June)*, p. 16-17.
16. Jackson, D. 2015. *10 Tips to Optimize Your Instagram Advertising Budget*. Accessed on 14th August 2016. Retrieved from <http://sproutsocial.com/insights/instagram-advertising/>
17. Meredith. (2014). Women 2020, Understanding the new female consumer. *insights in Marketing*.

The impact of financial development, economic growth, and institutional quality on renewable electricity output in Central Asia

Gaukhar Dabylova

Bang College of Business, KIMEP University

2 Abay Avenue, Almaty, Republic of Kazakhstan, 050010.

Gaukhar.Dabylova@kimep.kz

ABSTRACT

The issue of climate change and environmental degradation has been a topic for active discussion during the last decades. Clean energy sources such as renewable energy can significantly contribute to the goal of reducing carbon emissions and achieving carbon neutrality. Transition to clean energy can be hindered by financial constraints and underdeveloped policies and regulations. This paper thus aims to investigate how financial development, economic growth, and institutional quality affect the renewable electricity output in 5 countries of Central Asia: Kazakhstan, Kyrgyz Republic, Uzbekistan, Tajikistan, and Turkmenistan. The study applied FGLS regression analysis to investigate the relationship between the variables, and a panel data is taken for the period from 1996 to 2015. Study results indicate that financial development and control of corruption had negative and significant impact on renewable electricity output. Regulatory quality had positive and significant impact on renewable electricity output.

The policy implication of these findings is that formulation of effective strategies, policies and regulations can help to create favorable environment in the green energy sector with reduced number of potential unknowns for investors and thus, redirect more funding towards renewables.

Keywords: renewable energy, financial development, institutional quality, Central Asia

INTRODUCTION

The issue of the climate change and environmental degradation has been a point of concern for the world's population over the last decades. The environmental quality is negatively impacted by the CO₂ emissions and CO₂ remains a main contributor to the greenhouse gas emissions (GHG). The changes in climate are not only comprised of the temperature rise and global warming, but also leads to changes in interrelated processes such as weather patterns (droughts and floods), water, energy, agriculture, human health, wildlife, etc. UN states that the global mean temperature was about 1.1C above the pre-industrial level and global emissions of CO₂ increased by 50% since 1990. Therefore, UN named Climate Action as one of its 17 Sustainable Development Goals for achievement of better future for all. Therefore, policymakers today face a challenge of securing a diversified and sustainable sources of energy for future generations (Brunnschweiler, 2009).

Kyoto Protocol and Paris Agreement are universal binding agreements with a unified mission of reducing carbon emissions. Around 195 nations joined the efforts for greater climate accountability and set a target for carbon neutrality and decarbonization through global reduction of greenhouse gas emissions (net-zero emissions). For instance, European Union set the goal of reaching carbon neutrality by 2050 and China pledged to do so by 2060.

Such global goal for decarbonization is expected to affect the power and fuel sectors of countries around the world. According to Intergovernmental Panel on Climate Change (IPCC) the fossil fuels are the major contributor to the global warming and for example, fossil fuels produced 89% of global CO₂ emissions

in 2018. At the same time, according to report of UN (2023) 95% of energy supply in 5 countries of Central Asia comes from the fossil fuels.

Therefore, renewable energy is becoming a very attractive alternative source of energy compared to conventional sources. Renewables can help to reduce CO₂ emissions and slow down the environmental pollution. Such source of energy seemed economically not viable a while ago and not competitive as costs were high and technologies were underdeveloped. Today we can observe the growing trend towards technologies' development, decreasing implementation costs, increased demand from investors and overall increased demand for green energy.

Demand for energy is increasing as the world's population and economies are rapidly growing. Global demand for energy is expected to grow by around 45% by 2030 (IEA, 2008). CO₂ emissions will proportionally increase. To satisfy the increasing demand and stay on path of sustainable development, developed countries are already taking the lead in an active work towards the greater inclusion of the renewable energy sources into the overall energy mix. "In 2019, renewable energy represented 19.7 % of energy consumed in the EU-27, only 0.3% short of the 2020 target of 20%. In the United States, approximately 12% of energy production relied on renewables, and the annual energy consumption from renewable sources exceeded coal consumption for the first time since before 1885." (Lahiani et al., 2021, p. 3). Developing countries should also diversify their energy mixes and use renewable energy to reduce CO₂ emissions and avoid further environmental degradation. For example, Song et al. (2022) indicates that developing Asian countries may cause an increase of overall energy demand by 33% by 2040.

Financial sector and *economic growth* are a big contributors to the process of gradual shift towards green transformation. The global trend of reallocating investments from fossil fuels to green energy and resource efficient technologies supports the transition to low-carbon society and efficient transfer of funds to green energy producers can speed up such a transition. However, high capital costs and long payback period of renewable energy projects compared to conventional energy sources are impeding the green energy deployment. *Financial development* can be a good catalyst in increasing renewable energy consumption (Lahiani et al., 2021). Shahbaz and Lean (2012) states that financial development can positively impact economic growth and renewable energy consumption. Developed financial markets can efficiently channel funds to a green energy sector.

Another factor, which can significantly influence the renewable energy production is *institutional quality*. The quality of governments' policies and regulations can create and shape fruitful environment for deployment of renewable energy and thus, increase the renewable energy output. By implementing the efficient legal and regulatory framework, encouraging more investments via tax incentives and subsidies governments can greatly contribute to the overall goals of carbon neutrality and green transition.

Most of the countries which are on early stages of development have economic growth as the main priority issue in national strategies. Nevertheless, during the recent years the green transition is getting a bigger attention and starting to be included in the priority lists. Developing countries of Central Asia are currently providing a greater number of resources to their renewable energy sectors.

This study aims to explore the available data and analyze the impact of financial development, *economic growth*, and *institutional quality* on the *renewable electricity output* of countries in Central Asia and gain an insight into the catalyzing or impeding factors affecting the green transition in this region.

Majority of papers are focused on the relationship between renewable energy consumption and financial development or economic growth, but a very few have researched the renewable electricity output and the factors affecting the development of electricity supply from renewable sources. It is important to understand what is affecting the renewable energy supply side and how the clean energy production can be incentivized and supported.

This study is organized as follows: the literature review is followed by data and methodology section; then the results and interpretations are followed by conclusion and recommendations for policymakers.

LITERATURE REVIEW

Renewable electricity output as dependent variable

According to the World Bank's metadata glossary *renewable electricity output* can be defined as “electric output (GWh) of power plants using renewable resources, including wind, solar PV, solar thermal, hydro, marine, geothermal, solid biofuels, renewable municipal waste, liquid biofuels and biogas”.

Electricity is the most utilized source of energy with a fossil fuel being the major source of electricity generation. Energy generation from renewable energy sources can solve the problem of environmental pollution by reducing the usage of fossil fuels and therefore reducing the carbon emissions (Kiliçarslan, 2019). Since 1980 there is a gradual increase worldwide in the electricity generated from renewable energy sources which indicates that the energy transformation plans are adopted in many countries (Tee et al., 2021). By increasing the share of electricity generated from renewable energy sources in the overall electricity production mix it is possible to reduce the overall environmental damage (Murshed et al., 2021).

For example, according to the research of Ali Warsame et al. (2022) the renewable energy sources have a positive effect on environmental quality in Somalia.

Economic growth and renewable electricity output

There is a limited number of studies on the impact of economic growth on renewable electricity production. At the same time the relationship between renewable energy consumption and economic growth has gotten a greater attention from researchers. The study of Bayraktutan et al., (2011) in OECD countries for 1980-2007 indicates that there is a positive relationship between renewable electricity output and economic growth as economic growth provides opportunities for transition to renewable energy sources. According to Song et al. (2022) economic development positively affects the renewable electricity generation in 7 major developing economies of Asia. Saadaoui and Chtourou (2022) in their study of Tunisia for the period of 1984-2017 confirmed that economic growth stimulates renewable energy consumption. Findings of Alam and Murad (2020) indicate that economic growth significantly impacts renewable energy growth in 25 OECD countries over 43 years.

Financial development and renewable electricity output

One of the major constraints for developing countries which inhibits them from reaching successful environmental sustainability is a lack of financial development (Murshed et al., 2021). The study of Tee et al. (2021) also states that the main constraint for development of renewable energy is lack of financial support. In countries with underdeveloped financial sectors renewable energy producers are not able to get access to sufficient funding (Brunnschweiler, 2009).

According to IRENA's report renewables-based energy transition requires attraction of investment and developing policies to achieve the global goal of reaching carbon neutrality. One of the major pillars of desired transformation of global energy system is development of physical infrastructure which in turn requires significant investments. In general, IRENA reports that USD35 trillion is required by 2030 for successful energy transition.

At the same time renewable energy investments are risky due to high costs and long payback period and thus requires the most effective and well-developed allocation of financial resources (Kiliçarslan, 2019). Required high level of investments for renewable energy projects increases the role and importance of

financial development (Aghaei et al., 2019). For example, Brunnschweiler (2009) argues that financing for the renewable energy technologies is closely related to the development of the financial sector. As renewable energy projects have a longer payback periods, they therefore require long-term loans, while such kind of loans are available on the markets with developed banking systems. Therefore, the developed banking system has positive effect on renewable energy development.

Ozili (2022) concluded that “high level of financial inclusion is significantly associated with higher electricity production from renewable sources” and therefore financial inclusion is an important part of reaching sustainable development.

The study results of Sun et al. (2023) indicate that financial development (specifically the development of financial institutions) has a positive impact on renewable energy consumption in 103 economies. At the same time, Song et al. (2022) reveals that investments in energy infrastructure promotes the renewable electricity generation in 7 major developing countries of Asia. Brunnschweiler (2009) in the panel data study of up to 119 non-OECD countries concludes that financial intermediation, particularly commercial banking, has positive impact on the renewable energy production in case of non-hydro sources like wind, solar and biomass. On the other hand, study of Kiliçarslan (2019) of BRICS countries and Turkey for the period between 2007 and 2015 have found that foreign direct investments have negative impact on renewable energy generation.

Institutional quality and renewable electricity output

Ahuja et al. (2009) discusses the importance of united policy interventions and actions that can support the development of renewable energy resources. One of such institutional interventions can be reforming subsidies in the energy sector and redirecting them from fossil fuels to a more sustainable energy sources. Zyadin et al. (2014) concluded that weak governmental policies prohibit the renewable energy sector from growing. There are number of studies confirming the importance of institutional quality as the driver for sustainable development and reducing the environmental damage. The recent study of Azam et al. (2021) of 66 developing economies revealed that institutional factors have significant impact on environmental issues such as CO₂ emissions and forest area. Akhbari and Nejati (2019) in their study of 66 developing countries concluded that as corruption level decreases then the CO₂ emissions also decrease. Moreover,

The study of Wang et al. (2022) of 32 OECD countries shows that higher level of institutional quality leads to a greater renewable energy consumption.

Proper support policies and regulatory environment is a very important factor in attracting foreign direct investments into the countries' renewable energy sector (Kiliçarslan, 2019). Such incentives are crucial for reducing the investment risk and therefore for the process of securing enough funds for the renewables' development.

Ali Warsame et al. (2022) in their study of the renewable energy sector of Somalia argues that country's rich renewable resources are poorly exploited due to the lack of institutional quality. To be specific, the environmental protection is not working well due to the underdeveloped execution of government regulations, insecurity, and political instability.

According to Schuman and Lin (2012) China in 2009 officially pledged to reduce its carbon intensity and since then the improved law and policies resulted in a fast development of renewables in the country. Improved policies for connection, purchase, tariffs, and funding greatly contributed to the overall improvement of renewables regulatory framework in the country. Tee et al (2021) concluded that intellectual property rights have significant positive effect on renewable energy production in 59 sample countries. This can be explained by the fact that greater protection motivates renewable energy producers to generate greater amount of clean energy and drives a broader implementation of energy technologies. Also, the investors who are worried about long payback periods and very high costs of renewable energy projects get greater protection from government and thus, are more willing to provide funding. A bigger investments are provided in a safer investment environment which is also supported by the study of

Wilson et al. (2022) of institutions quality in Sub-Saharan Africa. This study revealed that political quality of institutions matters when attracting more investments in renewables and that each unit increase institutional quality “leads to a 6% and 65% increase in installed capacity for renewable electricity respectively”.

The findings of Saba and Biyase (2022) in the result of their study of 35 countries in Europe indicate that control of corruption, the rule of law, voice and accountability and institutional quality have significant and positive impact on renewable electricity development. Cadoret and Padovano (2016) argued that corruption control has positive impact on renewable energy while lobbying decreased renewable energy production in European countries.

RESEARCH METHODOLOGY

Data description

The study is based on panel data statistics of 5 countries of Central Asia: Kazakhstan, Kyrgyz Republic, Uzbekistan, Tajikistan, and Turkmenistan. The study uses the annualized data for the period of 1996 to 2015. The years studied are limited by the availability of data for the dependent variable which is renewable electricity output. The data on variables is gathered from public data of World Bank database and IMF.

Table 1. Summary of variables

Symbol	Variables	Proxy
Dependent variable		
REO	Renewable electricity output	% out of country’s total electricity output
Independent variables		
FD	Financial development	IMF’s broad-based Index of Financial Development
GDP	Economic growth	GDP growth (annual %)
RQUAL	Regulatory quality	World Bank percentile rank
GOVEF	Government effectiveness	World Bank percentile rank
CCONT	Control of corruption	World Bank percentile rank
RLAW	Rule of law	World Bank percentile rank
DUM	Financial crisis years	Years 2007-2009

To investigate the relationships among the variables the descriptive research is adopted in this study with a collection of the secondary data. To empirically investigate the variables, feasible generalized least square (FGLS) regression was employed.

In the following regression model REO represents dependent variable, β represents the coefficients, β_0 and ε represents constant term and error term respectively.

$$REO = \beta_0 + \beta_1FD + \beta_2GDP + \beta_3RQUAL + \beta_4GOVEF + \beta_5CCONT + \beta_6RLAW + \beta_7DUM + \varepsilon$$

Variables

Dependent variable:

The empirical analysis of this study has 1 dependent variable which is Renewable electricity output. This variable is measured by the percentage (%) of renewable electricity output out of total electricity output in a chosen country. This variable is chosen because it is a good estimator of how the renewable electricity suppliers are affected by external factors or independent variables.

Independent variables:

1. *Financial development*

According to International Monetary Fund's (IMF) working paper *financial development* is defined by the combination of development of *financial institutions* and *financial markets* in terms of depth, access, and efficiency. IMF integrated these into a single index which shows the overall level of financial development of the countries. Higher index stands for the better financial development.

2. *Economic growth*

Economic growth in this study is measured by GDP annual growth or a rate at which gross domestic product grows during the period of investigation.

3. *Institutional quality variable*

According to Bruinshoofd (2016) "institutional quality is a broad concept that captures law, individual rights and high-quality government regulation and services".

World Bank measures institutional quality based on 6 dimensions of governance such as (1) voice and accountability, (2) political stability and absence of terrorism, (3) government effectiveness, (4) regulatory quality, (5) rule of law and (6) control of corruption. The *Worldwide Governance Indicators (WGI)* of the World Bank are the individual indicators which are assigned to each of these 6 dimensions to demonstrate the level of each dimension's development. Each of these dimensions is given a percentile rank where higher percentile stands for a higher governance quality.

World Bank's *WGI* are used in this study as measure of institutional quality and 4 dimensions of governance are chosen as proxies:

a. **regulatory quality**

World Bank defines regulatory quality as "capturing perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development." According to Mahmood et al. (2021) this shows the ability of government to frame regulations to promote private sector development.

b. **government effectiveness**

World Bank defines government effectiveness as "capturing perception of the quality of the public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies."

c. **control of corruption**

World Bank defines control of corruption as "capturing perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption, as well as "capture" of the state by elites and private interests. According to Mahmood et al. (2021) control of corruption estimates the public power to control all types of corruption in the countries.

d. **rule of law**

World Bank defines rule of law as "capturing perceptions of the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, property rights,

the police, and the courts, as well as the likelihood of crime and violence.” According to Mahmood et al. (2021) the rule of law promotes the trust in law and legal institutions in countries.

Hypotheses of the study:

H0: Financial development, economic growth, institutional quality have no significant effect on renewable electricity output

H1: Financial development has significant positive impact on renewable electricity output

H2: Economic growth has significant positive impact on renewable electricity output

H3: Regulatory quality has significant positive impact on renewable electricity output

H4: Government effectiveness has significant positive impact on renewable electricity output

H5: Control of corruption has significant positive impact on renewable electricity output

H6: Rule of law has significant positive impact on renewable electricity output

EMPIRICAL RESULTS

Table 2. Descriptive statistics

```
. summarize REO FD GDP RQUAL GOVEF CCONT RLAW
```

Variable	Obs	Mean	Std. Dev.	Min	Max
REO	100	42.70097	41.68941	0	99.78704
FD	100	.1376117	.0837059	0	.3879074
GDP	100	6.118981	4.605132	-16.7	16.5
RQUAL	85	19.87609	17.24206	0	50.48077
GOVEF	85	20.25987	12.30502	2.439024	50
CCONT	85	10.76298	5.170361	1.435407	23.55769
RLAW	85	12.18241	7.935296	1.913876	36.53846

Summary of descriptive statistics is presented in Table 2.

Table 2 indicates that the mean value of *Renewable electricity output* for 100 observations is 42.70097, the minimum value is 0 and maximum value is 99.78704 with a standard deviation of 41.68941. The mean value is larger than the standard deviation (42.70097>41.68941) which means that renewable electricity output is stable. The maximum value of 99.78704 stands for Tajikistan which is officially reported to produce 98% of its electricity from hydro.

The mean value of *Financial development* for 100 observations is 0.1376117, the minimum value is 0 and maximum value is 0.3879074 with a standard deviation of 0.0837059.

The mean value of *GDP growth rate* for 100 observations is 6.118981, the minimum value is -16.7 and maximum value is 16.5 with a standard deviation of 4.605132. The minimum value of -16.7 was observed in Tajikistan in 1996 – the year of civil war and natural disasters. The maximum value of 16.5 was observed in Turkmenistan in 1999 – the year of country’s resuming its gas exports to Ukraine.

The mean value of *Regulatory Quality* for 85 observations is 19.87609, the minimum value is 0 and maximum value is 50.48077 with a standard deviation of 17.24206.

The mean value of *Government Effectiveness* for 85 observations is 20.25987, the minimum value is 2.439024 and maximum value is 50 with a standard deviation of 12.30502.

The mean value of *Control of corruption* for 85 observations is 10.76298, the minimum value is 1.435407 and maximum value is 23.55769 with a standard deviation of 5.170361.

The mean value of *Rule of Law* for 85 observations is 12.18241, the minimum value is 1.913876 and maximum value is 36.53846 with a standard deviation of 7.935296.

The maximum values of *Regulatory Quality*, *Government Effectiveness*, *Control of Corruption* and *Rule of Law* are observed in Kazakhstan during the years of 2014 and 2015. Such high value of indicators can be related to implementation of the third stage of reforms in the public sector (2005-2015) with focus on improving the quality of public services and reducing corruption level. This finally made government of Kazakhstan more transparent and effective while delivering services to the public (Janenova and Knox, 2017).

Multicollinearity test results

Table 3. Correlation

```
. correl REO FD GDP RQUAL GOVEF CCONT RLAW
(obs=85)
```

	REO	FD	GDP	RQUAL	GOVEF	CCONT	RLAW
REO	1.0000						
FD	-0.4913	1.0000					
GDP	-0.2015	0.0715	1.0000				
RQUAL	0.2743	0.3728	-0.2049	1.0000			
GOVEF	0.0606	0.5043	-0.1271	0.7503	1.0000		
CCONT	-0.1861	0.5407	-0.2165	0.4503	0.4980	1.0000	
RLAW	0.0642	0.4929	-0.1637	0.7396	0.7534	0.6630	1.0000

Table 4. Multicollinearity

```
. estat vif
```

Variable	VIF	1/VIF
RLAW	3.67	0.272530
GOVEF	3.06	0.327011
RQUAL	2.82	0.354972
CCONT	2.14	0.467509
FD	1.68	0.593531
GDP	1.14	0.875545
Mean VIF	2.42	

Table 4 indicates that all the variables have the VIF less than 5 which is an acceptable level of multicollinearity.

Table 5. FGLS regression results

Cross-sectional time-series FGLS regression

Coefficients: generalized least squares
Panels: heteroskedastic
Correlation: no autocorrelation

Estimated covariances	=	5	Number of obs	=	85
Estimated autocorrelations	=	0	Number of groups	=	5
Estimated coefficients	=	7	Time periods	=	17
			Wald chi2(6)	=	539.97
Log likelihood	=	-374.6814	Prob > chi2	=	0.0000

REO	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
FD	-283.0201	29.37992	-9.63	0.000	-340.6037	-225.4365
GDP	-.3104867	.4968009	-0.62	0.532	-1.284199	.6632252
RQUAL	1.118207	.1298023	8.61	0.000	.863799	1.372615
GOVEF	.0501271	.2037056	0.25	0.806	-.3491286	.4493827
CCONT	-.9856417	.3529803	-2.79	0.005	-1.67747	-.293813
RLAW	-.0835322	.3467181	-0.24	0.810	-.7630872	.5960229
_cons	77.61479	6.597746	11.76	0.000	64.68345	90.54614

Table 6. FGLS regression results with time variable

Cross-sectional time-series FGLS regression

Coefficients: generalized least squares
Panels: heteroskedastic
Correlation: no autocorrelation

Estimated covariances	=	5	Number of obs	=	85
Estimated autocorrelations	=	0	Number of groups	=	5
Estimated coefficients	=	10	Time periods	=	17
			Wald chi2(9)	=	529.27
Log likelihood	=	-373.7186	Prob > chi2	=	0.0000

REO	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
FD	-271.867	29.45473	-9.23	0.000	-329.5972	-214.1368
GDP	-.3447424	.5554899	-0.62	0.535	-1.433483	.7439979
RQUAL	1.132064	.1303573	8.68	0.000	.8765681	1.387559
GOVEF	.1176671	.1989071	0.59	0.554	-.2721837	.5075179
CCONT	-1.004812	.3355189	-2.99	0.003	-1.662416	-.3472066
RLAW	-.1629149	.3399412	-0.48	0.632	-.8291874	.5033575
_IYear_2007	-.6183086	5.493616	-0.11	0.910	-11.3856	10.14898
_IYear_2008	2.239964	5.326402	0.42	0.674	-8.199593	12.67952
_IYear_2009	-7.558226	5.292863	-1.43	0.153	-17.93205	2.815595
_cons	75.68667	6.653359	11.38	0.000	62.64632	88.72701

The results demonstrated in Table 6 indicates that:

Financial development has a coefficient of -271.867 with a p-value of 0.000. These indicators show that financial development *has negative and significant* impact on renewable electricity output at 1% level of significance. Therefore, financial development has negative impact on renewable electricity output. This is not consistent with the study hypothesis that a better developed financial markets and institutions promote a greater renewable energy generation. This finding is in line with the study of Saadaoui and Chtourou (2022) for Tunisia during the period of 1984-2017 which revealed that financial development has negative and significant impact on renewable energy consumption.

Such study result may indicate that developed financial markets promote the growth of economy which in turn prefers fossil fuels for further development. Then, the increased electricity supply in the countries usually comes from the conventional energy sources like fossil fuels. As overall electricity supply from conventional sources grows then the share of renewable electricity sources shrinks. Such view is in line with Sadorsky (2010) stating that developed financial sector can lead to an overall increase in energy demand through the cheaper money available to citizens.

GDP growth has a coefficient of -0.3447424 with a p-value of 0.535. These indicators show that GDP growth *has negative and insignificant impact* on renewable electricity output. Therefore, there is no evidence that economic growth had impact on renewable electricity output in Central Asia during the research period. This finding is not consistent with the study hypothesis that economic growth promotes a greater renewable energy generation.

The finding is supported by the research of Uzar (2020) which indicates that economic growth negatively affected the renewable energy consumption in 38 countries during the period of 1990-2015.

Regulatory quality has a coefficient of 1.132064 with a p-value of 0.000. These indicators show that regulatory quality *has positive and significant* impact on renewable electricity output at 1% level of significance. This finding is consistent with the study hypothesis that a better regulated environment promotes a greater renewable energy generation.

A greater regulation and protection from government might motivate renewable energy producers to increase green energy production. Such view is supported by the study of Tee et al. (2021) which implies that the better government's protection of intellectual property rights caused a greater renewable energy production.

Government effectiveness has a coefficient of 0.1176671 with a p-value of 0.554. These indicators show that government effectiveness *has positive and insignificant* impact on renewable electricity output.

This finding is not consistent with the study hypothesis that government effectiveness promotes a greater renewable energy generation.

This finding is in line with the study results of Saba and Biyase (2022) which revealed that government effectiveness does not have statistically significant impact on renewable energy development in 35 European countries during the period of 2000-2018.

Control of corruption has a coefficient of -1.004812 with a p-value 0.003. These indicators show that control of corruption *has negative and significant* impact on renewable electricity output at 1% level of significance. This finding is opposite to the study hypothesis that a better corruption control promotes a greater renewable energy generation. Also, this is opposite to the study of Mehmood et al. (2022) which revealed that corruption control positively affects consumption of renewable energy in BRICS during the 1988 and 2017.

Such finding can be related to the fact that during the development and implementation of renewable energy projects energy producers face different quite cumbersome and bureaucratic requirements in different jurisdictions. They need to obtain planning permissions, licenses and comply with multiple environmental requirements. Low control of corruption increases number of bribes to the public officials and can lead to a faster and easier completion of renewable energy projects with final higher level of renewable energy production in the countries. This is in line with the study of Gennaioli and Tavoni

(2016) that provides evidence that more corrupt provinces in Italy during the years of 1990-2007 have attracted a higher number of wind energy projects, eventually accelerating the development of the wind sector. Thus, when the corruption control becomes stronger, then developers get less opportunities for obtaining easy permissions and approvals from local authorities.

Rule of law has a coefficient of -0.1629149 with a p-value of 0.632. These indicators show that rule of law has *negative and insignificant* impact on renewable electricity output. This finding is in line with the study results of Saba and Biyase (2022) which revealed that rule of law does not have statistically significant impact on renewable energy development in 35 European countries during the period of 2000-2018.

Time (variable) dummy

Time variables of 2007, 2008, 2009 (the years of financial crises) had no impact on the renewable electricity output in Central Asia with p-values of 0.910, 0.674 and 0.163 respectively.

CONCLUSION AND POLICY IMPLICATIONS

Findings of this research reveal that out of 6 researched independent variables of this study only 3 of them affect the renewable electricity output in Central Asia for the period of 1996 to 2015.

Current research provides significant empirical evidence that financial development and control of corruption have negative impact on renewable electricity output in Central Asia, while regulatory quality has positive effect. Thus, it is important to develop sustainable financial mechanisms and implement investment incentives to promote private sector investments in the renewable energy sector. Formulation of effective strategies, policies and regulations can help to create favorable environment in the green energy sector with reduced number of potential unknowns for investors and thus, redirect more funding towards renewables. Combination of efficient regulatory framework and sufficient sector funding can increase the share of electricity produced from green energy sources in the total energy mix of countries in Central Asia.

REFERENCES

1. Adedoyin, F. F., Bekun, F. V., Eluwole, K. K., & Adams, S. (2022). Modelling the Nexus between Financial Development, FDI, and CO2 Emission: Does Institutional Quality Matter? *Energies*, 15(20), 7464. <https://doi.org/10.3390/en15207464>
2. Aghaei, M., rezagholizadeh, M., & abdi, Y. (2019). Financial Development and Renewable Energy Technology Development in Different Sectors: Application of Panel Tobit Model. *Journal of Economic Research (Tahghighat- E- Egtesadi)*, 54(2), 253-284. doi: 10.22059/jte.2019.71284
3. Ahmad, M., Zhao, Z.-Y., Rehman, A., Shahzad, M., & Li, H. (2019). Revealing long- and short-run empirical interactions among foreign direct investment, renewable power generation, and CO2 emissions in China. *Environmental Science and Pollution Research*, 26(22), 22220–22245. <https://doi.org/10.1007/s11356-019-05543-x>
4. Akhbari, R., & Nejati, M. (2019). The effect of corruption on carbon emissions in developed and developing countries: empirical investigation of a claim. *Heliyon*, 5(9), e02516. <https://doi.org/10.1016/j.heliyon.2019.e02516>
5. Alam, Md. M., & Murad, Md. W. (2020). The impacts of economic growth, trade openness and technological progress on renewable energy use in organization for economic co-operation and development countries. *Renewable Energy*, 145, 382–390. <https://doi.org/10.1016/j.renene.2019.06.054>
6. Anwana, E. O. (2016). *Institutional Quality and Electricity Supply Growth in a Developing*

Economy: The Case of Nigeria.

7. Awosusi, A. A., Adebayo, T. S., Rjoub, H., & Wong, W.-K. (2022). How Do Financial Development and Renewable Energy Affect Consumption-Based Carbon Emissions? *Mathematical and Computational Applications*, 27(4), 73. <https://doi.org/10.3390/mca27040073>
8. Azam, M., Liu, L. & Ahmad, N. Impact of institutional quality on environment and energy consumption: evidence from developing world. *Environ Dev Sustain* 23, 1646–1667 (2021). <https://doi.org/10.1007/s10668-020-00644-x>
9. Bayraktutan, Y., Yilgör, M., & Uçak, S. (2011). *Renewable Electricity Generation and Economic Growth: Panel-Data Analysis for OECD Members*. 66.
10. Bilal, S. M., Shah, S. Z. A., Rahman, S. U., & Jehangir, F. N. (n.d.). *Impact of Resource Rents and Institutional Quality on Economic Growth: An Approach of Panel Threshold Analysis*.
11. Brunnschweiler, C. N. (n.d.). *CER-ETH – Center of Economic Research at ETH Zurich*.
12. Burakov, D., & Freidin, M. (2017). *Financial Development, Economic Growth and Renewable Energy Consumption in Russia: A Vector Error Correction Approach*. 7(6).
13. Cadoret, I., & Padovano, F. (2016). The political drivers of renewable energies policies. *Energy Economics*, 56, 261–269.
14. Dimnwobi, S. K., Madichie, C. V., Ekesiobi, C., & Asongu, S. A. (2022). Financial development and renewable energy consumption in Nigeria. *Renewable Energy*, 192, 668–677. <https://doi.org/10.1016/j.renene.2022.04.150>
15. Fahd, M. A. S., Al-Mamoori, M. K. S., & Al-Shammari, H. A. (n.d.). The Role of Financial Credits, Economic Growth, and Sustainable Energy on the Environmental Condition in Iraq. *Economic Growth*.
16. Gakpa, L.-L., & Kouadio, H. K. (2022). Effect of Foreign Direct Investment on Energy consumption: Does Institutional Quality matter? Evidence from Cote d’Ivoire. *International Journal of Energy Economics and Policy*, 12(1), 453–459. <https://doi.org/10.32479/ijeep.11907>
17. Gennaioli, C., & Tavoni, M. (2016). Clean or dirty energy: evidence of corruption in the renewable energy sector. *Public Choice*, 166, 261–290.
18. Guan, D., Comite, U., Sial, M. S., Salman, A., Zhang, B., Gunnlaugsson, S. B., Mentel, U., & Mentel, G. (2021). The Impact of Renewable Energy Sources on Financial Development, and Economic Growth: The Empirical Evidence from an Emerging Economy. *Energies*, 14(23), 8033. <https://doi.org/10.3390/en14238033>
19. Iorember, P. T., Goshit, G. G., & Dabwor, D. T. (2020). Testing the nexus between renewable energy consumption and environmental quality in Nigeria: The role of broad-based financial development. *African Development Review*, 32(2), 163–175. <https://doi.org/10.1111/1467-8268.12425>
20. Janenova, S., & Knox, C. (2019). Civil service reform in Kazakhstan: trajectory to the 30 most developed countries?. *International Review of Administrative Sciences*, 85(3), 419–439.
21. Kilicarslan, Z. (2019). THE RELATIONSHIP BETWEEN FOREIGN DIRECT INVESTMENT AND RENEWABLE ENERGY PRODUCTION: EVIDENCE FROM BRAZIL, RUSSIA, INDIA, CHINA, SOUTH AFRICA AND TURKEY. *International Journal of Energy Economics and Policy*, 9(4), 291–297. <https://doi.org/10.32479/ijeep.7879>
22. Kirikkaleli, D., & Adebayo, T. S. (2021). Do renewable energy consumption and financial development matter for environmental sustainability? New global evidence. *Sustainable Development*, 29(4), 583–594. <https://doi.org/10.1002/sd.2159>
23. Koç, M., Kiymaz Kivraklar, M., & Mert, N. (2022). Nexus Between Renewable Energy Consumption, Financial Development, and Economic Growth: Evidence from IEA Countries. *Erciyes Akademi*. <https://doi.org/10.48070/erciyesakademi.1089386>
24. Lahiani, A., Mefteh-Wali, S., Shahbaz, M., & Vo, X. V. (2021). Does financial development

- influence renewable energy consumption to achieve carbon neutrality in the USA? *Energy Policy*, 158, 112524. <https://doi.org/10.1016/j.enpol.2021.112524>
25. Lameira, V., Alcântara, F., Chiappori, D., & Pereira, R. (2016). RENEWABLE ENERGIES AND ECONOMIC DEVELOPMENT: EVIDENCES OF STUDY IN PANEL. *Brazilian Journal of Operations & Production Management*, 13(2), 208. <https://doi.org/10.14488/BJOPM.2016.v13.n2.a7>
 26. Latif, Y., Shunqi, G., Fareed, Z., Ali, S., & Bashir, M. A. (2023). Do financial development and energy efficiency ensure green environment? Evidence from R.C.E.P. economies. *Economic Research-Ekonomska Istraživanja*, 36(1), 51–72. <https://doi.org/10.1080/1331677X.2022.2066555>
 27. Le, H. P., & Bao, H. H. G. (2020). RENEWABLE AND NONRENEWABLE ENERGY CONSUMPTION, GOVERNMENT EXPENDITURE, INSTITUTION QUALITY, FINANCIAL DEVELOPMENT, TRADE OPENNESS, AND SUSTAINABLE DEVELOPMENT IN LATIN AMERICA AND CARIBBEAN EMERGING MARKET AND DEVELOPING ECONOMIES. *International Journal of Energy Economics and Policy*, 10(1), 242–248. <https://doi.org/10.32479/ijeep.8506>
 28. Majeed, M. T., & Hussain, Z. (n.d.). *Heterogeneous Effects of Financial Development on Renewable Energy Consumption: Evidence from Global Dynamic Panel Threshold Approach*.
 29. Makhdom, M. S. A., Usman, M., Kousar, R., Cifuentes-Faura, J., Radulescu, M., & Balsalobre-Lorente, D. (2022). How Do Institutional Quality, Natural Resources, Renewable Energy, and Financial Development Reduce Ecological Footprint without Hindering Economic Growth Trajectory? Evidence from China. *Sustainability*, 14(21), 13910. <https://doi.org/10.3390/su142113910>
 30. Mehmood, U., Agyekum, E. B., Tariq, S., Ul Haq, Z., Uhunamure, S. E., Edokpayi, J. N., & Azhar, A. (2022). Socio-economic drivers of renewable energy: empirical evidence from BRICS. *International Journal of Environmental Research and Public Health*, 19(8), 4614.
 31. Murshed, M., Elhaddad, M., Ahmed, R., Bassim, M., & Than, E. T. (2022). Foreign Direct Investments, Renewable Electricity Output, and Ecological Footprints: Do Financial Globalization Facilitate Renewable Energy Transition and Environmental Welfare in Bangladesh? *Asia-Pacific Financial Markets*, 29(1), 33–78. <https://doi.org/10.1007/s10690-021-09335-7>
 32. Nawaz, M. A., Hussain, M. S., & Hussain, A. (2021). The Effects of Green Financial Development on Economic Growth in Pakistan. *IRASD Journal of Economics*, 3(3). <https://doi.org/10.52131/joe.2021.0303.0044>
 33. Ozili, P. K. (2022). Financial inclusion and sustainable development: An empirical association. *Journal of Money and Business*, 2(2), 186–198. <https://doi.org/10.1108/JMB-03-2022-0019>
 34. Polat, B. (2021). The Impact of Financial Development on Renewable and Non-Renewable Energy Consumption. *Energy Economics Letters*, 8(1), 42–48. <https://doi.org/10.18488/journal.82.2021.81.42.48>
 35. Saba, C. S., & Biyase, M. (2022). Determinants of renewable electricity development in Europe: Do Governance indicators and institutional quality matter?. *Energy Reports*, 8, 13914–13938.
 36. Sadorsky, P. (2010). The impact of financial development on energy consumption in emerging economies. *Energy policy*, 38(5), 2528–2535.
 37. Samour, A., Baskaya, M. M., & Tursoy, T. (2022). The Impact of Financial Development and FDI on Renewable Energy in the UAE: A Path towards Sustainable Development. *Sustainability*, 14(3), 1208. <https://doi.org/10.3390/su14031208>
 38. Schuman, S., & Lin, A. (2012). China's Renewable Energy Law and its impact on renewable power in China: Progress, challenges and recommendations for improving implementation.

Energy policy, 51, 89-109.

39. Song, Y., Shahzad, U., & Paramati, S. R. (2023). Impact of energy infrastructure investments on renewable electricity generation in major Asian developing economies. *Australian Economic Papers*, 62(1), 1–23. <https://doi.org/10.1111/1467-8454.12282>
40. Sun, Z., Zhang, X., & Gao, Y. (2023). The Impact of Financial Development on Renewable Energy Consumption: A Multidimensional Analysis Based on Global Panel Data. *International Journal of Environmental Research and Public Health*, 20(4), 3124. <https://doi.org/10.3390/ijerph20043124>
41. Tee, W.-S., Chin, L., & Abdul-Rahim, A. S. (2021). Determinants of Renewable Energy Production: Do Intellectual Property Rights Matter? *Energies*, 14(18), 5707. <https://doi.org/10.3390/en14185707>
42. Temirgaliyeva, N., & Junussova, M. (2020). Renewable Electricity Production and Sustainability of the National and Regional Power Systems of Kazakhstan. *Silk Road: A Journal of Eurasian Development*, 2(1), 35–53. <https://doi.org/10.16997/srjed.15>
43. Usman, O., Iorember, P. T., Ozturk, I., & Bekun, F. V. (2022). Examining the Interaction Effect of Control of Corruption and Income Level on Environmental Quality in Africa. *Sustainability*, 14(18), 11391. <https://doi.org/10.3390/su141811391>
44. Uzar, U. (2020). Political economy of renewable energy: does institutional quality make a difference in renewable energy consumption?. *Renewable Energy*, 155, 591-603.
45. Vitenu-Sackey, P. A., Oppong, S., & Bathuure, I. A. (2021). The impact of green fiscal policy on green technology investment: Evidence from China. *International Journal of Management Excellence*, 16.
46. Vo, D. H., Tran, Q., & Tran, T. (2022). Economic growth, renewable energy and financial development in the CPTPP countries. *PLOS ONE*, 17(6), e0268631. <https://doi.org/10.1371/journal.pone.0268631>
47. Wang, Erhong & Gozgor, Giray & Mahalik, Mantu Kumar & Patel, Guptaeswar & Hu, Guoheng, 2022. "Effects of institutional quality and political risk on the renewable energy consumption in the OECD countries," *Resources Policy*, Elsevier, vol. 79(C).
48. Warsame, A. A., Sheik-Ali, I. A., Mohamed, J., & Sarkodie, S. A. (2022). Renewables and institutional quality mitigate environmental degradation in Somalia. *Renewable Energy*, 194, 1184–1191. <https://doi.org/10.1016/j.renene.2022.05.109>
49. Wilson, J., Twerefou, D. K., Bekoe, W., & Akpalu, W. (2022). Institutional quality and investment in renewable electricity in Sub-Saharan Africa. *Ghanaian Journal of Economics*, 10(1), 34-50.
50. Yang, M., & Kim, J. (2020). Revisiting the Relation between Renewable Electricity and Economic Growth: A Renewable–Growth Hypothesis. *Sustainability*, 12(8), 3121. <https://doi.org/10.3390/su12083121>
51. Ye, J., Al-Fadly, A., Huy, P. Q., Ngo, T. Q., Hung, D. D. P., & Tien, N. H. (2022). The nexus among green financial development and renewable energy: Investment in the wake of the Covid-19 pandemic. *Economic Research-Ekonomska Istraživanja*, 35(1), 5650–5675. <https://doi.org/10.1080/1331677X.2022.2035241>
52. Zaidi, F. (2021). A NEXUS BETWEEN FINANCIAL DEVELOPMENT AND RENEWABLE ENERGY CONSUMPTION. 27.

An Investigation into the Promotional Preferences of Clients and the effects of Those Promotional Activities on Performance

Aruzhan Jambulatova

Bang College of Business, KIMEP University

Abay Ave, 4, Almaty, Kazakhstan

aruzhan.jambulatova@kimep.kz

ABSTRACT

The intention of this study is to determine the most desired promotional contact methods for health-care professionals in the pharmaceuticals area. Marketing of these types of products is very crucial aspect in each and every industry. However not all industries can easily promote their products or services as they want to due to the strict legal regulations. Especially pharmaceutical industry is very strictly regulated not only legally, but also from compliance and ethics part. Every pharmaceutical company that respects itself would have rigid ethical and compliance regulations inside its company, so that it would help preventing unwanted risks and situations. Medical representatives are required as part of the pharmaceutical marketing process to contact HCPs at their places of employment in order to describe the products and their advantages. One sales representative is able to make only 14 visits per day, it means, that he can cover 14 HCPs per day, which follows that at most he is able to cover 170 HCPs just by F2F visits in one quarter, which is actually not enough to cover all of his territory. Hence additional promotional channels or additional ways of communications would help sales reps to be in touch with more than 170 HCPs. HCPs from 16 regions were surveyed via telephone call. According to that, most popular promotional channels were chosen, which are face to face visits (F2F), emails, telephone calls, round tables (RT), mini seminars (MS), webinars and conferences. To understand which promotional channels are more preferred and effective, the following objectives are introduced, the HCPs rated the desirability of the promotions and this information was compared to sales in various regions.

KEYWORDS: pharmaceutical industry, pharmaceutical companies, Health-care professionals (HCPs), promotional preferences, sales representatives (sales reps), medical representatives (med.reps)

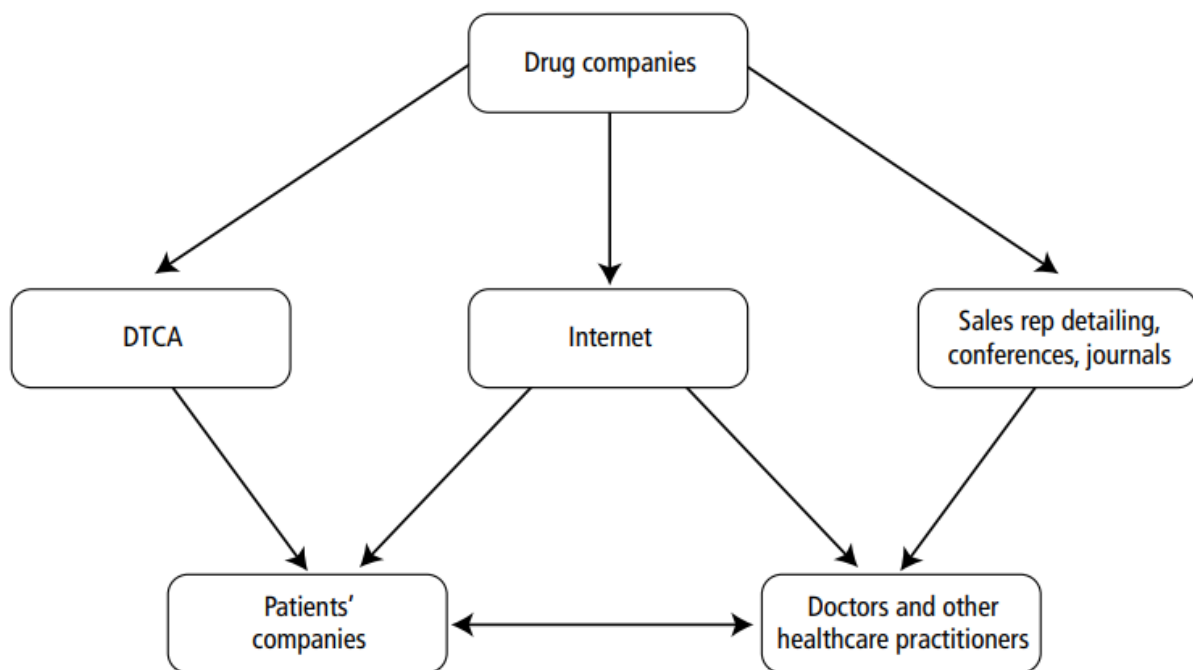
INTRODUCTION

Marketing is very crucial aspect in each and every industry. However not all industries can easily promote their products or services as they want to due to the strict legal regulations. Especially pharmaceutical industry is very strictly regulated not only legally, but also from compliance and ethics part. Every pharmaceutical company that respects itself would have rigid ethical and compliance regulations inside its company, so that it would help preventing unwanted risks and situations. For instance, earlier pharmaceutical companies could organize big conferences abroad, and organize trips for HCPs, so that they would have ability to visit foreign countries with the help of pharmaceutical

companies. However now top companies try to avoid those methods of promotion, because there were a lot of debates going on regarding the effect of those kind of trips on prescriptions. (David G. et al., 2010) Hence, the actual type of promotion for now is face to face visits performed by medical representatives.

Medical representatives are required as part of the pharmaceutical marketing process to contact HCPs at their places of employment in order to describe the products and their advantages. The marketing of pharmaceutical industry is represented in Figure 1. One method of gathering product information is via detailing. Three main promotional channels provide information about items to doctors. First off, medical representatives' detailed efforts account for a sizable percentage of product information. Each company's representatives will offer detailed clinical data about the effectiveness of their respective products. Promotional brochures are used to reaffirm this information. Next, direct-to-consumer advertising is available in nations where it is legal. And last, attending conferences provides an alternate way to receive product information and training. The point is that the main sales driver in pharmaceutical company is medical representatives. Companies invest lot of money to hire sales reps, for instance, it was estimated that in 1998 57,500 medical representatives were assigned to the US, where medical representative promotion accounted for 65% of the sales budget. (Rod M. et al., 2009)

Figure 1. Pharmaceutical promotion channels



Source: adapted from Rod M. and Saunders S. 2009

Hence in pharmaceutical field as the main sales budget is invested to sales reps, it is really crucial to understand which promotional channel medical representative should use in order to promote products effectively. According to this, this thesis is aimed on investigating more preferred promotion channels in pharmaceutical industry and investigating and comparing effects and outcomes of those preferred

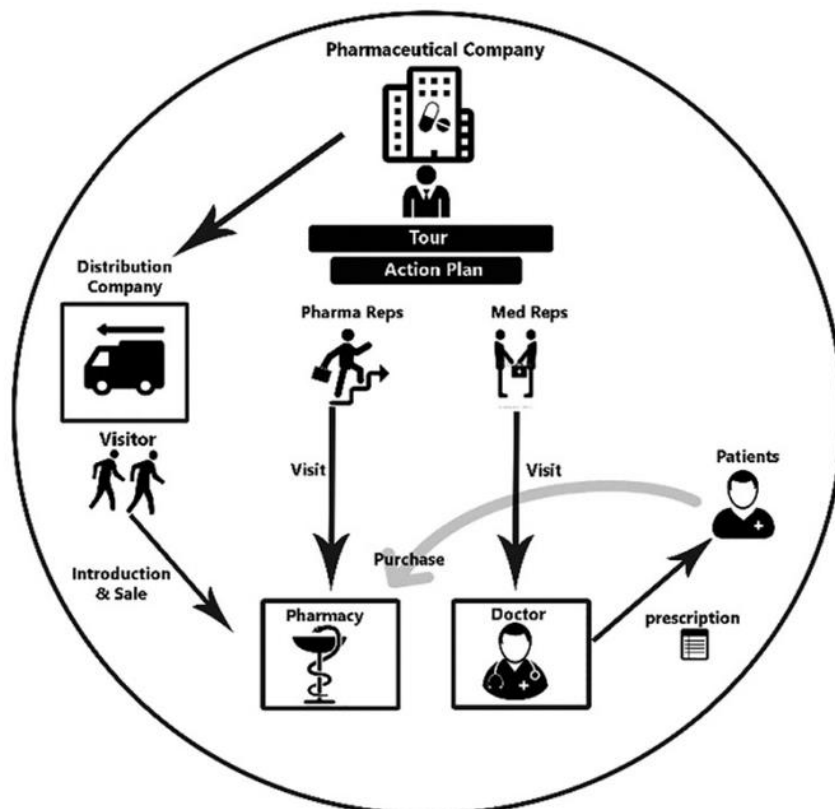
promotions for HCPs on pharmaceutical company performance. Other popular and mostly used promotional channels are face-to-face visits (F2F), emails, telephone calls, round tables (RT), mini seminars (MS), webinars and conferences. Specifically, the purpose of this research is (i) to investigate more preferred promotion channel in pharmaceutical industry and (ii) to investigate and compare effects and outcomes of those preferred promotions on pharmaceutical company performance.

LITERATURE REVIEW AND HYPOTHESIS

Since the 1960s, there has been discussion on whether marketing partnerships between doctors and the pharmaceutical business are appropriate. The worldwide pharmaceutical sector generates over one trillion US dollars in annual sales, making it one of the most significant driving factors and dominant participants in the modern global economy.

Drug marketing on prescription is distinct. Marketing methods are mostly focused on affecting the physician's choice since they know which drugs a patients will buy. As it is represented at figure 2, the connection between patients and medical is made through HCPs and prescriptions. The pharmaceutical business has focused the greatest attention on prescription medicine marketing strategies because they are the main source of income for the sector. Furthermore, since they specify the prescriptions that patients are to utilize, doctors are the main participants in the pharmaceutical marketing industry. As a result, rather of being on the patients, the attention is on the doctors.

Figure 2. A communication chain between marketing and sales activities in the pharmaceutical industry



Source: adapted from Sohrabi, B., et al., 2019

A review of the literature revealed a considerable impact of marketing promotion tactics on doctors' prescribing practices. Drug prescribing choices are typically the culmination of a variety of variables, including marketing initiatives by pharmaceutical MRs and other promotional activities. 41 research that looked at the effects of promotional tactics and pharmacological MRs in both developed and developing nations were found in our study of the last 10 years. The empirical data presented in the research under consideration demonstrate that pharmaceutical MRs and promotion, while to varying degrees, have a favorable impact on prescription behavior.

A rough estimate of the number of internet users globally in 2019 was 4.48 billion, with India and China each having 560 million and 802 million users, respectively. This has significantly accelerated the digital era across many industries. Compared to traditional marketing, digital marketing is a more time- and money-efficient way to reach customers in any industry. Pharmaceutical marketers may leverage data from digital marketing to create more strategic interactions with prescribers and doctors. Nonetheless, many businesses are still unable to incorporate digital into their whole company plan. Implementing digital marketing strategies in the pharmaceutical industry is problematic for a number of reasons, some of which can be strict regulatory rules.

According to ExactTarget's 2012 User Preference Study, email continues to be the top direct channel customers will pick for regular use in both customer and marketing interactions. Yet, customers can easily access emails because to the widespread usage of smartphones and tablets. In fact, compared to social media (6%) and text messaging (5%), 77% of consumers prefer to receive permission-based marketing messages via email. Customers may choose to have a dialogue and then receive only the information they want by using email, which offers them a sense of control and personalization.

Based on the literature review outlined above and also on the current methods of communicating with HCPs in the industry, I propose the following hypothesis.

H_{R1}: There will be differences in the preferred contact methods.

H_{R2}: There will be differences in the effects on sales for each of the promotion types.

DATA COLLECTION

To investigate the most preferable promotion channel and its effectiveness, quantitative research methods were used. HCPs were reached out by telephone calls, as this is the fastest way to get response and effective one o cover HCPs from other regions rather than Almaty. As listed in Table 1, 16 regions were included in research and 10 HCPs from each region were chosen to answer the short questionnaire. Respondents were chosen as every 10th, or 4th, depending on total number of HCPs in corresponding region. In total 160 HCPs were surveyed and the results are followed by those 160 responses.

Regions	Number of respondents	Total	KZ
Aktau	10	160	
Aktobe	10		
Almaty	10		
Astana	10		
Atyrau	10		
Karagandy	10		
Kokshetau	10		
Kostanay	10		
Kyzylorda	10		
Oskemen	10		
Pavlodar	10		
Petropavl	10		
Semey	10		
Shymkent	10		
Taraz	10		
Uralsk	10		

Table 1. Regions participated in research and the number of HCPs

DATA

Data was collected on seven promotional categories which are generally the mostly used and popular promotional channels for promoting pharmaceuticals: face to face visits (F2F), emails, telephone calls, round tables (RT), mini seminars (MS), webinars and conferences. As it was needed to cover as most as possible HCPs from the whole country, short questionnaire was designed. Questionnaire consisted of 3 main questions, whether HCP is still working as HCP, whether she/he is visited by sales reps, which of promotional channels she/he prefers at first place, second and third one. Hence the top 3 promotional channels were marked in descending order from 7 to 5, while the lesser preferred other 4 promotional channels, that were not chosen were marked as 0. General statistics for promotional types are shown in table 2.

	F2F Visits	Emails	Telephone Calls	RT	MS	Webinars	Conference
Valid	160	160	160	160	160	160	160
Missing	0	0	0	0	0	0	0
Mean	6.450	1.563	2.319	2.138	2.194	1.337	1.119
Std. Deviation	1.726	2.525	2.834	2.683	2.714	2.376	2.264
Minimum	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Maximum	7.000	7.000	7.000	7.000	6.000	6.000	7.000

Table 2. Statistical analysis of obtained results

Data was also collected regarding sales figures for each region. These figures are confidential and will only be shown for the overall in this paper.

Model		Sum of Squares	df	Mean Square	F	p
H ₁	Regression	4.200e+14	22	1.909e+13	9.518e+29	< .001
	Residual	2.748e-15	137	2.006e-17		
	Total	4.200e+14	159			

Model		Unstandardized	Standard Error	Standardized ^a t		p
H ₀	(Intercept)	1.423e+6	128483.134		11.075	< .001
H ₁	(Intercept)	730775.000	3.000e-9		2.436e+14	< .001
	F2F Visits	-1.565e-10	2.362e-10	-1.662e-16	-0.663	0.509
	Emails	6.140e-10	2.234e-10	9.538e-16	2.749	0.007
	Telephone Calls	1.112e-10	1.871e-10	1.939e-16	0.594	0.553
	RT	7.225e-11	2.262e-10	1.193e-16	0.319	0.750
	MS	-3.225e-11	1.943e-10	-5.385e-17	-0.166	0.868
	Webinars	6.302e-10	2.291e-10	9.214e-16	2.750	0.007
	Conference	-1.302e-10	2.316e-10	-1.814e-16	-0.562	0.575
	Region (Aktobe)	270169.000	2.020e-9		1.338e+14	< .001
	Region (Almaty)	6.096e+6	2.038e-9		2.990e+15	< .001
	Region (Astana)	1.946e+6	2.017e-9		9.646e+14	< .001
	Region (Atyrau)	-121648.000	2.022e-9		-6.016e+13	< .001
	Region (Karagandy)	780332.000	2.030e-9		3.845e+14	< .001
	Region (Kokshetau)	-234009.000	2.049e-9		-1.142e+14	< .001
	Region (Kostanay)	77007.000	2.014e-9		3.824e+13	< .001
	Region (Kyzylorda)	-99662.000	2.040e-9		-4.885e+13	< .001
	Region (Oskemen)	21946.000	2.060e-9		1.065e+13	< .001
	Region (Pavlodar)	-6181.000	2.036e-9		-3.035e+12	< .001
	Region (Petropavl)	-246084.000	2.023e-9		-1.216e+14	< .001
	Region (Semey)	-262202.000	2.046e-9		-1.282e+14	< .001
	Region (Shymkent)	2.795e+6	2.033e-9		1.375e+15	< .001

Model	Unstandardized	Standard Error	Standardized ^a t	p
Region (Taraz)	92479.000	2.014e-9	4.591e+13	< .001
Region (Uralsk)	-34167.000	2.026e-9	-1.686e+13	< .001

^a Standardized coefficients can only be computed for continuous predictors.

Table 3. Regression analysis of obtained results

ANALYSIS AND FINDINGS

The relative importance of the communication methods will be investigated in two ways. First, mean values will be compared based on HCPs' reported preferences for each method. Second, simple linear regression analysis will be performed using sales as dependent variable and the communication types as the predictor variables. Regional sales are used as a control variable. The equation used in regression analysis is shown below:

$$EQ1: F2F + Webinars + Telephone\ calls + Mini\ seminars + Conference + Email + Round\ Tables + SalesR1 + \dots + SalesR16$$

According to Table 2, most preferable way of communication between sales reps and HCPs is F2F visits, which mean constitutes to 6.45. Second preferable promotion channel is telephone calls, which mean corresponds to 2.32 and third one is mini seminars.

Next, regression analysis is shown in table 3, which represents the link between a dependent variable and an independent variable. It is helpful for determining how strongly two variables are related. Also, it aids in modeling how the factors will interact in the future. In following research work, simple linear regression analysis was used. According to regression analysis, email and webinars are the most important promotion channels that affect performance of the company. It means that sales of the company are mostly dependent on emails and webinars. If we take into consideration, that used data for sales was for 2021 year, it makes sense, as it was pandemic period. During pandemic, company was using mostly e-channels to promote its products, hence a lot of webinars were organized and emails were sent respectively.

DISCUSSION AND LIMITATIONS

In the pharmaceutical sector, scientific interaction is conducted using both traditional and more recently adopted digital platforms. Pharmaceutical firms employ both in tandem with one another in a multichannel strategy, like the majority of sectors. Nevertheless, there are a number of factors, many of which are unique to the pharmaceutical sector, that have an impact on how companies are able to market and communicate about the medicines they develop, particularly in the face of increased regulatory restrictions and the absence of direct channels to the end users. (Krendyukov A. et al., 2020) For this issue, it is really significant to have understanding on what promotional channels our clients or HCPs prefers the most, how they prefer to be communicated the most. By knowing their preferences, sales reps will have opportunities to agile their visits accordingly and be more effective on their communications with HCPs. From another point, one sales rep is able to make only 14 visits per day, it means, that he can cover 14 HCPs per day, which follows that at most he is able to cover 170 HCPs just by F2F visits in one quarter, which is actually not enough to cover all of his territory. Hence additional promotional channels or additional ways of communications would help sales reps to be in touch with more than 170 HCPs.

REFERENCES

David, Guy, Sara Markowitz, and Seth Richards-Shubik. 2010. "The Effects of Pharmaceutical Marketing and Promotion on Adverse Drug Events and Regulation." *American Economic Journal: Economic Policy*, 2 (4): 1-25.

Rod, M., & Saunders, S. (2009). The informative and persuasive components of pharmaceutical promotion. *International Journal of Advertising*, 28(2), 313–349. doi:10.2501/s0265048709200558

Krendyukov, A., & Nasy, D. (2020). *Evolving Communication with Healthcare Professionals in the Pharmaceutical Space: Current Trends and Future Perspectives*. *Pharmaceutical Medicine*. doi:10.1007/s40290-020-00341-0

Abratt, R., & Anley, J. M. (1994). The Promotions Mix Practices of Retail Pharmacies: Towards an Appropriation Model. *International Journal of Advertising*, 13(4), 367–377. doi:10.1080/02650487.1994.11104590

McDonough, R. P., & Doucette, W. R. (2003). *Using Personal Selling Skills to Promote Pharmacy Services: Everyday encounters with patients offer valuable opportunities to build demand for pharmacy services and impart the value of pharmaceutical care*. *Journal of the American Pharmacists Association*, 43(3), 363–374. doi:10.1331/154434503321831076

Bryan, A. R., Liu, Y., & Kuehl, P. G. (2013). Advocating zoster vaccination in a community pharmacy through use of personal selling. *Journal of the American Pharmacists Association*, 53(1), 70–77. doi:10.1331/japha.2013.11097

Eldrwish, M. A., Aigbogun, O., Kani, Y., & Sambasivan, M. (2022, June 22). Attitude towards pharmaceutical promotional tools and its influence on physicians' prescribing behaviour in Sudan. *International Journal of Pharmaceutical and Healthcare Marketing*, 16(4), 469–489.

doi: 10.1108/ijphm-03-2021-0036

Thomas L. Schwartz, Daniel J. Kuhles, Michael Wade & Prakash S. Masand (2001) Newly Admitted Psychiatric Patient Prescriptions and Pharmaceutical Sales Visits, *Annals of Clinical Psychiatry*, 13:3, 159-162, doi: [10.3109/10401230109148963](https://doi.org/10.3109/10401230109148963)

Paul EM Muijers, Richard PTM Grol, Jildou Sijbrandij, Rob Janknegt, J André Knottnerus, Differences in prescribing between GPs. Impact of the cooperation with pharmacists and impact of visits from pharmaceutical industry representatives, *Family Practice*, Volume 22, Issue 6, December 2005, Pages 624–630, doi: [10.1093/fampra/cmi074](https://doi.org/10.1093/fampra/cmi074)

Lieb K, Scheurich A (2014) Contact between Doctors and the Pharmaceutical Industry, Their Perceptions, and the Effects on Prescribing Habits. *PLoS ONE* 9(10): e110130.

[Sohrabi, B.](#), [Raeesi Vanani, I.](#), [Nikaein, N.](#) and [Kakavand, S.](#) (2019), "A predictive analytics of physicians prescription and pharmacies sales correlation using data mining", *International Journal of Pharmaceutical and Healthcare Marketing*, Vol. 13 No. 3, pp. 346-363.

Bharskar, Ganesh & SIDDHESHWAR, SUHASS. (2020). Digital marketing in pharmaceutical sector. *International journal of pharmaceutical science and health care*. 2. 10.26808/Rs.Ph.I10v2.01.

Profitability determinants of pharmaceutical industry in South Korea

Assiya Mamanova and Alimshan Faizulayev, PhD

Bang College of Business, KIMEP University

2 Abai avenue, Almaty, Kazakhstan

Assiya.mamanova@kimep.kz; a.faizulayev@kimep.kz

ABSTRACT

The purpose of the present study is to find out the main factors that affects the profitability of pharmaceutical industry in South Korea for the period of 2012-2021 years. In order to identify the profitability determinants macroeconomic and firm-specific variables were used. The 32 South Korean pharmaceutical companies were selected for this research by using the Refinitiv Eikon database and The World Bank database. Collected data evaluated by feasible generalised least squares method to run the regression and measure profitability determinants in terms of tax, size, liquidity, management efficiency, leverage, unemployment, GDP and population growth. Therefore, we observed pharmaceutical literature to identify the most properly used ratios. I found out that the firm-specific variables play a significant role in explaining profitability as well as macro-economic variables.

KEYWORDS: *profitability, pharmaceutical company, South Kore, panel regression.*

INTRODUCTION

A health care system in South Korea is one of the most advanced not only in Asia, but also in the world. Today Check-up "medical examination" became popular among the whole population. In its turn it leads to increasing of using Korean medicines around the world among the patients, who had a medical checkup. The basic check-up allows you to determine the general condition of the body using a minimal package of tests. This procedure allows you to identify the disease at an early stage. The main benefits of check-up are identified below:

- 1) Experienced doctors with excellent education. They have Qualification and accreditation every 4 years. And just 0,5 % of doctors can get a job after graduating university.
- 2) Excellent equipment of clinics. All medical center accommodated with a high level of medical technologies and also well computerized, so the exchange of data between departments is very fast.
- 3) Convenience for international patients. Even in small clinics there are medical staff who communicate fluently in English.
- 4) The cost of medical care in South Korea is about two times lower than in Germany and the US, and 20-30% lower than in Israel.
- 5) The effectiveness of treatment is more than 70%.
- 6) Last one Many patients are attracted by the speed of service in South Korean clinics. In some cases, a doctor's consultation lasts only 20 minutes, and the examination lasts 1 hour.

One of the markets that has been growing the fastest in recent years is the pharmaceutical business in South Korea. The first modern pharmaceutical business started operations in Korea's contemporary pharmaceutical industry 110 years ago, in the 1800s. As you can see from Time Table 1, the local pharmaceutical industry began producing both completed goods and drug ingredients in the 1960s. In

the 1980s, new processes were developed. Following the early stages of drug research in the latter part of the 1980s, the Korean pharmaceutical sector began to create novel medications in the latter part of the 2000s. Since then, the Korean pharmaceutical sector has produced some of the most cutting-edge and gradually improved medicines.

Table 1. Timetable of pharmaceutical industry growth



And in proceeding of history last 10 years from 2010-2020 became more profitable to pharmaceutical companies. As of 2020, the pharmaceutical industry in South Korea worth approximately 23,2 trillion South Korean won. The value of medicines manufactured in Korea has increased in from approximately 14.2 billion South Korean won in 2010 to more than 21 million won in 2020. In international trade, pharmaceutical exports reached \$8.4 billion in 2020, having more than quadrupled from 2012 levels. The Korean pharmaceutical industry has been very active in providing a variety of medical supplies related to the coronavirus (COVID-19) pandemic, such as testing kits, which will contribute to the significant increase in exports in 2020. Meanwhile, pharmaceutical imports have remained relatively stable, reaching roughly 7,3 billion U.S. dollars in 2020.

LITERATURE REVIEW

Profitability Determinants Review

Many studies have been conducted to determine the characteristics that affect the profitability of pharmaceutical industry. Arthur S. Leahy et al. (2012) evaluated the profitability determinants of the U.S. pharmaceutical business using various profitability techniques. He examined Leahy's (1998, 2004) argument, which suggests that a company's success is related to the function it performs as well as its threats. For this analysis, all pharmaceutical companies with over \$50 million in 2001 net sales that participated in CIS were included. In his regression model, he included the dependent variable Return on Asset (ROA) and independent variables expert intensity, leverage ratio, A&M intensity, R&D intensity, capital intensity. His conclusions were identical to those of Leahy (1998, 2004), in which he said that the results vary according on the level of profitability applied. Thus, outcomes could not differ based on evaluation method.

Nicoleta Barbutu-Misu et al. (2013) was interested in studying the capital structure problem and influence the impact of financial leverage on an organization's profitability. Between 2008 and 2012, he analyzed three of the largest pharmaceutical companies in Romania. His study was based on three steps: an investigation of corporate profitability, the influence of leverage on ROE, and debt. At the conclusion of the analysis, he concluded that leverage effect plays a significant part in determining ROE in terms of debts degree, but does not totally affect ROE.

Dana-Maria et al. (2014) studied the factors that influence the company profitability performance from pharmaceutical sector based on an ordinary regression of the type of the least squares method (OLS). The research consists of 23 companies on a period of 3 years period from 2010 to 2012 from CEE. The findings of the regression model demonstrated a correlation between the return on equity

(ROE) and the most significant growth, liquidity, and risk components. She determined that significant variables, such as the ratio of research and development (R & D) expenses to total selling, general, and administrative (SG&A) expenses, might be incorporated into a future analysis and econometric model to establish a more comprehensive relationship.

S. M. Rifat Hassan and Sarah Muniyat (2019) conducted research on the impact of company-specific and macro-level factors on the profitability of Bangladeshi pharmaceutical enterprises. The study examined a random sample of five public listed pharma firms from 2008 to 2017. The study's research methodology is a panel analysis. They used a fixed effects model according to the Hausman test to evaluate the relationship between independent and dependent variables. Return on assets (ROA) has been used as an indicator of profitability. Company-specific factors include company size and expense-to-revenue ratio. In contrast, they have considered GDP growth and inflation rate as macro-level factors. They discovered a correlation between GDP expansion and profitability. In contrast, expense-to-revenue ratio and inflation rate have a negative relationship with profitability. Their research indicates a negative correlation between company scale and profitability.

Pharmaceutical company-specific variables

Size. As stated by Subhash Chander and Priyanka Aggarwal (2008), one of the pharmaceutical company-unique variables is size, which is measured as the sum of total assets. According to Subhash Chander and Priyanka Aggarwal (2008), larger businesses can benefit from economies of scale and reduce operating expenses. Large size also indicates the presence of a broader base of tangible assets, which can serve as a mortgage to raise sufficient funds to globalize their goods and enhance profitability by complying to the best manufacturing practices (GMPs).

Liquidity. Liquidity is the simplicity with which an asset or property can be transformed into cash without influencing its market value. Dana-Maria et al. (2014) stated that companies with low liquidity issues are estimated to be able to fulfil their short-term obligations, issues that have a negative effect on the rate of return. Once the optimal liquidity ratio has been attained, additional liquidity costs outweigh the benefits and the rate of return declines.

Management efficiency. The cost-to-income ratio, also known as cost efficiency, is a leading determinant of a pharmaceutical company's profitability. This ratio is applied to determine the effect of cost management on a company's profitability. Higher ratios result in decreased profits and vice versa according to Bourke et al., (1989). Greater operating expenses indicate reduced competitive pressure in an industry (Flamini et al., (2009)). As a consequence, a negative correlation between profitability and the cost-to-income ratio is determined.

Tax. The average tax rate that an individual or business pays is known as the effective tax rate. The portion of a person's or corporation's income that will be used to pay federal taxes is indicated as a percentage. The research demonstrates that a firm's ETR is influenced by a wide range of firm variables, however Rego et al., (2003) stated that there is no agreement on whether and how profitability influences the ETR. Studies claim that the progressive nature of the corporate tax code and/or the fact that more profitable companies have fewer permanent tax shelters balance their taxable revenue, ceteris paribus, are the causes of the positive relationship between profitability and ETRs (Mills, Nutter and Schwab, 2013).

Leverage. Leverage calculated as a ratio of debt to total assets. Financial structure leverage measures how a company finances its total assets through debt or equity (Dana-Maria et al., (2014)). According to Nicoleta Barbutu-Misu et al., (2013), the ratio of total debts to total assets is used to characterize the proportion of "other people's money" in all claims involving the company's assets. The larger this ratio, the greater the risk for creditors. However, this indicator measures the company's genuine ability to cover its debts. Since the leverage ratio is greater than 1, the company's reliance on its

creditors will increase. If leverage is less than 1, the bank will continue to provide loans under safe guarantee conditions (Tyagi Shilpi and Nauriyal D.K. (2017)).

Macroeconomic variables

GDP. The GDP growth rate measures the rate of economic expansion by comparing the year-over-year (or quarterly) change in a country's economic output. According to S. M. Rifat Hassan and Sarah Muniyat (2019), when the economy expands, corporations have more opportunities. In contrast, Md. Shahidul Islam and Muhammad Saifuddin Khan (2019) determined that the macroeconomic specific variables inflation rate and GDP growth rate may not have an impact on the firm's profitability. They believed that pharmaceutical products may not be sensitive to growth or price. Individuals purchase pharmaceuticals regardless of their income or quality of life in order to save their lives.

Unemployment. The unemployment rate is the proportion of an economy's unemployed who are presently in the labor force. A high unemployment rate indicates that the economy is unable to generate sufficient employment opportunities for job seekers. High unemployment not only enhances social problems and prolongs family distress, but also diminishes the country's appeal to foreign investors, thereby reducing the inflow of investment funds.

Population growth. The average annual rate of change in population size for a given country, territory, or geographic region over a given time period. It is the ratio between the annual increase in population size and the total population for that year, multiplied by 100. The annual increase in population is defined as the sum of two differences: the difference between births minus fatalities and the difference between immigrants minus emigrants, in a given country, territory, or geographic region during a given year.

DATA AND METHODOLOGY

This study makes use of financial statements from Refinitiv Eikon listed companies as well as data from The World Bank. The information was gathered from 32 pharmaceutical South Korean companies for a ten-year period between 2012 and 2021. I used firm-specific and macroeconomic determinants of firm profitability in this study and FGLS (feasible generalized least square) approach to conduct the regression, hence it corrects for autocorrelation, heteroscedasticity, and cross-sectional dependency. Table 2 illustrates the symbol, the empirical evidence, the information on the proxy of measurements and researchers.

Table 2. Variables description

Notation	Variable	Proxy	Researchers
Dependent variables			
ROA	Return on assets	Net income/total assets	S. M. Rifat Hassan and Sarah Muniyat (2019), Sugianto et al. (2020), Shilpi Tyagi and D.K. Nauriyal (2017),
ROE	Return on equity	Net income/shareholder's equity	Nicoleta Barbutu-Misu et al (2013), Dana-Maria et al. (2014)

Independent variables			
Size	Company Size	Logarithm of Total Assets (log)	Subhash Chander and Priyanka Aggarwal (2008), Shilpi Tyagi and D.K. Nauriyal (2017)
Liq	Liquidity	Current assets/current liabilities	Subhash Chander and Priyanka Aggarwal (2008), Dana-Maria et al. (2014)
CI	Management efficiency	COGS/Income before taxes	Shilpi Tyagi and D.K. Nauriyal (2017)
Tax	Effective tax rate	Income Tax/Earnings before tax	Rego et al., (2003), Flamini et al., (2009)
Leverage	Leverage	Total debts/total assets	Dana-Maria et al. (2014), Nicoleta Barbutu-Misu et al. (2013)
GDPg	Growth domestic product	GDP per capita growth (annual %)	S. M. Rifat Hassan and Sarah Muniyat et al. (2019), Md. Shahidul Islam and Muhammad Saifuddin Khan (2019)
Unempl	Unemployment	Unemployed people/labor force *100 %	
Pop	Population growth	(Population (time 2)-Population (time 1))/Population (t1)*100%	

Hypothesis of the research:

H-1: The size of the company as measured by total assets has a positive impact on its profitability.

H-2: Liquidity has negative impact on probability of pharmaceutical companies.

H-3: Management efficiency (cost to income) is negatively correlated with profitability.

H-4: Tax (total income tax to earnings before tax) has a negative impact the profitability of company.

H-5: The leverage of a pharmaceutical company positively influences to its profitability.

H-6: GDP growth has positive influence on the probability of pharmaceutical firms.

H-7: Unemployment rate has negative impact on pharmaceutical companies' probability.

H-8: Population growth has a positive affect to the profitability of company.

Methodology: The goal of this investigation is to conduct an empirical analysis of the relationship between macroeconomic factors and the financial performance of pharmaceutical companies in South Korea.

I used the Ordinary Least Square technique to analyze the variables.

We have the following regression model: $Y = \beta_0 + \beta_1 \text{size} + \beta_2 \text{Liq} + \beta_3 \text{CI} + \beta_4 \text{Tax} + \beta_5 \text{Leverage} + \beta_6 \text{GDPg} + \beta_7 \text{Unempl} + \beta_8 \text{Pop} + \varepsilon$

where Y represents ROA and ROE, the dependent variables, β -the coefficient parameters, β_0 is the constant term, ε is the error term.

EMPIRICAL RESULTS

Table 3. Descriptive Statistics on pharmaceutical companies in South Korea

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	148	.0438218	.143725	-1.21685	.35195
ROE	161	.0923852	.1651663	-.60867	.99014
Liq	302	5.45709	24.77383	.10088	426.8772
CI	307	-1.164859	79.52252	-988.1179	473.6187
Size	305	8.473927	.5512267	5.968112	9.828403
Tax	305	.1911099	.7255645	-2.30646	10.21417
Leverage	301	.3138915	.344508	0	2.099105
GDPg	320	2.62	1.211688	-.7	4.1
Unempl	320	3.46	.3935531	2.8	3.9
Pop	320	.32	.2185159	-.2	.6

In overall, it can be seen from the table that there are 6 negative indicators of the profitability: in minimum CI -988 % , tax -2,3% , ROA-1,2% and ROE, GDP and population. Profit maximum reached on Cost to income (man. Ef.) 473% and liquidity 427% and show high standart deviation which is correspondingly 79,5 and 24,7. Tax reached 10%, size 9,8 % profit (good result). The highest mean reached size showing 8,4. On average every variable except of CI was growing. We may infer that these variables have a high degree of variation.

Table 4: Correlation matrix on pharmaceutical companies in South Korea

	ROA	ROE	Liq	CI	Size	Tax	Leverage	GDPg	Unempl	Pop
ROA	1.0000									
ROE	0.2656	1.0000								
Liq	0.0046	-0.0352	1.0000							
CI	0.0273	0.0472	0.0145	1.0000						
Size	0.3148	-0.1187	-0.1081	-0.0701	1.0000					
Tax	0.1398	0.1247	0.0473	0.0445	0.3700	1.0000				
Leverage	-0.0565	-0.1845	-0.3570	-0.1029	0.3178	-0.0345	1.0000			
GDPg	0.0587	0.0565	-0.0594	0.0067	0.0333	0.0481	0.0662	1.0000		
Unempl	-0.1234	-0.1591	0.0571	-0.0592	0.0586	-0.1881	-0.0135	-0.4403	1.0000	
Pop	0.0547	0.1850	0.0197	-0.0184	-0.2172	0.0339	-0.2397	0.0905	-0.2476	1.0000

Table 4 displays a correlation matrix of independent and dependent variables. The average positive correlation can be seen between leverage and size (0.3178) as well as Size and ROA (0.3148). High negative correlation can be seen between Unemployment and GDP (-0.4402). There is positive correlation also between liq, CI, Tax, GDP , pop and negative correlation with leverage and unemployment. This correlation table shows weak correlation since most of results less than 50 %.

Table 5. Variance inflation factor

```
. estat vif
```

Variable	VIF	1/VIF
Size	1.42	0.706575
Unempl	1.40	0.712724
Leverage	1.39	0.721007
Tax	1.30	0.768652
GDPg	1.25	0.797315
Pop	1.18	0.845239
Liq	1.17	0.853767
ROE	1.11	0.902434
CI	1.02	0.976048
Mean VIF	1.25	

To find multicollinearity, we used the variance inflation factor (VIF). If the mean VIF is below 5, it is acceptable. Our model's mean VIF value of 1.25 shows that there is a typical correlation between the independent variables, obviating the need for further modifications. The model exhibits no multicollinearity.

Table 5. FGLS Regression Analysis of profitability determinants on ROA

Cross-sectional time-series FGLS regression

Coefficients: generalized least squares
Panels: heteroskedastic
Correlation: common AR(1) coefficient for all panels (0.4722)

Estimated covariances = 29 Number of obs = 138
Estimated autocorrelations = 1 Number of groups = 29
Estimated coefficients = 8 Obs per group:
 min = 2
 avg = 4.758621
 max = 10
Wald chi2(8) = 8.94e+08
Prob > chi2 = 0.0000

ROA	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
Liq	.0023108	.0010494	2.20	0.028	.000254	.0043676
CI	.0000183	.0000115	1.60	0.110	-4.15e-06	.0000407
Size	-.0069615	.0028021	-2.48	0.013	-.0124534	-.0014696
Tax	.0401651	.0021819	18.41	0.000	.0358886	.0444415
Leverage	-.065465	.0067286	-9.73	0.000	-.0786529	-.0522771
GDPg	.0028651	.000666	4.30	0.000	.0015597	.0041705
Unempl	.0284207	.00623	4.56	0.000	.0162101	.0406312
Pop	.0170686	.0038833	4.40	0.000	.0094574	.0246797
_cons	0	(omitted)				

According to Table 5, which summarizes the FGLS regression results, their Size (TA) and Leverage have negative impact on ROA, which is not correspond to the research Shilpi Tyagi and D.K. Nauriyal (2017) which was identified that the interaction between size and profitability is observed to be positive and statistically significant. In other words, 1% increase in firm size will decrease ROA by 0.69% and 1% in leverage will decrease ROA by 6,5 %. Vice versa, Liquidity has a positive correlation with ROA, that is 5% increase in Liquidity will increase ROA by 2.3%. This finding is in compliance with the research of Chander and Priyanka Aggarwal (2008) who stated that the ratio of a company's net liquid assets (cash and bank balances, marketable securities, and advance payments) to its current liabilities has a positive effect on its profitability.

population growth have a strong positive impact on profitability it means that nation is moving forward by **creating more profit for businesses**. Thereby, for stay profitable, the macroeconomic environment of the nation should be a focus for pharmaceutical companies in addition to internal considerations relating to their structure and operations. Changes in pharmaceutical companies interest margin may result from a country's improving economic situation.

REFERENCES

1. Barbuta-Misu, N. (2013). The effect of leverage on profitability of pharmaceutical companies. *Annals of Dunarea de Jos University of Galati Fascicle I. Economics and Applied Informatics*, 19, 45-52.
2. Boldeanu, D. M., & Pugna, I. B. (2014). The analysis of the influence factors affecting the performance of pharmaceutical companies. *Theoretical & Applied Economics*, 21(7).
3. Chander, S., & Aggarwal, P. (2008). Determinants of corporate profitability: an empirical study of Indian drugs and pharmaceutical industry. *Paradigm*, 12(2), 51-61.
4. Endri, E., Lisdawati, D. S., Hakim, L., & Sugianto, S. (2020). Determinants of profitability: Evidence of the pharmaceutical industry in Indonesia. *Systematic Reviews in Pharmacy*, 11(6), 587-597.
5. Hassan, S. R., & Muniyat, S. (2019). Factors influencing the profitability of pharmaceutical companies in Bangladesh. In *MESSAGE FROM THE CONFERENCE CHAIRS* (p. 770).
6. Innocent, E. C., Mary, O. I., & Matthew, O. M. (2013). Financial ratio analysis as a determinant of profitability in Nigerian pharmaceutical industry. *International journal of business and management*, 8(8), 107.
7. Islam, M. S., & Khan, M. S. (2019). The determinants of profitability of the pharmaceutical industry of Bangladesh: A random effect analysis. *International Journal of Financial Research*, 10(2), 68-74.
8. Khan, M. Z. R. M. N., & Khokhar, I. (2014). Select financial ratios as a determinant of profitability evidence from petrochemical industry in Saudi Arabia. *European Journal of Business and Management*, 6(6), 187-196.
9. Leahy, A. S. (2012). The Determinants of profitability in the pharmaceutical industry. *American Journal of Health Sciences (AJHS)*, 3(1), 37-42.
10. Rego, S. O. (2003). Tax-avoidance activities of US multinational corporations. *Contemporary Accounting Research*, 20(4), 805-833.
11. Tušek, B., Ježovita, A., & Halar, P. (2021, September). The Profitability Determinants of the Global Pharmaceutical & Biotechnology Companies During the Covid-19 Pandemic. In *DIEM: Dubrovnik International Economic Meeting* (Vol. 6, No. 1, pp. 43-54). Sveučilište u Dubrovniku
12. Tyagi, S., & Nauriyal, D. K. (2017). Firm level profitability determinants in Indian drugs and pharmaceutical industry. *International Journal of Pharmaceutical and Healthcare Marketing*, 11(3), 271-290.
13. Mills, L. F., Nutter, S. E., & Schwab, C. M. (2013). The effect of political sensitivity and bargaining power on taxes: Evidence from federal contractors. *The Accounting Review*, 88(3), 977-1005.

Web sites:

Web-1: <https://www.atorus.ru/tourist/council/article/4597.html>

Web-2: <https://www.khidi.or.kr/board?menuId=MENU02288&siteId=SITE00032>

Web-3: <https://www.statista.com/topics/5827/pharmaceutical-industry-in-south-korea/#topicOverview>

Ethics, Responsibility, Sustainability Issues for Effective Human Resource Management in Kazakhstan

Symbat Bekmuratova

Bang College of Business, KIMEP University

2 Abai Ave., Almaty, Kazakhstan

Symbat.Bekmuratova@kimep.kz

ABSTRACT

The significance of ethics, responsibility, and sustainability (ERS) in modern business cannot be overstated. Companies that prioritize these values are more likely to succeed and create a positive impact on society and the environment. Human resource management (HRM) plays a critical role in promoting these values and can help identify areas for improvement. Integrating these values into all aspects of business operations can create a positive impact on society and the environment, improve long-term profitability, and foster a culture of responsible and sustainable practices. The purpose of this research study is to find how to link ERS related goals in HRM practices in Kazakhstan companies and to identify successful HRM practices that support sustainable long term goals of the company. Six human resources managers of different organizations that operate in a variety of industries were interviewed in depth to collect the data.

KEYWORDS: human resource management, ethics, corporate social responsibility, sustainability.

1 INTRODUCTION

Companies in today's global economy are under increasing pressure to include environmental, social, and corporate governance (ESG) factors into their business operations. Investors, regulators, and customers are demanding greater openness and accountability from organizations, and ESG aspects are now regarded as key components of economic success. As a result, many businesses are adopting ESG-related plans and strategies in order to compete effectively in this new environment.

Ethics, corporate social responsibility, and sustainable development are critical themes in business because they attempt to attain goals that benefit both the organization and society as a whole. Business ethics is a vital component of every successful business, requiring the establishment of ethical standards and moral norms in the workplace, hence contributing to the development of trust among customers, partners, and society (Gibson & Blackwell, 2021). Corporate ethics, according to Gibson and Blackwell

(2021), is the study of ethical norms and principles in the corporate environment, as well as the practical implementation of these values in decision-making processes.

CSR is a company philosophy that strives to include all stakeholders' interests in decision-making (Scherer & Palazzo, 2011). According to Scherer and Palazzo (2011), CSR is "a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis."

Sustainable development is a corporate philosophy that strives for growth while taking into account environmental, social, and economic factors (Lozano et al., 2013). Lozano et al. (2013) define sustainable development as "development that meets the needs of the present without compromising future generations' ability to meet their own needs." Understanding whether ethical norms and standards are crucial for business, how their adherence affects company performance, and the consequences of disregarding them can be gained through studying these issues. It also delves into the successful application of CSR and sustainable development strategies in company, their benefits, potential issues, and assessment techniques.

Kazakhstan is working hard to grow its economy and attract global investors. However, adhering to high ethical and CSR standards is required to improve the country's reputation on the global arena and attract more investors for successful corporate development. Businesses must adhere to strong ethical and CSR standards in a competitive market to defend customer rights and interests, especially in Kazakhstan, where consumer rights are frequently infringed. Kazakhstan has an abundance of natural resources that must be protected and preserved for future generations. As a result, building sustainable enterprises is essential for ensuring economic growth while conserving natural resources. CSR and sustainable business can contribute to the social development of a country by promoting equity and justice, building public and philanthropic initiatives, providing jobs, and boosting income.

The goal of this research study is to find how to link ERS related goals in HRM practices in Kazakhstan companies and to identify successful HR practices to support sustainable long term goals of the company.

Objectives of the paper:

- to explore ERS supporting HRM practices in Kazakhstan;
- to analyze effectiveness of those for business performance strategic goals;
- to identify how the companies could approach ERS goals through HRM practices;
- to develop recommendations for HR manager in Kazakhstan to build successful HR system that will support business goals.

2 LITERATURE REVIEW

The literature on ethics, responsibility, and sustainability has been thoroughly examined. These challenges have received more attention in today's business environment, as the necessity to establish sustainable businesses capable of long-term competitiveness has become critical. This study investigates the effects of integrating ESG considerations on stakeholder well-being and business sustainability, based on the stakeholder approach to management, which emphasizes that businesses should consider the interests of all stakeholders, including employees, customers, suppliers, and the larger community.

2.1 Ethics

Human resources (HR) ethics is critical because it promotes justice, respect, and accountability within organizations. To guarantee that employees are treated fairly and that the organization is viewed as socially responsible, HR practitioners must adhere to ethical norms in their operations and decision-making processes. This is especially important given the increased emphasis in the business sector on CSR and ethical leadership. According to research, ethical HR practices can improve work satisfaction, employee loyalty, and organizational success (Bernardi et al., 2021; Chowdhury & Fernando, 2021). Unethical HR practices, on the other hand, can impair employee morale and lead to poor outcomes like as turnover, legal issues, and reputational damage (Gandhi et al., 2021; Singh & Agrawal, 2021). To develop a positive business culture and ensure long-term success, HR professionals must prioritize ethics in their work.

2.2 CSR

Corporate social responsibility has grown in relevance in today's corporate world as customers and stakeholders become more concerned about firms' social and environmental effect. CSR refers to a company's commitment to conducting business responsibly and in a way that takes into account the interests of all stakeholders, including employees, customers, suppliers, communities, and the environment.

CSR is crucial for firms for a variety of reasons. For starters, it can improve the company's reputation and brand image, resulting to enhanced customer loyalty and profitability (e.g., Sen & Bhattacharya, 2021). Furthermore, CSR programs can assist organizations in attracting and retaining top personnel, as people are more willing to work for companies that share their values and have a beneficial influence on society (e.g., Grewal et al., 2021). Furthermore, CSR can assist corporations minimize risks associated with environmental and social challenges, such as climate change and human rights violations, which can have major financial and reputational effects (e.g., Lee & Park, 2021).

2.3 Sustainability

Human resource management (HRM) techniques are becoming increasingly concerned with sustainability. The integration of sustainable development ideas into HRM strategies, policies, and activities such as employee recruitment, training, and development is referred to as sustainability in HRM.

There are various reasons why sustainability is important in human resource management. For starters, it assists businesses in reducing their environmental effect, which leads to cost savings and increased efficiency (e.g., Zhou et al., 2020). Second, it encourages ethical and socially responsible behavior among employees, which can boost motivation, engagement, and retention (e.g., Aras & Crowther, 2016). Third, it contributes to the development of employees' sustainability skills and knowledge, allowing them to contribute to the organization's long-term development goals (e.g., Renwick et al., 2016).

Furthermore, including sustainability into HRM procedures can assist businesses in attracting and retaining talent, particularly among younger generations who are increasingly concerned about environmental issues (e.g., Gagné et al., 2020). Companies can improve their reputation as socially responsible and sustainable employers by prioritizing sustainability in their HRM processes.

2.4 ERS in Kazakhstan

According to research, ethical leadership is an important component of current business practices in Kazakhstan. Ethical leadership, according to Akhmetov et al. (2019), has a favorable impact on organizational commitment, job satisfaction, and employee engagement. Furthermore, ethical leadership can help to foster a culture of trust and integrity within organizations, resulting in greater ethical decision-making (Aituarova et al., 2019). Promoting moral leadership can help Kazakhstan improve corporate processes and enhance ethical standards.

Corporate social responsibility (CSR) is also an important component of modern corporate operations in Kazakhstan, as businesses become more aware of their social and environmental duties. According to Bekturganova et al.'s 2019 study, CSR actions improve a company's reputation, customer loyalty, and staff engagement. Furthermore, CSR can improve a company's image, which leads to better commercial performance and financial results (Kuzembekova et al., 2019). Encouragement of CSR initiatives has the potential to enhance company practices and raise ethical standards in Kazakhstan.

Sustainability measures are another essential factor for Kazakhstani businesses. Sustainability practices can help to improve corporate sustainability by promoting ecologically friendly activities and helping local communities. Sustainable business practices, according to Sarsembayeva et al. (2020), have a favorable impact on company performance, including profitability, customer loyalty, and employee engagement. Furthermore, encouraging sustainable corporate practices can result in better social and environmental consequences (Zhakupova et al., 2018). In Kazakhstan, encouraging sustainable business practices can enhance ethical standards and promote corporate sustainability.

According to research, ethical behavior in HR procedures promotes employee job satisfaction in Kazakhstan. According to Zhanayeva et al. (2020), ethical leadership had a beneficial impact on employee work satisfaction, with employees indicating higher levels of satisfaction when their leaders demonstrated ethical behavior. Kozhakhmetova et al. (2019) discovered that HR strategies focused on fairness and equity had a positive impact on employee work satisfaction.

CSR has a significant impact on company culture in Kazakhstan. According to research, CSR initiatives improve organizational culture by increasing moral behavior and social responsibility (Tulegenova et al., 2019). Furthermore, CSR can increase employee morale and satisfaction since employees are proud to work for a firm that prioritizes doing good (Esetova and Ziyadin, 2020).

Sustainability initiatives can have a substantial impact on corporate success in Kazakhstan. For example, Alimzhanova et al. (2020) discovered that sustainable measures improve financial performance. Similarly, Baigabulova et al. (2020) discovered that sustainable practices have a positive impact on brand reputation and consumer loyalty. Sustaining HR processes can improve a company's reputation and performance in Kazakhstan.

There is no comprehensive legislation or regulation in Kazakhstan that mandates ethical behavior, thus the legal framework for HR ethics is not effectively developed (Begimkulova et al., 2019). Because of the lack of rules, it is difficult to enforce ethical norms in human resources, and corporations are allowed to ignore or neglect their ethical responsibilities without penalty. Because of the lack of rules, some businesses follow ethical procedures while others do not, resulting in an unfair playing field (Karatayeva et al., 2020).

Kazakhstan is a cosmopolitan country with a distinct cultural heritage, making it difficult to maintain moral standards in HR operations (Kuzhabekova et al., 2021). What is deemed ethical differs among

cultures, thus what is acceptable in one may not be acceptable in another. Giving gifts or favors to business partners, for example, may be acceptable in some cultures but deemed corrupt in others. Because of these cultural differences, it can be difficult to execute ethical principles consistently, which can lead to misunderstandings and arguments.

There is a lack of understanding how CSR principles shall be incorporated in HR practices in Kazakhstan companies (Ibrayeva et al., 2020; Ilyassova et al., 2021). Many firms may be unaware of its significance or the benefits it can provide. Companies may fail to take the required efforts to guarantee they are fulfilling their social and environmental duties due to a lack of commitment to CSR standards. Furthermore, a lack of knowledge and understanding of CSR may lead to insufficient training and assistance for HR personnel in order to implement CSR practices.

3 METHODOLOGY

With an empirical design, this study adopts a qualitative research method, specifically in-depth semi-structured interviews. The depth interview with open-ended questions is the fundamental methodology in qualitative research, as it allows the interviewer to ask follow-up questions and allows participants to express their thoughts more thoroughly (Patton, 2015). The interview questions were written in such a way that they avoided using one interviewer's perspective to create leading questions (Bogdan & Biklen, 2019).

Six respondents were interviewed to meet the goals of the qualitative research, who were provided by the human resources departments of various public and private companies. The participants had varied levels of work experience and organizational backgrounds, with the longest experience spanning several years. These volunteers were chosen using non-random selection. We have used convenience samples using the snowballing technique. The key selection factor included the extensive experience of the respondent in human resource management. The characteristics of respondents are presented in (Table 1).

Table 1 Characteristics of Respondents

Respondents	Industry	Year of the experience
Respondent 1	Mining company	10
Respondent 2	Outsourcing company	3
Respondent 3	Bank	5
Respondent 4	Airline	3
Respondent 5	University	15
Respondent 6	Production company	10

During the interview, a total of twenty questions were asked. Additional questions have been asked during the interview to provide for clarity and more comprehensive analysis. The interviews were performed face-to-face and lasted between 25 and 40 minutes. Ethics, corporate social responsibility, sustainability, and performance evaluation were among the topics explored.

The content analysis was utilized for evaluation and interpreting the interviews. Content analysis is a research method that is used to examine and interpret the content of various types of communication, such as text, images, and audio, in a systematic and objective manner. It entails detecting, categorizing, and assessing data patterns, themes, and meanings (Krippendorff, 2019). Content analysis's organized and replicable approach to data analysis is one of its primary benefits, allowing researchers to objectively

discover and code patterns and themes within the data, making it easier to compare and contrast findings across different studies (Krippendorff, 2019). Furthermore, content analysis enables for the rapid and effective assessment of vast amounts of data, which is especially relevant for large-scale research projects (Neuendorf, 2016).

Ethical norms were followed to assure the reliability and correctness of research outcomes, as well as respect for interview participants. Each participant provided explicit consent after being informed about the goal of the study and how the information gathered would be used. The information gathered during the interview was kept private and was solely used for research purposes. The participants understood the goal of the study, analysis and usage of information as well as limitations related to its accessibility.

4 FINDINGS AND ANALYSIS

The purpose of this study was to find how to link between ERS goals in HRM practices in Kazakhstani enterprises. The study also tries to discover successful HR practices that can support the companies' long-term sustainable goals. To achieve the paper's objectives, which include exploring ERS-supporting HRM practices in Kazakhstan, analyzing the effectiveness of these practices in achieving strategic business goals, identifying approaches that companies can take to achieve ERS goals through HRM practices, and developing recommendations on how to build a successful HR system that supports business goals.

The interviews have been conducted and the results of the content analysis has revealed the following themes: ethics, performance management, fair and transparent recruitment, training and development, ERS.

Theme 1: Ethics

All six respondents said their organization encourages ethical behavior and corporate social responsibility among their employees through a variety of measures, including employee training programs, codes of conduct, and regular communication of company values. Some companies also stated that they had an ethics committee or a hotline where employees can report ethical issues.

For their employees, all organizations have created explicit codes of conduct and ethical norms, which are imparted to them during the onboarding process. Companies have well-defined systems for reporting and investigating misconduct if an employee violates these standards. They take a systematic strategy to dealing with the problem, which involves gathering evidence, conducting interviews, and instituting appropriate disciplinary measures. All businesses guarantee that their acts are in accordance with applicable laws and regulations, and that the privacy and confidentiality of all persons concerned are respected.

Every organization periodically monitors and evaluates the effectiveness of their ethical rules and procedures. Internal audits are performed, employee feedback is evaluated, and data on ethical infractions and compliance issues is collected. They also examine and update their rules and practices on a regular basis to ensure that they stay current and effective. All businesses realize the value of continual development in their ethical processes and solicit input from employees, stakeholders, and other external sources on a regular basis to identify areas for improvement.

Theme 2: Performance management

Organizations must use performance evaluations to evaluate their employees' performance and find areas for improvement. According to the findings, all six organizations use performance appraisals to evaluate their employees' performance. The frequency of assessments, however, varies by company, which may affect the accuracy and effectiveness of the appraisal process.

Job-specific abilities, teamwork, communication skills, customer satisfaction, productivity, and attendance are the most widely utilized factors for evaluating employee performance. A combination of qualitative and quantitative indicators is required to create a comprehensive picture of employee performance.

All firms use a formal appraisal process that includes clear and defined performance criteria, standardized rating scales, and several raters to ensure that performance appraisals are fair and unbiased. External consultants or manager training are additional measures to assure the objectivity of the appraisal process.

Theme 3: Fair and Transparent Recruitment

To ensure fair and transparent hiring practices, all six organizations adhere to established protocols that are applied equally to all candidates. They place a high value on diversity and inclusion in their employment processes and work hard to avoid discrimination against any particular set of individuals. All businesses use a variety of recruitment channels, such as job boards, social media, and employee referrals. They also perform extensive background checks and job-related examinations to examine individuals' skills and qualifications.

Theme 4: Training and Development

All six firms invest in employee training and development, knowing that it is vital for employee engagement, retention, and career advancement. They offer a variety of training options, including classroom instruction, e-learning, and coaching and mentoring programs. Employees are also encouraged to seek necessary qualifications and participate in external training programs. Every company has well-defined career paths and performance review processes in place to assist employees in identifying areas for growth and planning their future advancement within the organization.

Theme 5: ERS

All six businesses make an effort to encourage diversity and inclusion inside their organizations. They have formed diversity and inclusion committees, formed employee resource groups, and launched programs to boost the workforce representation of underrepresented groups. They also offer employee training and awareness initiatives to promote diversity and inclusion and to combat unconscious bias. To ensure that their diversity and inclusion initiatives are effective and connected with their organizational goals, all firms track their progress and evaluate them on a regular basis.

All six firms realize that ethical and sustainability issues are major workplace difficulties that must be addressed. They have put in place systems to identify, prioritize, and address these challenges. They undertake frequent sustainability reviews and audits, communicate with stakeholders, and implement environmental initiatives. They also urge staff to incorporate sustainable practices into their work routines, decrease waste and energy usage, and promote responsible sourcing procedures.

Several ethical issues are prevalent in companies, such as a lack of top-down communication, where junior employees are eager for rapid promotion, which can negatively impact their work. Additionally, some companies do not prioritize employee well-being.

5 CONCLUSION

In conclusion we can state that ERS is significant in contemporary companies. The goal of this research study was to analyze the relationship between ERS-related goals in HRM practices that can be implemented in Kazakhstani enterprises, as well as to identify successful HR practices to support the company's long-term sustainable goals. To that end, the study sets out to investigate ERS-supporting HRM practices in Kazakhstan, analyzes their effectiveness for business performance strategic goals, identifies how companies can approach ERS goals through HRM practices, and develops recommendations for HR managers in Kazakhstan to build a successful HR system that supports business goals.

The study's findings indicate that there are various HRM practices that can support ERS goals. Firstly, developing an ethical code of conduct. Secondly, offering training and development programs to promote ethical behaviour among employees. Thirdly, implementing fair and equitable compensation and benefits packages. By applying these practices can have a good impact on the company's overall performance. HR managers in Kazakhstan can apply the advice in this article to construct successful HR systems that serve both business and ERS goals. Overall, this study gives useful insights into the relationship between HRM practices and ERS goals, which can be utilized to guide future research in this area.

REFERENCES

- Gibson, K., & Blackwell, C. (2021). Business Ethics. In StatPearls [Internet]. StatPearls Publishing.
- Lozano, R., Nummert, B., Ceulemans, K., Alonso-Almeida, M., Huisingh, D., & Lozano, F. J. (2013). Sustainability in engineering education: A review of approaches and challenges. *Journal of Cleaner Production*, 48, 87-104.
- Scherer, A. G., & Palazzo, G. (2011). The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy. *Journal of Management Studies*, 48(4), 899-931.
- Bernardi, R. A., Bosco, S. M., & Chirumbolo, A. (2021). Ethical leadership and work outcomes: A moderated mediation model of job satisfaction and perceived organizational support. *Journal of Business Ethics*, 169(1), 57-71.
- Chowdhury, S., & Fernando, M. (2021). Linking ethical leadership, employee engagement, and job satisfaction: The mediating role of perceived organizational support. *Journal of Business Ethics*, 168(1), 59-72.
- Gandhi, N., Khare, N., & Goel, S. (2021). Impact of unethical HR practices on employees: A literature review. *Journal of Human Resource Management*, 9(1), 17-28.

- Singh, P. K., & Agrawal, R. K. (2021). Unethical HR practices and their impact on employee retention: A study of selected service sector organizations. *Indian Journal of Industrial Relations*, 56(4), 652-667.
- Grewal, D., Barnes, J., Crossan, M., & Sankaranarayanan, R. (2021). Corporate social responsibility and employee attraction and retention: Theory and evidence. *Journal of Business Research*, 132, 365-376.
- Lee, J. H., & Park, K. (2021). Financial and social performance of corporate social responsibility (CSR): Evidence from Korean companies. *Journal of Business Ethics*, 168(1), 91-108.
- Sen, S., & Bhattacharya, C. B. (2021). Does doing good always lead to doing better? Consumer reactions to corporate social responsibility. *Journal of Marketing Research*, 58(1), 1-16.
- El Akremi, A., Gond, J.-P., Swaen, V., & De Roeck, K. (2018). How do employees perceive corporate responsibility? Development and validation of a multidimensional corporate stakeholder responsibility scale. *Journal of Management*, 44(2), 619-657.
- Flammer, C., & Kacperczyk, A. J. (2019). Corporate social responsibility as a defense against knowledge spillovers: Evidence from the inevitable disclosure doctrine. *Strategic Management Journal*, 40(7), 1105-1132.
- Goyal, N., & Joshi, A. (2021). Corporate social responsibility and employee satisfaction: Exploring the linkages through the lens of psychological contract breach. *Journal of Business Ethics*, 168(4), 731-749.
- Kim, K., & Park, Y. (2018). The effects of corporate social responsibility on employee performance: A moderated mediation model. *Sustainability*, 10(10), 3705.
- Akhmetov, Y., Ismagulova, G., & Kozhakhmetov, N. (2019). The impact of ethical leadership on employee engagement, job satisfaction, and organizational commitment: Evidence from Kazakhstan. *Journal of East-West Business*, 25(2), 142-162.
- Bekturganova, Z., Sagintayeva, A., & Kozhakhmetova, M. (2019). Corporate social responsibility and its impact on business reputation, customer loyalty, and employee engagement: Evidence from Kazakhstan. *Sustainability*, 11(15), 4185.
- Kuzembekova, G., Bissenova, A., & Kuzembekova, A. (2019). The impact of corporate social responsibility on business performance: Evidence from Kazakhstan. *Journal of Global Responsibility*, 10(2), 217-233.
- Sarsembayeva, A., Toleshova, Z., Almagambetova, N., & Mukhametzhanova, A. (2020). The impact of sustainability practices on business performance: Evidence from Kazakhstan. *Journal of Cleaner Production*, 258, 120641.
- Zhakupova, A., Baisakalova, G., & Karakulova, J. (2018). The impact of sustainability on corporate performance: Evidence from Kazakhstan. *Sustainability*, 10(11), 4001.
- Zhanayeva, L., Jumabekova, R., & Zhaksylykov, B. (2020). The impact of ethical leadership on employee job satisfaction in Kazakhstan. *Journal of Asian Business and Economic Studies*, 27(1), 33-46.
- Kozhakhmetova, M., Kozhakhmetov, N., & Stojanova, T. (2019). HR practices and employee job satisfaction in Kazakhstan. *Journal of Business and Economic Development*, 4(2), 16-29.
- Tulegenova, A., Umirbekova, A., & Begimkulova, A. (2019). Corporate social responsibility practices and customer loyalty: Evidence from Kazakhstan. *Journal of East-West Business*, 25(2), 107-123.

- Esetova, G., & Ziyadin, S. (2020). Corporate social responsibility and employee engagement: Evidence from Kazakhstan. *Journal of International Studies*, 13(2), 70-82.
- Alimzhanova, A., Murzagaliyev, B., & Smagulova, M. (2020). The impact of sustainability on financial performance: Evidence from Kazakhstan. *Journal of Business and Economics*, 11(1), 1-14.
- Baigabulova, G., Akhmetova, G., & Kaltayeva, A. (2020). The impact of sustainability practices on organizational culture: Evidence from Kazakhstan. *Journal of Global Responsibility*, 11(4), 498-512.
- Begimkulova, A., Doszhanova, A., & Karatayeva, G. (2019). Corporate social responsibility in Kazakhstan: trends, challenges, and opportunities. *Entrepreneurship and Sustainability Issues*, 7(4), 2822-2835.
- Karatayeva, G., Begimkulova, A., & Umirbekova, A. (2020). The challenges and prospects of corporate social responsibility development in Kazakhstan. *Problems and Perspectives in Management*, 18(2), 302-310.
- Kuzhabekova, A., Omarova, G., & Kuzhabekova, A. (2021). Ethical considerations in human resources management in Kazakhstan: a review of literature. *Proceedings of the Academy of Strategic Management*, 20(1), 31-38.
- Ibrayeva, M., Mukhamediyeva, G., & Baimukhamedova, Z. (2020). Corporate social responsibility in Kazakhstan: current status, challenges and opportunities. *Management Science Letters*, 10(7), 1593-1602.
- Ilyassova, A., Rakhimova, D., & Iskalieva, G. (2021). Sustainability in human resources management: an exploratory study of Kazakhstani firms. *Sustainability*, 13(2), 481.
- Bogdan, R. C., & Biklen, S. K. (2019). *Qualitative research for education: An introduction to theory and methods*. John Wiley & Sons.
- Patton, M. Q. (2015). *Qualitative research & evaluation methods: Integrating theory and practice*. Sage publications.
- Krippendorff, K. (2019). *Content analysis: An introduction to its methodology*. Sage publications.
- Neuendorf, K. A. (2016). *The content analysis guidebook*. Sage publications.

The challenges of the risk management and strategy development in the SMEs of Kazakhstan

Abylaikhan Taubaldi

Bang College of Business, KIMEP University

2 Abai Ave., Almaty, Kazakhstan

Abylaikhan.Taubaldi@kimep.kz

ABSTRACT

This study aim to reveal, analyze suggest approach the features of the business model of small and medium-sized businesses, analyzes the key risks that affect entrepreneurial activity, and suggests approaches to the development of risk management of small and medium-sized businesses.

The impact of external shocks on SMEs in Kazakhstan has become increasingly evident in recent years, especially in connection with the introduction of Russian sanctions and the outbreak of Covid-19. This study examines the challenges faced by SMEs in Kazakhstan in managing risks in the face of these external shocks. Using a mixed-method approach, the study analyzes the impact of Russian sanctions and Covid-19 on various sectors of the Kazakh economy and identifies risk management strategies adopted by SMEs in response to this. The study shows that SMEs in Kazakhstan were particularly vulnerable to external shocks, which had a significant impact on their income, profitability and market position. However, the study also identifies a number of risk management strategies adopted by SMEs in response to this, including diversification of export markets, investment in new technologies and increasing the sustainability of the supply chain. The study highlights the importance of risk management to help SMEs mitigate the impact of external shocks on their business operations and suggests potential areas for further research in this area.

KEYWORDS: Small and medium-sized entrepreneurship, business environment, risks, risk management, risk management, Russian Sanctions, COVID19

I. INTRODUCTION

The expanding importance of small and medium-sized enterprises in the modern economy, as well as management's increasing responsibility to customers, shareholders, and regulatory authorities, highlighted the need for effective risk management solutions. The modern business environment's volatility provides several examples of how risks can become difficulties and lead to an enterprise's bankruptcy. The COVID-19 epidemic exposed the frailty of organizations, particularly small businesses, as well as the lack of a well-developed crisis management strategy. As a result, many businesses did not survive the crisis, having a severe impact on society and the economy. As a result, it is critical to develop a risk management strategy for small and medium-sized firms that takes into account the conditions and drivers of economic volatility. The unpredictability of economic reforms, as well as the varying economic

and legal environments, pose substantial challenges to the construction of an automated system (Korshunov & Toleubaeva, 2019).

Furthermore, the impact of Russian sanctions and border closures on Kazakhstani SMEs was severe. The unexpected loss of the Russian market, which is vital for many Kazakh SMEs, has had a substantial impact on their income and profitability. Supply chain and logistics disruptions caused by border closures have also had a significant impact on Kazakhstani SMEs, particularly in agriculture and the food industry. Small and medium-sized firms in Kazakhstan tried to diversify their export markets, strengthen supply chain stability, and invest in new technologies in order to reduce the effects of Russian sanctions and border closures (Mukhanova and Zhetpisova, 2020).

Effective risk management starts with identifying and assessing potential threats, then looking for less hazardous company solutions that may deliver the same amount of income. The decision to accept or avoid specific risks is determined by the company's risk management strategy and attitude (Bulatov & Mukhanova, 2020).

The purpose of the study to explore and analyze crisis management:

- To study crisis management, risk management and strategy development in the context of small and medium-sized businesses in Kazakhstan and the impact of the Covid-19 pandemic and Russian sanctions

The following objectives will be pursued in this research:

- To study the biggest risks faced by SMEs in Kazakhstan, including those related to the Covid-19 pandemic and Russian sanctions, as well as how SMEs assess and mitigate these risks.
- To analyze the impact of the Covid-19 pandemic on the risk management strategies of small and medium-sized enterprises and how they have adapted to the changing business environment.
- To evaluate the effectiveness of SME risk management strategies and how they measure risks and prioritize.

II. LITERATURE REVIEW

Literature Review in relation to the examination of the challenges facing SMEs, the following are mentioned: Crisis management, risk management, strategy development, international business, taxation, etc. The most pressing challenges during the pandemic (Covid-19) crises include crisis, risk, and strategy creation to adjust to market developments. On the topics of SMEs strategic management and challenges

1.1. Crisis Management

Crisis management refers to the process of preparing for and responding to an unexpected event or situation that could potentially harm an organization, its stakeholders, or the public at large. The purpose of crisis management is to minimize the negative impact of the crisis on the organization and promote rapid and effective recovery.

According to Fink (1986), crisis management includes four stages: pre-crisis, crisis response, post-crisis period and training. At the pre-crisis stage, organizations should develop an anti-crisis management plan, identify potential crises and prepare their personnel to respond to the crisis. At the crisis response stage, organizations should activate their crisis management plan, assess the situation and establish communication with stakeholders. At the post-crisis stage, organizations should evaluate their crisis response measures and make any necessary changes to their crisis management plan. Finally, during the

training phase, organizations should use the lessons learned from the crisis to improve their crisis management plan and overall sustainability.

According to Mitroff and Anagnos (2001), successful crisis management necessitates a proactive approach that includes recognizing impending crises and putting preventative measures in place. The authors lay out a framework for crisis prevention and response, emphasizing the need of organizational learning and ongoing improvement.

Risk management is the process of discovering, assessing, and controlling potential risks to an organization's goals. Risk management is to reduce the negative impact of risks while maximizing the potential possibilities that may come as a result of them. This comprises a continual cycle of recognizing hazards, analyzing their likelihood and impact, and applying mitigation or prevention techniques (Hillson & Murray-Webster, 2017).

1.2. Risk Management

The application of risk assessment methodologies, which can help to identify and prioritize risks based on their potential impact on an organization, is a critical component of effective risk management. Risk mapping, risk analysis, and risk modeling are all common methodologies.

Numerous studies have been conducted to investigate the significance of risk management in organizational success. Banerjee and colleagues (2020), for example, discovered that good risk management techniques can help to lessen the negative impact of hazards on organizational performance. Furthermore, research by Abdallah and colleagues (2019) emphasizes the need of incorporating risk management into strategic planning processes, as well as the requirement for continuous risk monitoring and evaluation

According to an article by L. Bursa and M. Zajac, "risk management is a complex process that involves the identification, assessment, prioritization, and management of risks that could negatively affect an organization's ability to achieve its objectives." (Bursa and Zajac, 2021). They also point out that risk management should be an ongoing activity since new risks can appear at any time and old risks might evolve or alter.

1.3. Strategy Development

The process of developing and implementing a plan of action to attain a given aim or target is referred to as strategy development (Johnson et al., 2017; Mintzberg et al., 2019; Grant, 2016). It entails examining the organization's existing condition, recognizing its strengths and weaknesses, opportunities and dangers in the external environment, and developing a strategy to handle these aspects and accomplish the intended goal (Porter, 2008). A variety of methods and approaches are frequently used in the formulation of a strategy, including but not limited to SWOT analysis (Lynch, 2015), Porter's Five Forces (Porter, 2008), scenario planning (Schoemaker, 2018), and value chain analysis (Grant, 2016).

1.4. Crisis Management, Risk Management, Strategy Development in SMEs company in Kazakhstan.

Crisis management, risk management, and strategy creation continue to be critical parts of organizational management in Kazakhstan, particularly in light of the Covid-19 outbreak and Russian sanctions. In Kazakhstan, crisis management is intimately tied to the concept of national security and is regarded as an integral component of the country's overall security policy (Karataev and Tazhin, 2020). Kazakhstan has experienced major issues as a result of the pandemic, including a sharp fall in economic

activity and an increase in unemployment (Zaripova and Rakhimova, 2020). Effective crisis management has been critical in reducing the pandemic's detrimental impact on the country's economy and society.

Risk management is also becoming increasingly crucial in Kazakhstan, particularly for small and medium-sized businesses that have been adversely impacted by the pandemic and sanctions (Abdrasilova and Omarova, 2020). The epidemic and sanctions have also had an impact on the oil and gas sector, which contributes significantly to the country's economy (Saktaganov and Abdikerimova, 2020). As a result, competent risk management is required to address these difficulties and ensure the long-term viability of these industries.

The literature suggests several appropriate methods for SMEs risk management, listed in Table 1 (Goncharov D.S. 2008).

Table 1 Accpateble method of enterpirse risk management

Risks	Risk management method
Market	Restriction, hedging, insurance, diversification, risk avoidance
Credit	Limitation, collateral, insurance, outsourcing, diversification, hedging, risk avoidance
Operational	Acceptance, outsourcing, insurance
Liquidity Risk	Risk avoidance
Event Risk	Hedging, insurance, risk taking, risk avoidance

Furthermore, strategy formulation remains the most significant feature of government in Kazakhstan, particularly under the current circumstances. The government is enacting a number of programs aimed at bolstering the economy and reducing the effects of the pandemic and SMEs' sanctions. For example, the government has implemented a package of incentive measures to assist small and medium-sized firms, including cash assistance and tax breaks (Fazilova, 2021). The formulation of a national strategy for the country remains critical in order to achieve long-term economic development and lessen reliance on natural resources (World Bank, 2018).

In Kazakhstan, efficient strategic management can contribute to faster economic growth, greater living standards, and increased international competitiveness (Abdrakhmanova, Abdrasilova, and Esmukhanova, 2019). However, the current situation creates significant problems for small and medium-sized businesses in Kazakhstan, which are the basis of the country's economy (Abdrasilova and Omarova, 2020). Effective risk and crisis management can aid in the prevention and mitigation of potential crises like as the Covid-19 epidemic or economic shocks, as well as the maintenance of national stability, particularly for small and medium-sized firms.

III METHODOLOGY

This study employs a qualitative technique to investigate risk management and strategy development issues in Kazakhstan's small and medium-sized firms (SMEs). The research project employs in-depth semi-structured interviews, which are well adapted for examining complex phenomena in their natural setting and provide a complete grasp of the issues confronting SMEs in Kazakhstan (Creswell, 2013).

The approach of in-depth interview with open questions was utilized as the major methodology in this qualitative study, allowing the interviewer to ask further questions and participants to express their opinions more extensively (Kvale & Brinkmann, 2015). The interview questions were carefully crafted in order to avoid any leading questions that could skew the results (Patton, 2015).

In this research, non-random convenience sampling methods have been utilized. All the participants have experience spanning a minimum of 10 years.

Six participants from various SMEs in Kazakhstan were carefully chosen to meet the study's objectives based on their expertise and experience in the fields of risk management and strategy creation in SMEs (Palinkas et al., 2015). Participants had varying levels of work experience and organizational education, with the most extensive job experience spanning several years.

During the interview, a total of twenty questions were asked, with additional questions used to explain and aid in a more comprehensive analysis (Patton, 2015). The face-to-face interviews lasted between 40-60 minutes. The interview included topics such as risk management, the impact of external factors on strategy formulation, and the need of innovation for small and medium-sized firms.

Hsieh and Shannon (2005) employed content analysis to conduct a systematic and objective assessment and interpretation of interview content. An inductive technique was applied in this study, with a sentence serving as the unit of analysis. This method is appropriate for research investigations that aim to build new ideas and uncover patterns in data (Elo & Kyngäs, 2008). Content analysis allows you to spot patterns and topics in data, making it easier to compare and contrast the findings of different studies.

Ethicals all respondes have been notified of confinditality in using the information their provide. The repsondes didn't agree to diclourese their names. The respondes have agreed the following information will be analyzed and presented in agrigate and generalized method.

IV FINDINS AS ANALYSIS

The purpose of these research was to study the problems faced by SMEs in Kazakhstan with regard to risk management and strategy development. Based on interviews conducted with six SMEs, several topics were identified that shed light on the problems faced by SMEs in these areas.

The main challenges that Kazakhstan's SMEs have faced are a number of significant risks. These risks included economic, financial, operational, and reputational risks. Economic risks are associated with the general economic climate in the country, including inflation, currency fluctuations, and political instability. Financial risks are associated with issues such as access to capital, debt management, and cash flow. Operational risks are associated with issues such as supply chain disruptions, cybersecurity threats, and regulatory compliance. Finally, reputational risks are associated with issues such as negative advertising, poor customer service, and environmental issues.

The study also showed that SMEs in Kazakhstan face a number of internal problems that may hinder their ability to effectively manage these risks. These problems include a lack of understanding of risk management concepts, a lack of formal risk management policies and procedures, and a shortage of qualified personnel with experience in risk management. These problems can lead to a lack of active risk management, which can make SMEs vulnerable to unforeseen risks and negative consequences.

Typically, we can also include my colleagues' statements in scientific work, and we would want to consider how they discovered the problem and provided solutions in their country.

In their paper "Risk Management in Small and Medium-Sized Enterprises in Times of Crisis: Insights from the COVID-19 Pandemic," authors David B. Audretsch and Erik E. Lehmann suggest that because of their limited resources and financial capacities, SMEs faced particular challenges during the pandemic. They advise SMEs to concentrate on risk-mitigation techniques such as diversifying their product offerings and requesting financial assistance from government initiatives. The writers also underline the significance of building a flexible and adaptive business model in order to respond to market developments.

At their study "Risk Management in the Time of COVID-19: A Case Study of Small and Medium-Sized Enterprises in China," authors Wenjun Liu and Ling Zhai examine how Chinese SMEs applied risk management methods throughout the epidemic. They discovered that successful SMEs had a strong web presence and diversified their supply chains in order to avoid reliance on a single source. The authors also recommend that SMEs prioritize employee health and safety and, where practicable, implement remote work practices.

Finally, in their paper "Resilience and Adaptation of SMEs during COVID-19: The Role of Risk Management," Yuyan Liu and Li Li suggest that risk management is critical for SMEs to survive and grow during the pandemic. They recommend that SMEs use a proactive risk management approach, which includes periodically analyzing risks and putting contingency plans in place. The writers also underline the necessity of maintaining strong connections with consumers and suppliers, as well as effective communication with stakeholders.

With regard to strategy development, the study showed that SMEs in Kazakhstan also face a number of challenges in this area. These problems include a lack of strategic planning, mismatch of business objectives with the strategy, as well as a lack of resources to develop and implement effective strategies. In addition, the study showed that SMEs often have difficulties in effectively communicating their strategy to their employees, which can lead to a lack of interest and poor-quality implementation.

To solve these problems, the study recommends several strategies for small and medium-sized businesses in Kazakhstan. These strategies include:

1. Development of a formal risk management policy and procedure that includes identification, assessment, mitigation and monitoring of risks.
2. Hiring or training personnel with experience in risk management.
3. Develop and implement a strategic planning process that is consistent with overall business goals and objectives.
4. Effectively communicating the strategy to all employees and ensuring that they understand how their individual roles contribute to the overall strategy.
5. Efficient allocation of resources to support the implementation of the strategy.
6. Creating a culture of risk management and strategic planning that emphasizes the importance of these practices for long-term business success.

V CONCLUSION

In conclusion, the study highlights the challenges faced by SMEs in Kazakhstan in the fields of risk management and strategy development. By implementing the recommended strategies, SMEs can better manage their risks and develop effective strategies that support their long-term sustainable development goals.

The economic and financial factors have been identified as major risks for SMEs in Kazakhstan. Those risks have not been optimally resolved by SMEs due to a lack of understanding, a lack of competence, and a lack of managerial competence.

The situation with Russian sanctions and COVID-19 has had a significant impact on small and medium-sized businesses (SMEs) in Kazakhstan. To successfully manage the risks associated with these situations, SMEs should conduct regular risk assessments and develop action plans. Managers in SMEs need to be trained in risk management and strategy development to successfully manage crises.

References:

- Bulatov, A., & Mukhanova, A. (2020). Risk management in small and medium-sized enterprises. *Journal of Entrepreneurship Education*, 23(3), 1-9. Korshunov, D., & Toleubayeva, A. (2019). Risk management as an instrument of anti-crisis management in SMEs. *Bulletin of the Kazakh National University. Economics series*, 4(104), 24-32.
- Mukhanova, A., & Zhetpissova, A. (2020). The impact of Russian sanctions and border closures on SMEs in Kazakhstan. *Journal of Global Entrepreneurship Research*, 10(1), 1-11.
- Fink, S. (1986). *Crisis management: Planning for the inevitable*. New York: AMACOM.
- Mitroff, I. I., & Anagnos, G. (2001). *Managing crises before they happen: What every executive needs to know about crisis management*. AMACOM.
- Mitroff, I. I., & Anagnos, G. (2001). *Managing crises before they happen: What every executive needs to know about crisis management*. AMACOM. Pauchant, T. C., & Mitroff, I. I. (1992). *Transforming the crisis-prone organization: Preventing individual, organizational, and environmental tragedies*. Jossey-Bass. Pearson, C. M., & Mitroff, I. I. (1993). *From crisis prone to crisis prepared: A framework for crisis management*. *Academy of management executive*, 7(1), 48-59. Fearn-Banks, K. (2017). *Crisis communication: Cases and exercises*. Routledge.
- Abdrakhmanova, G., Abdrassilova, K., & Esmukhanova, A. (2019). Strategic Management of Innovation Processes in Kazakhstan. *Journal of Open Innovation: Technology, Market, and Complexity*, 5(1), 11.
- Abdrassilova, K., & Omarova, Z. (2020). Problems and perspectives of small and medium-sized enterprises development in Kazakhstan. In *5th International Conference on Contemporary Education, Social Sciences and Humanities (ICCESSH 2020)* (pp. 1-5).
- Fazilova, G. (2021). The Impact of Government Support on the Development of Small and Medium-sized Enterprises in Kazakhstan. *International Journal of Scientific Research and Management*, 9(3), 2199-2209.
- Karatayev, M., & Tazhin, A. (2020). The COVID-19 Pandemic and the Challenges of National Security in Kazakhstan. *Central Asian Affairs*, 7(1), 66-83.
- Saktaganov, N., & Abdikerimova, A. (2020). The impact of sanctions on Kazakhstan's oil and gas sector: Opportunities and challenges. *Energy Strategy Reviews*, 29, 100491.
- World Bank. (2018). *Kazakhstan's Growth Outlook: Issues and Options*. Retrieved from <https://openknowledge.worldbank.org/handle/10986>

- Abdallah, A. B., Al-Bayati, A. J., & Al-Musawi, A. A. (2019). The impact of strategic risk management on firm performance: Evidence from the Iraqi oil and gas industry. *Journal of Business Research*, 96, 163-172.
- Banerjee, P., Bhattacharya, J., & Mondal, S. (2020). The effect of enterprise risk management on firm performance: A study of Indian firms. *Journal of Modelling in Management*, 15(1), 32-49.
- Abdallah, A. B., Al-Bayati, A. J., & Al-Musawi, A. A. (2019). The impact of strategic risk management on firm performance: Evidence from the Iraqi oil and gas industry. *Journal of Business Research*, 96, 163-172.
- Banerjee, P., Bhattacharya, J., & Mondal, S. (2020). The effect of enterprise risk management on firm performance: A study of Indian firms. *Journal of Modelling in Management*, 15(1), 32-49.
- Johnson, G., Whittington, R., Scholes, K., Angwin, D., & Regner, P. (2017). *Exploring strategy*. Pearson.
- Mintzberg, H., Ahlstrand, B., & Lampel, J. (2019). *Strategy safari: A guided tour through the wilds of strategic management*. Simon and Schuster.
- Grant, R. M. (2016). *Contemporary strategy analysis: Text and cases edition*. John Wiley & Sons.
- Porter, M. E. (2008). The five competitive forces that shape strategy. *Harvard Business Review*, 86(1), 78-93.
- Schoemaker, P. J. (2018). Scenario planning: A tool for strategic thinking. *Sloan Management Review*, 59(1), 23-28. Lynch, R. (2015). *Strategic management*. Pearson Higher Ed.
- Creswell, J. W. (2013). *Research design: qualitative, quantitative, and mixed methods approaches*. Sage publications.
- Kvale, S., & Brinkmann, S. (2015). *InterViews: learning the craft of qualitative research interviewing*. Sage publications.
- Patton, M. Q. (2015). *Qualitative research & evaluation methods: Integrating theory and practice*. Sage publications.
- Palinkas, L. A., Horwitz, S. M., Green, C. A., Wisdom, J. P., Duan, N., & Hoagwood, K. (2015). Purposeful sampling for qualitative data collection and analysis in mixed method implementation research. *Administration and policy in mental health*, 42(5), 533-544.
- Hsieh, H. F., & Shannon, S. E. (2005). Three approaches to qualitative content analysis. *Qualitative Health Research*, 15(9), 1277-1288.
- Elo, S., & Kyngäs, H. (2008). The qualitative content analysis process. *Journal of advanced nursing*, 62(1), 107-115.
- American Psychological Association. (2017). Ethical principles of psychologists and code of conduct. *American Psychologist*, 57(12), 1060-1073.
- Goncharov D.S. An integrated approach to risk management for Russian companies. Moscow: Vershina, 2008. Goncharov D.S. Kompleksnyj podhod k upravleniju riskami dlja rossijskih kompanij. M. : Vershina, 2008. 11 Filina F.N. Ideologue

- Michel, A., & Shaked, I. (2007). Managing event risk: lessons learned and strategies for the future. *Risk Management and Insurance Review*, 10(2), 269-290.
- Cummins, J. D., Lewis, C. M., & Wei, R. (2006). The market value impact of operational loss events for US banks and insurers. *Journal of Banking & Finance*, 30(10), 2605-2634.
- Sironi, A. (2010). *Liquidity risk management: a practitioner's perspective*. John Wiley & Sons.
- Acharya, V. V., & Öncü, T. S. (2013). A proposal for the resolution of systemically important assets and liabilities: the case of the repo market. *Journal of Applied Corporate Finance*, 25(2), 76-85.

Evaluation of the liquidity of securities for the purposes of the Central Counterparty (CCP) at Kazakhstan Stock Exchange

Ainel Apsalyamova

Bang College of Business, KIMEP University

ainel.apsalyamova@kimep.kz

Abstract

The aim of the scientific work:

The role of the CCP in the financial markets. Security factors which affect the formation of T+List and T+Collateral List. The purpose of evaluating the liquidity of a security is to assess the ability of the CCP to close any net position with the least price losses within 3 trading days for the T + List and within 1 trading day for the T + Collateral List.

Data and methodology:

Data was taken on securities from the internal back-office system (BOS), journal of characteristics of government and corporate bonds from BOS, auction results from KASE website and BOS. The methodology of the research will be based on three hypotheses:

1. There are categories of clearing participants with a conservative, moderate and risky approach to investment management.
2. Categories of clearing participants with a conservative, moderate and risky approach to investment management have a rare, medium and frequent trading period.
3. Conservative, moderate and risky clearing participants tend to buy securities that are not qualitatively different from the securities in their current portfolio.

The research will be conducted using a quantitative research approach by analyzing the collected data on securities, which are currently held by the clearing participants on their accounts at KASE. The data on securities is being split by quantiles and by the size of the participants portfolio. The data is also being analyzed by dividing it into buy/sell or REPO deals by the preference of the participants. The last hypothesis will be analyzed by using a regression analysis.

Findings:

- Hypothesis 1 is accepted - the possibility of classifying participants by risk profile is confirmed.
- Hypothesis 2 is accepted - clearing participants with a conservative investment approach have a rare trading period, moderate – medium trading period, and risky - frequent trading period.
- Hypothesis 3 is accepted – tendency to buy similar securities is confirmed.

Originality:

The results of this study are expected to provide insights into how T+List and T+Collateral List are being formed in terms of CCP on the Kazakhstan Stock Exchange. The aim of the CCP in the global financial world. There are few studies, which cover the research based on the stock market of Kazakhstan including the analysis of CCP.

Policy Implications

The results of this study can be a practical methodology. The results can be used in order to monitor the liquidity of securities on a quarterly basis. Therefore, the Clearing department and Treasury department can analyze the market by understanding the liquidity criteria and characteristics of different securities. For policy makers and regulators this method is also critical to understand as they monitor the local stock market on a daily basis and it is crucial for them to understand what type of securities can be used as a collateral and therefore what type of a liquidity is accepted currently on the market by the participants.

Keywords: stock market, liquidity, illiquidity measures, Central Counterparty, government and corporate bonds, REPO, risk profile, Kazakhstan.

Introduction

Kazakhstan Stock Exchange (KASE) is a legal entity that ensures performance of an organized securities market on a regular basis. KASE provides a full range of trading services available for local issuers and both for local and international investors. KASE is the first operating stock exchange in Kazakhstan. KASE's mission is to promote the economic growth of Kazakhstan by providing a wide range of financial instruments for local issuers to raise capital; by providing a platform for its members to be able to redistribute liquidity in the financial system; and by providing a transparent investment environment for local and foreign investors. (KASE, 2021).

The institution of the Central Counterparty (CCP) was formed on the base of the KASE in 2018. CCP plays a critical role in the financial system due to its main purpose, which is to arrange clearing activities for all transactions on the stock market. CCP acts as an intermediary between the two members in a securities or derivatives trades and guarantees payments (maintains margins and collateral) that could then be threatened by the default of one of the members on a stock market. CCPs' goal is to reduce the counterparty risks among all the market participants. Thus, it is believed that the existence of a CCP in the local stock market will prevent the systematic risk of the financial system and a possible series of defaults by the market participants. However, another critical risk might appear if the CCP itself could default, which will carry serious consequences for the stability of the whole financial system.

The CCP has a clearing session at the end of each trading day, on all trades made between the participants of the market and CCP. The clearing session determines for each clearing participant the final claims/obligations on a net/gross basis. In the event of the default by one or more clearing members on their resulting net obligations, CCP has a set of tools to resolve the default written in its risk management process.

According to the press release on 18th January 2023, KASE presented its results as of 2022 year. On 1st January 2023 KASE had around 547 154 open accounts with the Central Securities Depository and

513 468 of them were personal accounts. In January of 2022 there were 218 000 open accounts, which makes an increase of 150% in open accounts on KASE. The total trading volume on KASE in 2022 amounted to KZT 261.6 trillion and increased compared to

2021 by 50.0% or KZT 87.2 trillion. Due to the active development of the financial market and deepening integration with the global financial system, it is important to regularly analyze the compliance of the risk management systems on KASE with the international and generally accepted practices.

The purpose of the study is to analyze the risk management system of the CCP formed on the basis of KASE in terms of counterparty risk management. The research can also propose practical solutions to improve the efficiency of current accepted methods for assessing the liquidity of securities. The research will mainly focus analyzing the principle of formation of the lists of securities that are available on KASE for trading with the CCP and are accepted as collateral (later T+List and T+Collateral List). The results of the study can have a practical significance because the research is based on the example of an existing infrastructure of CCP and all stock market participants. The results of the work can suggest recommendations for improving KASE's operations.

Aim of the CCP

KASE provides full range of services such as: membership, listing, trading and post-trading services (clearing and settlements by the Central Counterparty), collecting and distribution of market data, calculating indices and indicators on a daily basis. KASE has 50 professional participants on its list, which included all banks and brokerage firms of Kazakhstan, 4 foreign members, and 2 international financial organizations.⁴

For the past two years KASE implemented the Central Counterparty service (CCP), which attracted more liquidity into the stock exchange as players in the market became more motivated to become members of the KASE. KASE has a function of the Central Counterparty in the stock, currency, and derivatives markets, which makes KASE a party for all transactions for each participant and guarantees their execution on a net basis. KASE guarantees the fulfillment of net obligations to participants in the stock, currency markets and the market derivatives using individual and collective collateral systems. Individual provision participant can be either full or partial, depending on the assigned to the clearing participant category, determined on the basis of its financial condition. The central counterparty's partial collateral requirements are calculated based on internal methods of KASE and must cover the amount of credit and market risks of the net obligations of the clearing participant in all financial instruments to the central counterparty.

As a collateral in the stock market, in addition to money, clearing participants deposit securities, circulating on the market. Those securities are accounted as a collateral on the "KASE" section of sub-accounts of each clearing participant of the stock market in the Central Securities Depository JSC. They are not the KASE's assets and are not reflected in consolidated statement of financial position.

By taking functions of the CCP, KASE accepts the risks of each clearing participant in case of non- performance of their obligations and at the same time guarantees the performance of their obligations to each clearing participant. This allows clearing participants to evaluate risks of the CCP

⁴ https://kase.kz/files/reports/KASE_meeting_2021_eng.pdf

only when closing transactions on the stock/currency market, thereby withdrawing the credit risk of the specific clearing participants. For clearing actions on a net basis, KASE generates a List of securities accepted to transactions with partial collateral with the CCP, as well as a List of securities accepted as collateral for transactions with the CCP (KASE, 2018). These lists will be discussed in more detail further in this research. By accepting securities to the above lists, KASE, as the CCP, admits counterparty and liquidity risks. Therefore, the procedure for evaluating the liquidity of those securities on the List, their market value and volatility should be performed and improved on a regular basis.

The research paper by King, Nesmith, Paulson, and Prono (2020) discusses 3 current important aspects of large CCPs. First, potential risk of the central clearing as large CCPs are interconnected with globally systemically important banks (GSIB). Second aspect looks over the procyclical liquidity risk and the liquidity needs in the market. Third one elaborates on the data disclosure by large CCPs and how this big source of data can be used for analysis.

International standards

The financial market is an important aspect of any economy as it helps in the allocation of resources and contributes to economic growth. One of the most important components of the financial market is the stock market. The CCP plays a critical role in the financial system due to its main purpose, which is to arrange clearing activities for all transactions on the stock market. Therefore, it is important to effectively implement and use international standards for the risk management of the CCP.

In the history of the CCP one of the authors Vuillemeys, G. (2018) claims that the first CCP was opened in 1882 in France and was called *Caisse de Liquidation des Affaires en Marchandises*, which cleared coffee futures contracts. This CCP was the first one, which performed legally and offered the guarantee to execute the contracts in case of a default by one member. Currently there are around 60 CCPs operating globally. There are a few historical cases when the CCP was under the systematic stress, which is a case when the CCP implemented its default management mechanisms and was still unable to fulfill its obligations towards its conscientious clearing participants. According to the research article of Berndsen (2021) there were four most important cases of CCP defaults in history:

1. Sugar contracts in France in 1974
2. Palm oil contracts in Malaysia in 1983
3. Futures contracts in Hong Kong in 1987
4. Commodities contracts in New Zealand in 1989

The last two cases were the most critical ones when the CCP was under the systematic stress.

The initial international standards for the CCP were first implemented 15 years after those events in 2001 and 2004. During the default of the Lehman Brothers in 2008, the CCPs world wide were able to manage the volatility and liquidity in the market without using their default funds. Thus, this case showed that standards for the CCPs were active and in place and higher standards were implemented by IOSCO in 2012.

The improvements for the risk management system arose when new international requirements and standards were enforced towards the central banks and securities regulators agencies. The initiating party for the requirements for financial market infrastructures was the *Committee on Payments and Settlement Systems* (CPSS) and the *International Organization of Securities Commissions* (IOSCO). The first published principles of standards were the *Core principles for systemically important payment*

systems (CPSIPS) issued in 2001. This paper included 10 principles, which allow financial institutions to evaluate their risk management systems and make their operations safer and more efficient. Another paper was published in 2001 named *Recommendations for securities settlement systems (RSSS)*. In 2004 CPSS with IOSCO published *Recommendations for central counterparties (RCCP)*, which focused on the main risks faced by the CCP and contains 15 recommendations to alleviate these risks. The originality of this report lies in the publication of the methodologies necessary for risk assessment and the content of practical explanations for the application of these recommendations (IOSCO, 2004). In the European Union, as well as in other jurisdictions, these international standards have been adopted at the legislative level, which means that compliance with such requirements by central counterparties is of high importance. In 2012 CPSS and IOSCO have published together the new *Principles for financial market infrastructures* (PFMI report). This latest report replaces all the previous published standards in 2001 and 2004. The assessment methodology for PFMI was developed by a sub-group, which was overseen by the World Bank and the IMF. The PFMI report has 24 principles and 5 responsibilities for the financial infrastructures to implement (IOSCO, 2012). These 24 principles set the rules which must be

observed by entities that function as CCP, settlement and accounting for all financial instruments.

The principles are designed to help ensure the safety, efficiency and sustainability of the financial system, in this regard, their full, timely and consistent implementation is fundamental for all participating countries. The National Bank of the Republic of Kazakhstan has been a simple member of IOSCO since November 16, 2019. Accordingly, the National Bank should strive to apply the recommendations and principles developed by IOSCO in regulating the activities of local financial institutions, including the CCP.

According to the IOSCO reports, infrastructure financial institutions, which carry out clearing, settlement and accounting activities for any financial instruments and transactions, are a key link in the financial market and play a significant role in stable operations of a financial infrastructure and progressing it. At the same time, such financial infrastructure organizations can pose significant risks to the financial system as a whole and can be potential sources of systemic crisis, especially during periods of severe market stress.

In the event of a default, KASE undertakes procedures to regulate the default of the insolvent clearing participant. The procedure involved making transactions in the market or through pre-negotiated liquidity lines to transfer or liquidate obligations/claims of the insolvent clearing participant. The market risk arising as a result of position liquidation is reimbursed at the expense of the default fund formed by KASE. The partial collateral of a clearing participant on KASE is formed by evaluating market and interest rate risks of its open positions, as well as its collateral. However, by carrying out centralized activities, the CCP concentrates risks. Such risks include legal, credit, liquidity risk, general business risk, custody and investment risks and operational risks. The credit risk and liquidity risk will be discussed further.

Credit risk

This risk is governed by IOSCO (2012) Principle 4. Credit risk refers to inability of a participant or other entity to meet its financial obligations on a timely basis. According to IOSCO, the CCP and clearing members may be exposed to the credit risk. The default of a participant can be a source of distractions to a Financial Market Infrastructure (FMI) and the whole financial market. Therefore, the CCP as an FMI should have a strong plan to manage its credit exposure to its clearing members. There are few key considerations for credit risk principle: a strong framework to manage its credit risk, maintain

and measure the credit exposure to clearing members as well as exposure to clearing and settlement processes, which might be as a source of credit risk. The CCP should measure and be able to cover its potential future exposures to each member. The CCP should also maintain additional financial resources to cover the default case as well as other potential stress scenarios. The CCP needs to be able to measure the required financial resources and test the sufficiency of them on a regular basis.

Liquidity risk

IOSCO Principle 7 (2012) refers to the liquidity risk. The standards describe key considerations for the liquidity risks such as that FMI should have specific rules and tools to manage, monitor and measure the possible liquidity risk. The CCP should maintain a specific amount of liquid assets in different currencies in case of settlement or payment obligations or margin requirements. The CCP can maintain its liquid resources in other form than cash but then these assets need to be saleable or acceptable as collateral. The CCP should have a confidence in its due diligence on each clearing member and its ability to understand and manage its liquidity risk. The CCP needs to make stress testing on a regular basis as well as have a strong framework to follow for its clearing participants in case of a default. Ripatti (2004) describes in her research work for the Bank of Finland that the source of liquidity risk can be when a clearing member will not settle an obligation or a margin call when due which will

Official List of securities: T+List and T+Collateral List

The CCPs are exposed to substantial risks from the financial instruments they use for clearing process because the risk management system must take into account the complexity of financial instruments and the availability of data on such a financial instrument (IOSCO, 2012). KASE forms a list of securities, which are open for trading with the participation of CCP (T+List and T+collateral List). The key principle for selecting securities to include them in the above lists is the possibility of buying or selling such securities on the market within a specified time frame, which is considered as the degree of liquidity. Securities are selected primarily on the basis of the quality characteristics of the securities, since it is often a question of including a new security that has recently been issued or included in the official list of KASE securities. Based on the standards by the European Union, in addition to cash, the CCP must accept as collateral only highly liquid government securities and (or) securities of highly reliable issuers.

KASE makes a decision to include securities in those lists based on the applications of the clearing participants and through quarterly monitoring the liquidity of securities, which are on the lists already. A collegial decision of the authorized body is made to include securities in the lists, it considers the financial condition of issuers, as well as reviews and discusses the quality characteristics of securities.

Specifically, the purpose of evaluating the liquidity of a security is to determine the possibility of liquidating a position in the normal trading day within the period specified by the Clearing Rules, which is 3 trading days from the day when the clearing participant is declared insolvent. Therefore, addition to the T+ List implies a positive possibility of liquidation of any trade volume, which is equal to the clearing participant's open position within the specific risk rates under normal market conditions and within 3 trading days. The analysis of described in the methodology will allow to understand which type securities are presumably preferred by the current large, average, and small clearing participants. Thus, the development will allow us to understand how frequently each security from the lists are traded and in

what type of transactions. This will let us to analyze the new security by the accepted characteristics of the current members.

The key problem is evaluating liquidity of securities that do not have sufficient historical data to calculate traditional liquidity ratios such as Amihud's liquidity ratio (Amihud, 1986). Thus, liquidity valuation models are proposed to be built based on the available qualitative parameters of securities and the financial condition of its issuer, which are already included in the T+ List and/or the T+ Collateral List.

Methodology

KASE has a current methodology for assessing the liquidity of debt securities. The current methodology includes 8 criteria for the security to be included in T+ List or T + Collateral List.

1. At least 10 buy-sell deals for the past 52 weeks
2. At least 60% of the issue volume is being traded
3. At least 8 out 10 BVAL score of the security
4. A security has the LQA score higher than the sector
5. A security has a market – maker
6. A security has a provider
7. A security has a rating of at least BB-
8. Lack of information that significantly affects the liquidity of the security

The security can be included in T+ List if it has at least 5 points out of 8. The security can be included in T+Collateral List if it has more than 5 points out of 8. However, there are difficulties with the current methodology such as:

- Difficulties with objectives evaluation of securities without sufficient data history
- Overlooking a large list of securities takes a significant amount of time
- A heterogeneous approach when deciding whether to include a security
- The result depends on the expert opinion of the discussion participants
- Possible difficulty in determining the important factor affecting the “liquidity” of a security

Therefore, there is a prerequisite to overlook the current methodology and make improvements if necessary. The methodology of this research will help to analyze the current list of “liquid” securities in T+ List or T + Collateral List, their criteria and the behavior of their holders. Thus, make new suggestions to the current methodology of KASE.

The research of this thesis will be conducted using a quantitative research approach. The data used for the study will be collected from KASE. Data was taken on securities from the internal back-office system (BOS), journal of characteristics of government and corporate bonds from BOS, auction results from KASE website and BOS. The methodology of the research will be based on three hypotheses, which were conducting by analyzing the current holders of the securities and their trading behavior:

- Hypothesis #1: There are categories of clearing participants with a conservative, moderate and risky approach to investment management. (There is a risk profile of a clearing member which is characterized by the degree of exposure to market and credit risk and can be ranked from the least risky to the riskiest).

- Hypothesis #2: Categories of clearing participants with a conservative, moderate and risky approach to investment management have a rare, medium and frequent trading period (constancy of behavior by risk profile).
- Hypothesis #3: Conservative, moderate and risky clearing participants tend to buy securities that are not qualitatively different from the securities in the portfolio (consistency of choice by risk profile).

The research will be conducted using a quantitative research approach by analyzing the collected data on securities (government and corporate bonds, stocks) which are currently held (at the end of year 2022) by the clearing participants on their accounts at KASE. The data on all these securities is being split by quantiles and by the size of the participants portfolio. The data is also being analyzed by dividing it into buy/sell or REPO deals by the preference of the participants. The last hypothesis will be analyzed by using a regression analysis. The analysis also presents a new method on how to analyze new securities in order to include them into the T + List and T + Collateral List.

Data Analysis and Finding

- Hypothesis #1: Data was taken from the current accounts holding both corporate and government securities of all clearing members of KASE based on the end of the year 2022. The large sum of data was first divided to own accounts of KASE clearing members and client accounts of KASE clearing members. Then each of the two groups was split between small, average, and large participants groups – quartiles (Q1, IQR, Q4).

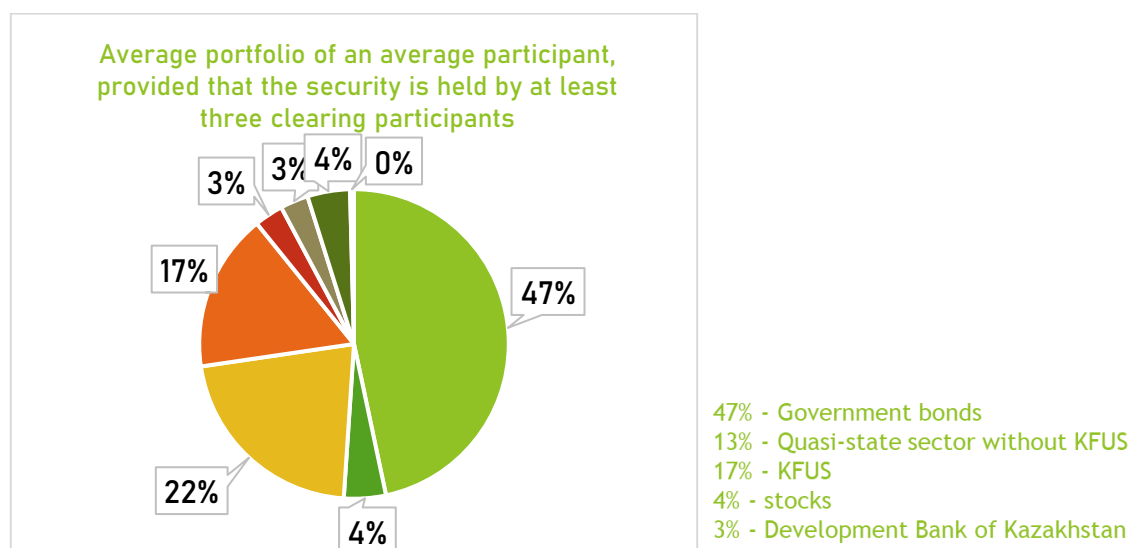
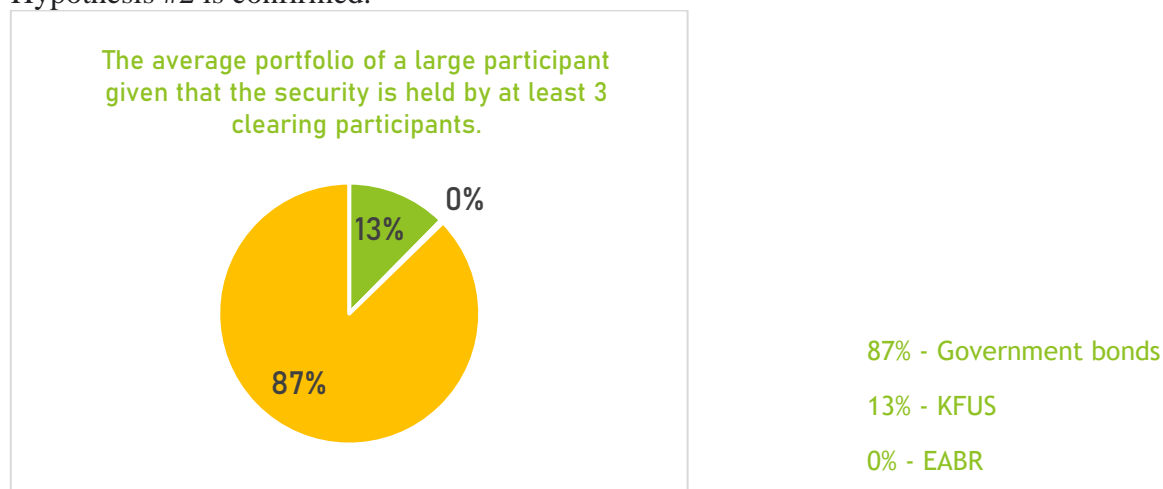
Q4 had the largest members by its portfolio valuation with total of more than 80% of all own accounts of clearing members. IQR had average members by its portfolio valuation with total of more than 13% of all own accounts of clearing members. Q1 had small members by its portfolio valuation with total of less than 5% of all own accounts of clearing members. Thus, the analysis of the data indicates that:

- Q4 (large participants) mainly own government securities in KZT and foreign currency, while they practically do not have equity instruments on their portfolios, which indicates a conservative approach to managing their own account.
- IQR (participants of the 2nd and 3rd quartiles) own government securities as well as some corporate debt and a small amount of equity instruments, which indicates a moderate approach to managing their own account.
- Q1 (small participants) own a small issue of government securities and various issues of corporate debt, as well as a relatively large amount of equity instruments, which indicates a risky approach to managing their own account.

Therefore, Hypothesis 1 is accepted - the possibility of classifying participants by risk profile is confirmed. Large portfolio participants accept less risky securities than smaller portfolio participants, who are more likely to accept securities with a high-risk profile.

- Hypothesis 2: the data which was described above and divided into quartiles was then analyzed by the type of transactions each quartile member prefers to participate in. As it was understood from the Hypothesis #1 large members from Q4 have a conservative less risky approach to their portfolio management. It was then observed that Q4 participants have more active and stable execution of REPO transactions and a lower frequency of BUY/SELL transactions. The more participants in Q4 have a security on a depo account, the less buy/sell transactions are made on it. Clearing members in IQR have a moderate approach to portfolio management, which was discovered by Hypothesis #1. These participants are characterized by more frequent buy/sell deals and moderate frequency of REPO transactions. The more IQR participants own the security, the more likely the activity of buy/sell

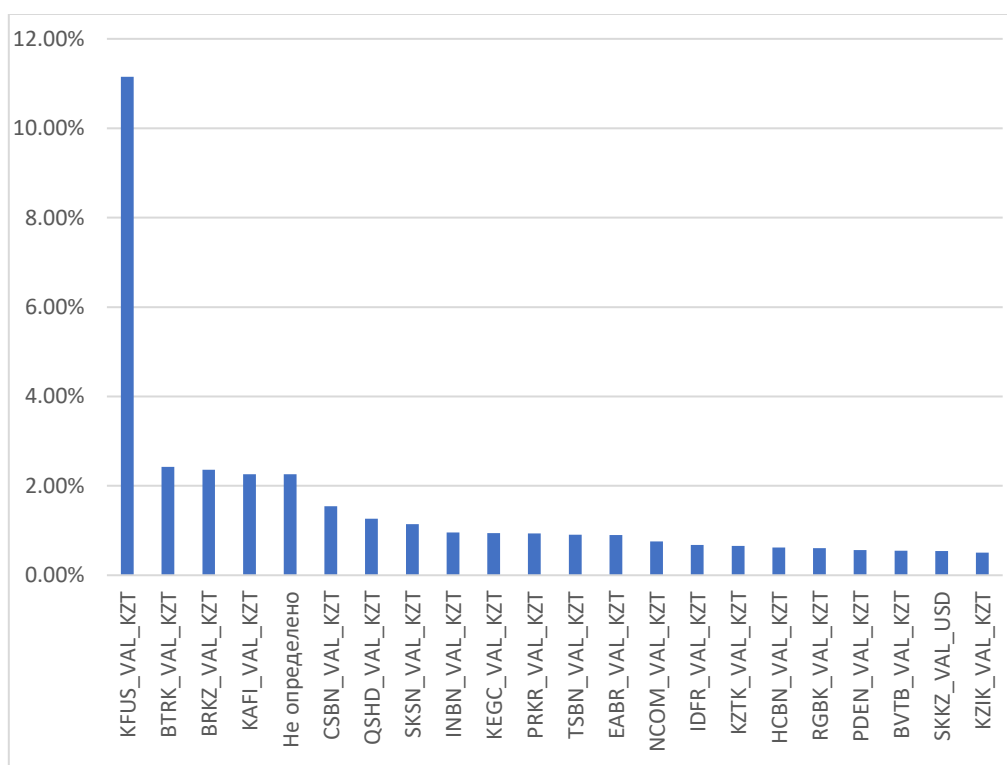
transactions. Q1 participants are characterized by having a riskier approach in their portfolio management. Presumably, these participants are more active in buy/sell transactions due to the relatively high-risk profile of securities on their accounts and are less active in REPO transactions. Thus, Hypothesis #2 is confirmed.



- Hypothesis 3: the data was sorted by the following criteria:

Name	Code	Source
Supply to demand ratio	Auction	News on auction results
Number of days to maturity	DAYTOMAT	Journal on securities from BOS
Yield compared to the interest rate	SPREAD	Estimated parameter
State participation in the issuer's structure	GOVYN	Issuer characteristics/Prospect
Rating group	RATEYN	Issuer characteristics/Prospect
1 - strictly below BB-		
2 - between BBB- and BB-		
3 - strictly above BBB -		
Issue Volume	ISSUEVOL	News on auction results

The graph below shows the structure of securities in IQR – Q4



The securities in IQR-Q4 included 127 securities. 53 securities out of 127 (39%) were included in T + List. 34 securities out of 127 (27%) were included in T + Collateral List. The final systematized and cleaned sample evaluates 107 securities with 6 regression variables mentioned above in the table. 28 securities out of 107 (36%) were in T + List and 22 securities out of 107 (21%) were in T + Collateral List. The regression analysis was carried out in order to find an unallocated security in the structure of the portfolio of Q4 and IQR participants (at least on three own accounts). Thus, the following evaluation was made:

- Clearing participants in Q4 prefer securities with:
- 1. rating of at least BB-

2. maturity of not more than 5 years
3. with state participation
4. placement volume of at least KZT 15 billion
- Clearing participants in IQR prefer securities with:
 1. rating of at least BB-
 2. maturity of not more than 10 years
 3. volume of placement of at least KZT 9.5 billion

Hypothesis 3 is confirmed: clearing participants tend to buy securities that are not qualitatively different from the securities in the portfolio.

Summary/Conclusion/Recommendations/Implications

The role of the CCP in the ecosystem of emerging financial markets increases as the local market integrates with the international one. The CCP allows you to create conditions for leveling the risk of the counterparty when trading with a later asset delivery date. KASE has been performing the functions of a CCP since 2018 and is the second market in terms of trading volume after MOEX in the CIS region.

In a short period of time, KASE has successfully applied the principles by international organizations and continues to implement such principles. KASE's risk management system, in accordance with international standards, helps to effectively respond to the facts of risk awareness. However, due to the newness of such measures, it does not cover a significant range of risk events.

One of the key risk factors for the CCP is an effective assessment of the liquidity of securities that are allowed in trading modes with the participation of the CCP and are also accepted as collateral for such transactions. It is important for the CCP to correctly assess the liquidity of a security in order to understand the ability to effectively liquidate the positions of defaulted participants in a short time with the least loss in value. In case of inability to liquidate the defaulted positions it may lead to an increase in the costs of covering counterparty risk and involve a significant systematic risk, as a revaluation of most assets.

The difficulty of the current methodology lies in evaluating the liquidity of new securities due to the lack of required information. The developed analysis in this paper on the basis of previously made decisions allows to timely determine the key quality factors of securities and apply the estimated factors to evaluate new securities.

The purpose of the study is to analyze the risk management system of the CCP formed on the basis of KASE in terms of counterparty risk management. The research proposes practical solutions to improve the efficiency of current accepted methods for assessing the liquidity of securities. The results of the study can have a practical significance because the research is based on the example of an existing infrastructure of CCP and all stock market participants. The results of the work can suggest recommendations for improving KASE's operations in order to analyze new securities and evaluate the old ones on the lists on a quarterly basis.

References

KASE “Annual Report”, 2021.

https://kase.kz/files/reports/KASE_meeting_2021_eng.pdf

KASE “Press Release”, 2023.

https://kase.kz/files/press/ru/09_02_2023_Itoji_jan_ru.pdf

BIS and IOSCO “Principles for financial market infrastructures”, 2012.

<https://www.bis.org/cpmi/publ/d101a.pdf>

Bignon, V. and Vuillemeys, G. “The Failure of a Clearinghouse: Empirical Evidence”, 2017

<https://ideas.repec.org/a/oup/revfin/v24y2020i1p99-128..html>

Ron Berndsen “Fundamental questions on central counterparties: A review of the literature”, 2021

<https://onlinelibrary.wiley.com/doi/10.1002/fut.22260#fut22260-bib-0104>

Vuillemeys, G. “Completing Markets with Contracts: Evidence from the First Central Clearing Counterparty, 2018

Ripatti, Kirsi. “Central Counterparty Clearing: Constructing a Framework for Evaluation of Risks and Benefits.” SSRN Electronic Journal, 2004, <https://doi.org/10.2139/ssrn.3022510>.

King, Thomas, et al. “Central Clearing and Systemic Liquidity Risk.” Finance and Economics Discussion Series, vol. 2020, no. 009, 2020, <https://doi.org/10.17016/feds.2020.009>.

Pirrong, Craig. 2011, The Economics of Central Clearing: Theory and Practice.

<https://www.isda.org/a/yiEDE/isdadiscussion-ccp-pirrong.pdf>

Brooks, Chris. Introductory Econometrics for Finance. Cambridge University Press, 2019.

Amihud, Yakov, and Haim Mendelson. “Liquidity and Stock Returns .” Financial Management, vol. 17, no. 1, 1988, p. 5., <https://doi.org/10.2307/3665910>.

Amihud, Yakov, and Haim Mendelson. “Liquidity and Stock Returns.” Financial Analysts Journal, vol. 42, no. 3, 1986, pp. 43–48., <https://doi.org/10.2469/faj.v42.n3.43>.

Pastor, Lubos, and Robert Stambaugh. “Liquidity Risk and Expected Stock Returns.” 2001, <https://doi.org/10.3386/w8462>.

Analysis of the salient factors regarding customers' bank choice in Kazakhstan

Chingiz Sapargaliyev

Bang College of Business, KIMEP University
Abay Avenue, 2, Almaty, Kazakhstan, 050010
chingiz.sapargaliyev@kimep.kz

ABSTRACT

This research paper examines the critical factors that influence individuals in their choice of a bank in Kazakhstan. The study utilized a structured questionnaire approach, incorporating quantitative data collection method through a survey distributed online. The results of the study indicate that the most important factors influencing bank choice are convenience of mobile application, fees and charges, variety of services and reputation. Other factors such as religious matters, marketing campaigns and availability of personal financing were found to be least significant in influencing bank choice. The study contributes to the literature on bank choice by identifying and prioritizing the key factors that customers consider when choosing a bank, and provides insights for bank managers and marketers to better understand and meet the needs and preferences of their customers, especially for Kazakhstani market.

Keywords: Bank, Financial Institutions, Salient Factors, Bank Choice, Customers, Kazakhstan.

INTRODUCTION

The banking industry is a vital component of the global economy, playing a key role in promoting growth and development by facilitating the flow of money and credit. In recent years, the industry has faced a number of challenges, including increased regulatory scrutiny and ongoing low interest rates. The COVID-19 pandemic has also had a significant impact on the banking industry, with many banks facing increased loan defaults and a drop in consumer confidence (Web-2). Despite these challenges, the industry has remained resilient, and many banks have taken steps to adapt to the changing economic environment by investing in new technologies and digital platforms to better serve their customers. Banks are also continuing to play a vital role in supporting economic recovery by providing financial assistance to individuals, businesses, and governments.

The banking industry in Kazakhstan has been undergoing significant changes in recent years. The country has a relatively well-developed banking system, with a number of large domestic and foreign-owned banks operating in the market. The National Bank of Kazakhstan is the main regulator of the banking sector and has taken steps to improve the stability and transparency of the industry. The government has also implemented a number of economic and financial reforms to promote growth and development, such as joining the World Trade Organization, devaluating the currency, and liberalizing the exchange rate.

The banking industry in Kazakhstan has been affected by the economic downturn due to the fall in oil prices, which has led to a decrease in foreign currency reserves and an increase in non-performing loans. However, the industry has remained stable overall, and the government has taken steps to support the banking sector, such as providing liquidity and introducing measures to strengthen the banking system.

Latterly, the banking industry in Kazakhstan has been working on the development of digital banking and online services, which has increased in demand due to the COVID-19 pandemic. Overall,

the banking industry in Kazakhstan is considered to be stable and well-regulated, with opportunities for growth and development in the future.

In recent years, there has been a shift in customer preferences when it comes to choosing a bank. One of the main changes is the increased importance of digital banking services. “The role of digitalization in the banking sector has altered customers’ preferences and demands” (Deshpande, 2018). Customers are increasingly using online and mobile banking services to manage their accounts, pay bills, and make transactions. This has led to a greater emphasis on the quality and accessibility of digital banking services by banks.

This study aims to investigate the most significant factors for customers’ bank choice in Kazakhstan by collecting data from 170 respondents. Among the 17 factors investigated, convenience of mobile application, fees and charges, variety of services provided and reputation found to be the most important factors for Kazakhstani customers.

The study of important factors for banking choice is crucial because it helps individuals, businesses, and policymakers make informed decisions that better meet their needs and preferences. By understanding these factors, stakeholders can develop better strategies, products, and policies that promote a more competitive, transparent, and customer-centric banking industry.

LITERATURE REVIEW

It is important to mention that there are no open-source materials and research studies on this topic for Kazakhstani market, therefore this study could be a starting point for further extrapolation of this topic. Therefore, for the purpose of this paper, here are used more general studies and research papers performed, or studies for different markets.

For example, the study of “Factors influencing students’ selection of a bank” performed in United States’ universities has covered a sample of 100 respondents, analysing 10 relative factors on a scale from 0 to 5 (Tai & Zhu, 2013). The top factors have found to be “secure feelings”, “proximity of branch and ATM service” and “banks reputation”, while least important factors concluded to be “financial products”, “recommendation” and “design of card”.

This study also performed T-test to find any statistically different factors between men and women, but only for the top-3 factors found above during general sample analysis. As a result, proximity of branch and ATM has found to be statistically significant, but researchers concluded there is not enough evidence to say there are any differences, since only three factors were taken into account (Tai & Zhu, 2013).

Similar study on “Factors affecting choice of commercial banks in Kosovo” has investigated the most important factors for a bank choice in Kosovo (Sahiti et al., 2020). The study was performed by collecting research questionnaires from 192 customers in Kosovo region. The three most important factors found to be service quality, reputation and wide branch network, while least important are relationship with staff of the bank, easy access to loans and marketing communications of the bank.

Another study on similar topic for gender differences was performed by Omar (2007) in Nigeria. The sample covered was 200 respondents, with men representing 64% and women 36% of sample. As researched concluded, “there are few differences in terms of the order of importance and the characteristics exhibited by male and female customers when selecting a retail bank are almost the same” (Omar, 2007). For men, the three most important factors were determined as safety of funds, efficient service and speed of transaction, while for women it is speed of transaction, safety of funds and bank recommended respectively. It seems that recommendations for women play more important role than for men.

Another example, the study of “Factors influencing customers’ bank selection decision in Ethiopia” (Tehulu, 2014). During the study, responses from 204 people were collected to identify factors, which

affect the customers' bank choice criteria. Different factors were included into questionnaire, such as friendly staff, number of counter windows, bank speed etc. The results have indicated no significant effect of "recommendation by others" factor. It is not surprising, taking into account that banking industry is highly consolidated and there are few major players in every market, therefore banks are chosen mostly by some practical factors rather than on simply recommendations, however it might be the case still.

What is more interesting is that ATM service provision factor in this study has a positive effect on customers' choice. Probably it is explained by the fact that study is dated 2014. In the current Kazakhstani environment, it is not expected that the ATM service provision factor might be in top-10 factors, since volumes of non-cash online transactions are growing every month. According to website of the National Bank of Kazakhstan, in December 2022 total volume of online transactions reached 13,3 trillion KZT (around 28 billion USD), growing by 33.7% in comparison with December 2021, while cash transactions have dropped by 11.1%. Huge transfer to online transactions is explained by rapid growth of retail fintech banks with complex mobile applications, offering customers unique platforms for personal finance, investments, marketplaces etc.

As we can see, there were many different studies performed regarding the customers' bank choice criteria in different markets, however no open-source articles on Kazakhstani market were found. The studies analysed above follow the same design of collecting the responses using questionnaires and appoint the ratings to preliminary agreed and researched factors listed. This literature review seeks to examine the significant factors for bank choice as explored in academic research. The common factors affecting bank choice as per results of literature review are reputation, fees and charges, convenience, customer service, product offerings and security.

METHODOLOGY

Sample and data collection

For the purpose of this research paper, I have gathered the data through online questionnaires, links to which were sent among my social groups and university members via intranet. The questionnaires were shared on Kazakhstani market only both in English and Russian for non-English speakers. In total, questionnaire consisted of 22 questions, 17 of which are variables asking to scale them from 1 to 10.

In any research project, the sample size should be calculated depending on the number of variables you are going to observe (Hair et al., 2011). The suggested method is at least from 5 to 10 samples for an observation variable. Taking into account that this research paper includes 17 variables, the required minimum sample size was calculated as 170 responses. The required number of responses was collected from 18 January till 4 February 2023. For the purpose of this research, the statistical significance was set at $p\text{-value} < 0.05$, which is one of the most common benchmarks.

RESULTS

The sample size of the paper is 170 respondents, people born from 1956 (67 years old) to 2002 (21 years old), with 18 respondents preferred not to indicate year of birth. Gender distribution is 80 women (43%) and 90 men (53%).

The primary bank statistics and employment status are shown in the following charts:

Chart №1: Primary bank usage

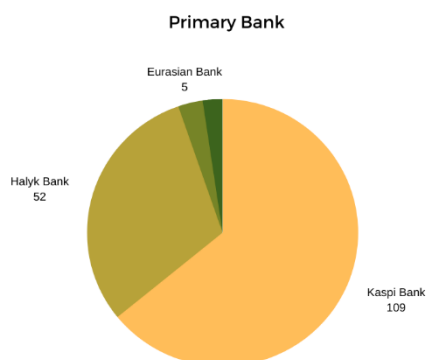
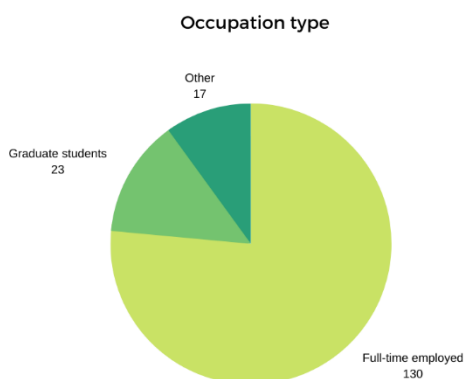


Chart №2: Occupation type



The following table indicates overall average rating of 17 factors included in survey:
 Table №1: Overall scores

Variable	Mean	Std. Deviation	Minimum	Maximum
Convenience of mobile application	9.529	1.033	4.000	10.000
Commission amounts, charging fees etc.	8.829	1.614	3.000	10.000
Number/variety of services provided	8.729	1.685	2.000	10.000
Reputation, brand name	8.524	1.710	1.000	10.000
Rating of the bank	7.900	2.075	1.000	10.000
Financial performance of the bank	7.847	2.087	1.000	10.000
Existence of foreign transaction services	7.729	2.320	1.000	10.000
Existence of the own marketplace (Jusan Market, Halyk Market, Kaspi Shop etc.)	6.829	3.127	1.000	10.000
Number of branches	6.824	2.652	1.000	10.000
Recommendations of friends, family etc.	6.635	2.657	1.000	10.000
Location, distance of the branch from home	6.129	2.666	1.000	10.000
Location, distance of the branch from work/office	6.076	2.803	1.000	10.000
Country of origin of the banking institution/brand	6.053	2.918	1.000	10.000

Investment opportunities	5.818	3.109	1.000	10.000
Availability of personal loans (in any form)	5.771	3.234	1.000	10.000
Marketing campaigns performed by the bank	4.500	2.709	1.000	10.000
Religious matters, such as existence of islamic financing etc.	2.824	2.685	1.000	10.000

Table №2: Gender comparison

Variable	Gender	Valid	Mean	Std. Deviation	Minimum	Maximum
Rating of the bank	Female	80	8.025	1.922	1.000	10.000
Rating of the bank	Male	90	7.789	2.206	2.000	10.000
Reputation, brand name	Female	80	9.000	1.169	5.000	10.000
Reputation, brand name	Male	90	8.100	1.989	1.000	10.000
Number/variety of services provided	Female	80	8.988	1.326	4.000	10.000
Number/variety of services provided	Male	90	8.500	1.927	2.000	10.000
Number of branches	Female	80	6.938	2.587	1.000	10.000
Number of branches	Male	90	6.722	2.719	1.000	10.000
Location, distance of the branch from home	Female	80	6.063	2.678	1.000	10.000
Location, distance of the branch from home	Male	90	6.189	2.669	1.000	10.000
Location, distance of the branch from work/office	Female	80	6.138	3.080	1.000	10.000
Variable	Gender	Valid	Mean	Std. Deviation	Minimum	Maximum
Location, distance of the branch from work/office	Male	90	6.022	2.548	1.000	10.000
Existence of foreign transaction services	Female	80	7.787	2.109	3.000	10.000
Existence of foreign transaction services	Male	90	7.678	2.503	1.000	10.000
Country of origin of the banking institution/brand	Female	80	6.287	2.784	1.000	10.000
Country of origin of the banking institution/brand	Male	90	5.844	3.031	1.000	10.000
Convenience of mobile application	Female	80	9.675	0.792	7.000	10.000
Convenience of mobile application	Male	90	9.400	1.197	4.000	10.000
Commission amounts, charging fees etc.	Female	80	9.137	1.220	5.000	10.000
Commission amounts, charging fees etc.	Male	90	8.556	1.861	3.000	10.000
Financial performance of the bank	Female	80	8.037	1.768	3.000	10.000
Financial performance of the bank	Male	90	7.678	2.331	1.000	10.000
Recommendations of friends, family etc.	Female	80	7.013	2.442	1.000	10.000
Recommendations of friends, family etc.	Male	90	6.300	2.806	1.000	10.000
Religious matters, such as existence of islamic financing etc.	Female	80	2.712	2.630	1.000	10.000
Religious matters, such as existence of islamic financing etc.	Male	90	2.922	2.745	1.000	10.000
Marketing campaigns performed by the bank	Female	80	4.450	2.783	1.000	10.000
Marketing campaigns performed by the bank	Male	90	4.544	2.657	1.000	10.000

Availability of personal loans (in any form)	Female	80	5.575	2.903	1.000	10.000
Availability of personal loans (in any form)	Male	90	5.944	3.510	1.000	10.000
Investment opportunities	Female	80	6.263	2.814	1.000	10.000
Investment opportunities	Male	90	5.422	3.315	1.000	10.000
Existence of the own marketplace (Jusan Market, Halyk Market, Kaspi Shop etc.)	Female	80	6.662	3.044	1.000	10.000
Existence of the own marketplace (Jusan Market, Halyk Market, Kaspi Shop etc.)	Male	90	6.978	3.208	1.000	10.000

The study investigated 17 determinants of bank choice: convenience of mobile application, commission amounts, variety of services provided, reputation/brand name, rating of the bank etc. as listed in tables above. Table 1 illustrates all these factors with mean scores ranging from 2.824 to 9.529. The mean values of the factors demonstrate how strongly they affect the customer's choice of bank, while the standard deviation shows how the data is dispersed around the mean value. The table lists the factors in order of their mean scores, and the higher scores indicate that these determinants are more significant.

DISCUSSION

As noted in table 1 above, with the global trend towards digitalization and automation of every aspect of human life, the convenience of mobile application is not surprisingly number 1 salient factor when it comes to banking choice. People used to solve routine tasks (especially personal ones) via mobile phones.

Mobile applications for banks have become increasingly important in today's fast-paced world where people are always on the go. The convenience of having access to their financial information and the ability to manage their finances from their smartphones has made mobile banking a popular choice for many customers. It allows for quick and easy transactions, such as checking balances, transferring funds, paying bills, and even depositing checks. This saves time and makes banking more accessible, especially for those who may not have the luxury of visiting a physical bank branch during business hours. Furthermore, mobile banking also offers a secure and convenient way to manage finances, with many banks providing multi-factor authentication and encrypted connections to ensure the protection of sensitive information. In conclusion, the convenience of mobile banking applications has revolutionized the banking industry and has become a crucial aspect of banking services in today's world.

The commission amounts and charging fees are the second most important factor according to questionnaire results. The results are similar to study conducted by Omo Aregbeyen (2011), which indicated “low/reasonable service charges” as a salient factor for bank choice. However, I believe the importance of this factor could be different depending on the market we observe.

The Kazakhstani financial market can be described as developing, with high level of instability, currency fluctuations and continuous changes in legislation, especially for financial institutions. As a result, banking sector here cannot be described as a homogeneous one, banks may have completely different service charges, which deviate significantly depending on service type and bank itself. For example, the transfer of 46,000 KZT (approximately 100 USD) to different bank card in Kaspi Bank would cost you 437 KZT (0,95% from transaction amount), while in Halyk Bank it is a fixed charge of

150 KZT. It is worth noting that these are two main retail banks on the market, as proved by questionnaire results in Chart №1.

Such material differences between service charge fees put this as a second most important factor for Kazakhstani customers. Analysis of the same factor in some developed economies (United States, Netherlands, United Kingdom etc.) could show different results, since financial system there is more stable and as a result, bank institutions are more homogeneous in terms of services they provide and related charges.

The variety of services provided closes the top three most important factors for bank choice in Kazakhstan. Globalization plays a crucial role here. With more and more customers perform international transactions, included into cross-border payments, get financial education from online resources etc., the demand for various kinds of services increases. Some banks in Kazakhstan still do not have international transfer options, while others already offer brokerage services and crypto trading.

Customers, no matter which market it is, prefer unified one-in-all solution, where they can quickly solve all financial tasks, rather than opening different accounts in different banks depending on service type, they seek for.

The least important factors, according to the survey results, are religious matters (such as Islamic financing etc.), marketing campaigns performed by the bank and availability of personal loans. The offering of Islamic finance products being the least important factor is highly volatile variable depending on the sample you observe. As most of my sample population was covering Almaty city only, it is highly probable that the population was mixed in terms of nationality and religious beliefs. Overall, Almaty is not considered as a homogeneous city, since we have a lot of other nationalities other than Kazakh, and many other religious movements, therefore this variable is highly subjective on the region you performed the study on. The research done on Western Kazakhstan for example could indicate different results, where the concentration of people who profess Islam is significantly higher than for the Almaty.

Marketing campaigns are a crucial aspect of a bank's business strategy and plays an important role in attracting and retaining customers. However, there are certain circumstances where marketing campaigns may not be considered important by some customers. Firstly, customers who have already established a relationship with the bank and have a strong sense of trust and loyalty may not be influenced by marketing campaigns. They may prioritize other factors such as the quality of customer service, the convenience of banking services, and the bank's reputation for security. Secondly, some customers may be more influenced by personal recommendations and referrals from friends and family, rather than by marketing campaigns. In such cases, marketing campaigns may not be as important as word-of-mouth referrals. Additionally, customers who are not in the market for financial products or services may not pay attention to marketing campaigns, regardless of their quality or reach.

The availability of personal loans is an important offering for many banks and is a common financial product for customers looking for credit. However, there may be certain circumstances where the availability of personal loans is unimportant for bank customers. Firstly, some customers may not have a need for a personal loan, either because they have sufficient savings or because they do not have any major expenses they need to pay for. In such cases, the availability of personal loans may not be important to them.

Secondly, customers who have bad credit or do not meet the eligibility criteria for a personal loan may not be able to access this financial product, regardless of its availability. In such cases, the availability of personal loans may not be relevant or important to these customers. Additionally, customers who have other financial products, such as a credit card, may be able to access credit through these products and may not consider personal loans to be important. The interpretation of general average results ends here; now let us move to an analysis of gender differences in terms of salient factors for a banking choice.

There is evidence to suggest that men and women can differ in their choices when it comes to banking. Some studies have shown that women tend to place a higher value on factors such as trust, personal relationships, and transparency in their banking decisions, while men may prioritize factors such as interest rates, convenience, and security.

From the analysis of mean scores listed in Table 2, we can conclude that there are no significant differences in salient factors between men and women when it comes to banking choice, almost the same average scores and the same factors are in top. However, to perform more statistically oriented approach the regression analysis and T-tests were performed.

Linear Regression

Model Summary - Gender mapping

Model	R	R ²	Adjusted R ²	RMSE
H ₀	0.000	0.000	0.000	0.501
H ₁	0.456	0.208	0.119	0.470

ANOVA

Model		Sum of Squares	df	Mean Square	F	p
H ₁	Regression	8.792	17	0.517	2.342	0.003
	Residual	33.561	152	0.221		
	Total	42.353	169			

Note. The intercept model is omitted, as no meaningful information can be shown.

Model		Unstandardized	Standard Error	Standardized t	p
H ₀	(Intercept)	1.471	0.038	38.302	< .001
H ₁	(Intercept)	-0.184	0.427	-0.431	0.667
	Rating of the bank	-0.037	0.028	-0.155	0.177
	Reputation, brand name	0.106	0.033	0.363	0.002
	Number/variety of services provided	0.033	0.029	0.111	0.255
	Number of branches	-0.013	0.019	-0.070	0.499
	Location, distance of the branch from home	-0.001	0.025	-0.006	0.961
	Location, distance of the branch from work/office	-7.756×10 ⁻⁴	0.022	-0.004	0.972
	Existence of foreign transaction services	-0.006	0.018	-0.029	0.730
	Country of origin of the banking institution/brand	-0.005	0.015	-0.027	0.762
	Convenience of mobile application	0.042	0.042	0.088	0.315
	Commission amounts, charging fees etc.	0.053	0.026	0.171	0.041
	Financial performance of the bank	-0.014	0.025	-0.059	0.565

Model	Unstandardized	Standard Error	Standardized t	p
Recommendations of friends, family etc.	0.031	0.016	0.162	1.897 0.060
Religious matters, such as existence of islamic financing etc.	-0.012	0.018	-0.062	-0.639 0.524
Marketing campaigns performed by the bank	-0.001	0.019	-0.008	-0.075 0.940
Availability of personal loans (in any form)	-0.023	0.016	-0.148	-1.455 0.148
Investment opportunities	0.042	0.015	0.261	2.765 0.006
Existence of the own marketplace (Jusan Market, Halyk Market, Kaspi Shop etc.)	-0.015	0.014	-0.094	-1.047 0.297

Independent Samples T-Test	t	df	p
Rating of the bank	0.740	168	0.461
Reputation, brand name	3.539	168	< .001
Number/variety of services provided	1.898	168	0.059
Number of branches	0.527	168	0.599
Location, distance of the branch from home	-0.308	168	0.759
Location, distance of the branch from work/office	0.267	168	0.790
Existence of foreign transaction services	0.307	168	0.759
Country of origin of the banking institution/brand	0.988	168	0.324
Convenience of mobile application	1.743	168	0.083
Commission amounts, charging fees etc.	2.379	168	0.018
Financial performance of the bank	1.123	168	0.263
Recommendations of friends, family etc.	1.756	168	0.081
Religious matters, such as existence of islamic financing etc.	-0.507	168	0.613
Marketing campaigns performed by the bank	-0.226	168	0.821
Availability of personal loans (in any form)	-0.742	168	0.459
Investment opportunities	1.770	168	0.079
Existence of the own marketplace	-0.655	168	0.513

Using a p-value threshold of 0.05, the linear regression indicates that reputation/brand name and commission amounts are statistically significant factors, while mean-analysis put it on 4th and 2nd places, respectively.

As part of regression analysis, the T-values for each factor were calculated, which measures the difference related to a certain variable in a given sample, in our case the difference between men and women preferences in selected number of factors. The higher T-value, the higher the probability that the groups are different and vice versa.

In combination with T-values analysis, which are significant for reputation/brand name (3.539) and commissions (2.379), we conclude these are the factors where men and women differ in choices. T-

values are positive, meaning on average these factors are more important for Group №2, which is women's group.

As was indicated above, some studies have shown that women tend to place a higher value on factors such as trust, personal relationships, and transparency in their banking decisions. This is similar to results of the study, where reputation and brand name was number one factor in terms of the extent of difference between men and women. We can possibly correlate it to an amount of time spent by men and women analysing banking choice. Women being in general more socially active can gather more information about the bank, its reputation and position.

The amount of commission and service charges is another statistically important factor, being more important for women. The results are contradictory to a study performed by Enav Friedmann and Oded Lowengart (2016), which stated that “men as past hunters will be more focused on instrumental and practical attributes such as cost, and women as past gatherers are more contextual and include experiential attributes such as personal service in their considerations” (Friedmann & Lowengart, 2016). There is no unique explanation for this contradiction as more detailed analysis should be performed, we may assume it is correlated with markets' specifics, where still women social status is highly correlated with family responsibilities. Theoretically, there are several reasons why women may value service charges more than men when it comes to bank choice, such as income disparity, family responsibilities and trust and reputation.

Evidence suggests that there is still an income disparity in Kazakhstan between men and women. According to an article by Nur.kz dated August 2022, “The difference in wages in main Kazakhstan's cities between men and women is about 16-19%” (Web-1). Women may have lower incomes than men, on average, and may therefore be more sensitive to service charges and fees. They may be more likely to seek out banks with low or no fees in order to minimize the impact on their finances.

Women may be more likely to have family responsibilities, such as caring for children or elderly relatives, which can influence their financial situation. They may be more focused on managing their household budget and minimizing expenses, which may lead them to prioritize low service charges when choosing a bank.

For all the other factors, such as rating of the bank, variety of services provided, number of branches, location/distance from home or office, existence of foreign transaction services etc., the analysis have not found any statistically significant difference between men and women.

There is no inherent reason why men and women should differ in their preferences for choosing a bank. Both genders are equally capable of making informed decisions based on their individual needs, financial goals, and personal values. Factors that are typically important for bank choice, such as convenience, fees, interest rates, customer service, and digital banking capabilities, are relevant to all customers regardless of gender. In fact, studies have shown that both men and women prioritize these factors similarly when choosing a bank, but sometimes to different extent.

However, it is important to note that cultural and societal norms may influence how men and women approach financial decision-making. For example, women may face unique challenges such as gender pay gaps and biases that affect their financial standing and confidence in managing their finances. These factors may indirectly affect how women perceive the importance of certain factors when choosing a bank.

Overall, there is no inherent difference between men and women when it comes to important factors for bank choice. However, cultural and societal factors may play a role in shaping individual preferences and attitudes towards financial decision-making. Banking nowadays is a basic service applicable for all genders and social groups, therefore the critical important factors that may influence the customers banking choice do not significantly vary depending on gender, since it is an essential basic service, satisfying basic needs of everyone.

CONCLUSION AND RESEARCH LIMITATIONS

In conclusion, the research on critical factors for bank choice is an important area of study that helps individuals, businesses, and policymakers make informed decisions regarding financial services. Through this research, we have learned that customers prioritize different factors when choosing a bank, such as convenience of mobile application, service fees and brand name/reputation. These factors can vary depending on the customer's age, income level, and other demographic characteristics, which should be studied in more details in other research papers. By understanding these factors, banks can develop products and services that better meet the needs of their customers, while policymakers can develop regulations and policies that promote a more competitive and transparent banking industry. Moving forward, continued research in this area is essential to ensure that the banking industry remains customer-focused and responsive to the needs of its customers.

The study successfully fulfilled its task to find salient factors for banking choice in Kazakhstan. Convenience of mobile application factor, being a top 1, clearly indicates there is no step back for us and global digital banking development is inevitable. Commission amounts and charging fees is the second most important factor, indicating that Kazakhstani customers are price conscious and not ready to pay higher fees for the same quality of services. Since it is high competition in the banking industry here and almost no switching costs involved, differentiation (primarily through the quality of digital banking) is the best way for Kazakhstani financial institutions to compete.

Religious matters (such as existence of Islamic financing) are indicated to be least important. I believe results are highly subjective here, since it would be mostly dictated by the region, sample inquired and market specifics.

In conclusion, the study conducted on the differences between men and women when it comes to banking choice reveals that there is no significant differences between men and women when it comes to overall critical factors. However results are different when it comes to what extent these factors are important for them, in other words the sensitivity is different. While both men and women prioritize factors such as mobile application convenience, commission fees, number/variety of services provided and reputation when selecting a bank, women in this regard are more demanding, since they tend to prioritize these factors more on average than men do.

REFERENCES

- 1) Aregbeyen, O. (2011) The Determinants of Bank Selection Choices by Customers: Recent And Extensive Evidence From Nigeria. *International Journal of Business and Social Science*, 2, 276-288.
- 2) Deshpande, B.N. (October, 2018). Digitalization in Banking Sector. *International Journal of Trend in Scientific Research and Development*, 2456-6470, 80-85.
- 3) Friedmann, E. and Lowengart, O. (October, 2016) The Effect of Gender Differences on the Choice of Banking Services. *Journal of Service Science and Management*, 9, 361-377.
- 4) Hair J. F., Ringle C. M., Sarstedt M. (2011). PLS-SEM: Indeed a Silver Bullet. *Journal of Marketing Theory and Practice*, 19(2), 139–152.
- 5) Omar, O. E. (October, 2007). Gender-based retail bank choice decisions in Nigeria. *The Journal of Retail Marketing Management Research*, 1(1), 20-31.
- 6) Sahiti, A., Aliu, M., Sahiti, A., Aliu, K. (January, 2020). Factors Affecting Choice of Commercial Banks in Kosovo. *Academy of Accounting and Financial Studies Journal*, 24(1).
- 7) Tai, W., Zhu, J. (April, 2013). Factors Influencing Students' Selection of a Bank. *MBA Student Scholarship*. 19.

- 8) Tehulu, T.A. (2014). Factors Influencing Customers' Bank Selection Decision in Ethiopia: The Case of Bahir Dar City. Research Journal of Finance and Accounting, 5, 57-67.

Web sites:

Web-1: <https://www.nur.kz/nurfin/economy/1982191-kak-silno-otlichayutsya-razmery-zarplat-u-zhenschin-i-muzhchin-v-kazahstane/>

Web2: <https://assets.kpmg.com/content/dam/kpmg/be/pdf/2021/Digitalization-in-banking-beyond-Covid-19.pdf>

Determinants of Profitability in Mining Companies with focus on ESG: FGLS approach employed

Altynai Mursalieva

Bang College of Business, KIMEP University
Almaty, Kazakhstan
altynai.mursalieva@kimep.kz

Abstract

The aim of this work is to identify determinants of profitability of world's top mining companies with the focus on influence of Environmental, Social and Governance (ESG) factors during the period of 2012-2021.

We use the feasible generalized least square method to regress firm-specific and macroeconomic variables on the profitability of mining companies. We use panel data to do the regression analysis.

Our originality and contribution are twofold: first, to estimate profitability determinants we used broad range of years from 2012 to 2021, secondly, the application of FGLS model was employed for the first time to conduct the research in mining industry using such indicators as ESG and GDP growth.

The findings show that some firm-specific variables play a significant role in explaining profitability as well as macro-economic variables.

Keywords: ESG, mining industry, profitability, ROA, firm size, liquidity, market capitalization, cost management, internal growth rate.

1. Introduction

In the rapidly developing world, it is becoming everyone's responsibility to care about the surroundings, environment, society, correct corporate governing and overall sustainability. According to CFA institute, ESG interpreted as Environmental, Social, and Governance. Such factors can be used by investors as an aspect of their analysis to detect material threats and potential prospects. Numerous annual reports and sustainability reports are already disclosed by proactive firms, although ESG is still not obligatory in financial reporting for all companies. Currently general requirements on ESG and definition on how to measure it are being created to make it easier to incorporate these factors into the capital market by different associations such as the Sustainability Accounting Standards Board, Global Reporting Initiative (GRI) and so on. Moreover, CFA institute research analytics define broadly ESG by explaining that Environmental part is about protecting the natural surroundings, Social refers to taking into account interactions and individuals, and Governance represents principles for managing a business. Environmental factors include topics such as climate change, carbon emissions, water pollution, waste management etc. Social part covers human rights, employee engagement and diversity, labor standards and so on. Governance takes into consideration board composition, auditing, corruption, lobbying and more of these kinds of factors.

Environmental, Social, and Governance (ESG) issues are becoming increasingly important in the mining industry. Companies are expected to demonstrate their commitment to sustainable practices and responsible corporate citizenship. In the environmental aspect, mining companies are faced with challenges such as reducing greenhouse gas emissions, minimizing waste and tailings, and protecting

water resources. Companies are also expected to comply with regulations and standards related to air and water pollution, hazardous waste, and wildlife conservation.

In terms of social responsibility, mining companies are expected to address issues such as labor rights, community engagement, and human rights. Companies must ensure that their operations do not negatively impact local communities and that they respect the rights of their workers.

Finally, in terms of governance, companies must ensure that their operations are transparent, accountable, and adhere to ethical standards. This includes anti-corruption measures and ensuring that the company's practices align with its stakeholders' expectations.

Investors are also becoming more concerned about ESG issues in the mining industry, as they look for companies that have a good track record of sustainable and responsible practices. As a result, companies that score well on ESG metrics may attract more investment and have better access to capital. Overall, ESG considerations are increasingly shaping the future of the mining industry, as companies strive to balance economic success with environmental protection, social responsibility, and good governance.

According to Steele-Schober (2021), the first official requirement for ESG factors to be included in the financial assessments of corporations was credited to a meeting conducted by The United Nations Global Compact in August 2005 in Switzerland. The sanctioning foundations believe that a better consideration of ESG practices will conclusively lead to resilient and robust investment markets and promote sustainability. All societal and commercial sectors were urged by the report's recommendations to include ESG into their fundamental operations, and investors were urged to "reward well-managed corporations" that adopt and promote ESG practices.

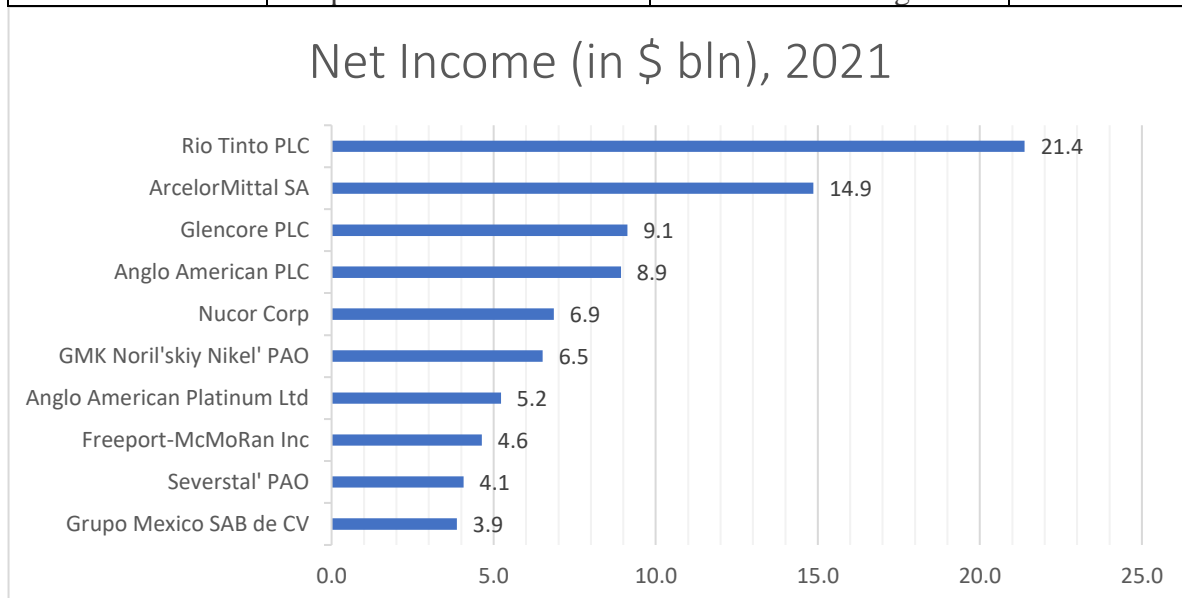
The integration of Environmental, Social, and Governance (ESG) principles in the mining industry is a critical aspect of sustainable development and responsible business practices. With increasing public scrutiny and pressure for companies to adopt sustainable and ethical practices, the mining industry must adopt ESG standards to address environmental degradation, improve community relations, and promote good governance. Through a comprehensive ESG approach, mining companies can not only mitigate risk and improve their social and environmental impact, but also enhance their financial performance and long-term sustainability. This thesis will explore the significance of ESG in the mining industry, including its effects on stakeholders, company performance, and sustainable development, and make recommendations for mining companies to effectively integrate ESG principles into their operations and strategies.

This research paper concentrates attention more on ESG variable among all other firm-specific and macro-economic factors influence profitability of mining companies. To this day, the financial institutions already created special ESG scoring and data for regression analysis was generously provided by well-known database as Refinitiv Eikon.

All analysis of this paper is based on ten listed companies, which should be described more in detail to see the overall picture of one of the most successful mining companies and ESG impact within them. The list goes from the highest Net income as of December 2021 mining firms to lower ones with full financial data necessary for FGLS.

Identifier	Company Name	Industry Name	Country of Headquarters
RIO.L	Rio Tinto PLC	Diversified Mining	United Kingdom
MT.AS	ArcelorMittal SA	Iron & Steel	Luxembourg
GLEN.L	Glencore PLC	Diversified Mining	Switzerland

AAL.L	Anglo American PLC	Diversified Mining	United Kingdom
NUE.N	Nucor Corp	Iron & Steel	United States of America
GMKN.MM	GMK Noril'skiy Nikel' PAO	Specialty Mining & Metals	Russia
AMSJ.J	Anglo American Platinum Ltd	Non-Gold Precious Metals & Minerals	South Africa
FCX.N	Freeport-McMoRan Inc	Specialty Mining & Metals	United States of America
CHMF.MM	Severstal' PAO	Iron & Steel	Russia
GMEXICO.B.MX	Grupo Mexico SAB de CV	Diversified Mining	Mexico

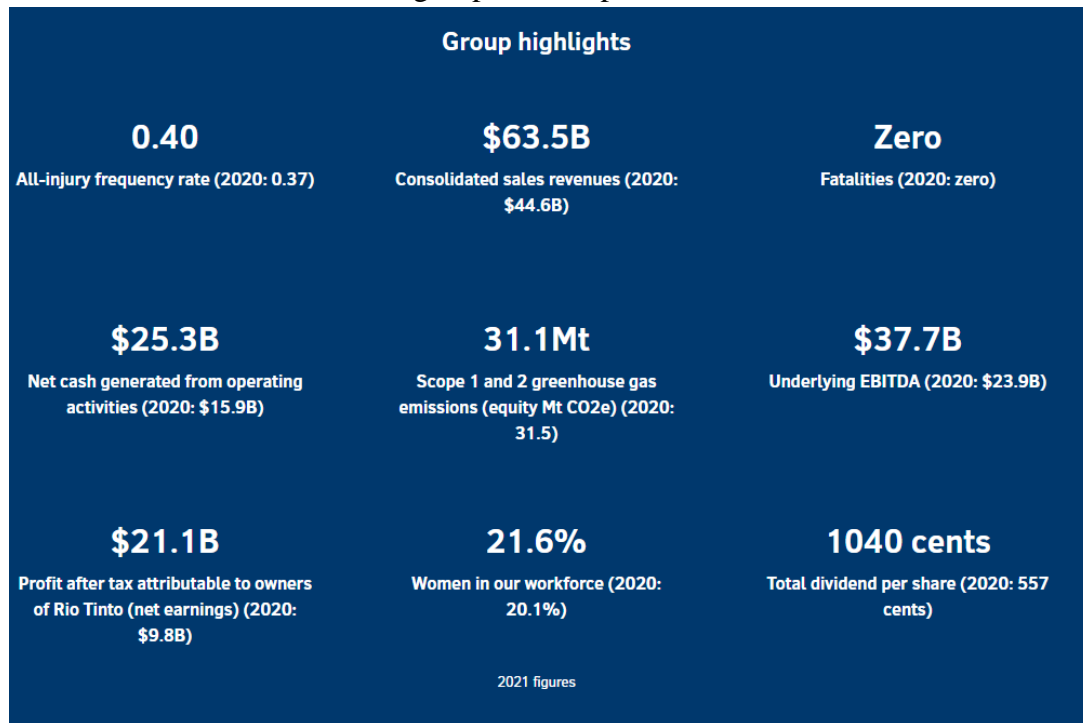


Rio Tinto PLC

According to the official website www.riotinto.com, the Rio Tinto Group is one of the largest and primer company in the research, mining, and production of mineral resources fields. The Rio Tinto Group, with its headquarters in London, was founded in the year of 1873 in Spain. On the company's official website, it is said that there are 2000 clients, 37,000 suppliers, and 49,000 employees. The company specializes in different fields such as R&D, sales, data analysis, smelters, and mines across 35 countries; moreover, they develop the sector of artificial intelligence. Companies must rapidly adopt new technologies, switch to renewable energy sources, electrify anything that can be electrified, and work across their whole value chain.

As it was stated on the official website www.riotinto.com, the company on the London Stock Exchange is a part of the FTSE 100 Index and on the Australian Securities Exchange, it is a part of the S&P/ASX 200 index. The British division of Rio Tinto also has listings on the New York Stock Exchange where

American depositary shares are traded, making a total of three major stock exchanges where it is listed. Rio Tinto was listed as the 114th-largest public corporation in the world in the 2020 Forbes Global 2000.



On the other hand, the company has been included in different frauds and scandals. For instance: concern over Rio Tinto's activities in Papua New Guinea, which they claim were a contributing factor in the Bougainville separatist crisis, has also been raised by academic observers. Corruption has also been a source of worry; in July 2017, the UK's Serious Fraud Office (SFO) announced the start of an inquiry into the company's business activities in Guinea for fraud and corruption.

Their goal was to have 2% more women in our workforce by the year 2021. This goal has a major impact of 5% of the short-term incentive plan in our ESG measures for executive compensation.

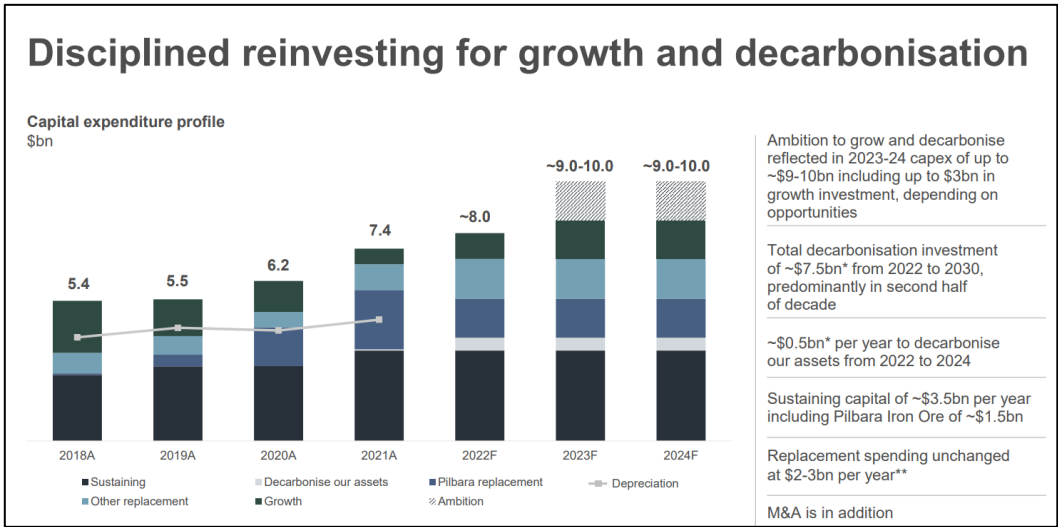


They have had some challenging discussions regarding actions, performance, and culture with stakeholders as well as within the company. This input has helped the leadership team and company as a whole take a new course.

They are considering the opportunities that may arise from combating climate change.

The cornerstone of the corporate plan, which was presented in October 2021, is sustainability. The following strategy brings a new level for Rio Tinto and gives it a shorter time period to achieve meaningful CO2 emissions from operations and value chain.

Likewise, they set a goal for 2021 to meet all public standards for environmental, social, and governance (ESG) excellence. Company is aware that effectively managing business impacts is essential if they wish to develop and carry out the following strategy. They can only accomplish this in an environment that promotes caring, bravery, and curiosity—the new business values. The end results of such a strategy will be known after the first reporting quarter.



In 2021, as they tried to better understand people's experiences of bullying, sexual harassment, racism, and other types of discrimination in the workplace through a broad, independent examination of the culture, they were confronted with some sobering truths about company culture. After feedback from more than 10,000 of employees, they have developed a plan of action to enhance how effectively they stop and deal with detrimental workplace behaviors. This will eventually lead to a workplace that is more secure, civil, and inclusive. Despite the fact that they have a lot of work to do, yet are upbeat about the future. As they negotiated the second year of the worldwide pandemic, which for many faced problems even greater than 2020, the employees displayed incredible resiliency and determination. In order to safeguard people's health and safety and make vaccines more accessible, they kept cooperating closely with the workers, contractors, neighbors, and local and national governments.

To support its activities in 2021, they increased internal knowledge and capacity in a number of fields, including communities, cultural heritage, social performance, and environment. In order to make sure they have the proper systems in place to manage impacts in an efficient manner, they also assessed a number of our organizational structures, standards, and procedures.



ArcelorMittal SA

Steel manufacturing in 16 countries	Customers in 155 countries	Employees in 2021 157,909
--	---	-------------------------------------

Million tonnes iron ore mined in 2021 50.9	Million tonnes crude steel made in 2021 69.1	Steel shipments totalled in 2021 62.9 million tonnes
--	--	---

активация Windows
Чтобы активировать Windows, перейдите в
раздел "Параметры".

According to the official website <https://corporate.arcelormittal.com>, ArcelorMittal SA is a global Luxembourgish steel production company with its headquarters in Luxembourg City. Indian-owned firm - Mittal Steel, acquired Arcelor in 2006, and the two companies merged as a result. For the year 2022, ArcelorMittal produced 88 million metric tonnes of crude steel annually, being the second among all steel producers in the world. The estimated market value of the company's assets is \$100 billion. ArcelorMittal was created when Mittal Steel acquired Arcelor; Mittal Steel itself was created when ISPAT International and LNM Holdings merged.

A steel manufacturing business with integrated operations is ArcelorMittal SA (ArcelorMittal). A variety of completed and semi-finished steel products are produced and sold by this company. In addition, ArcelorMittal operates coal and iron ore mines throughout the Americas, Europe, Asia, and Africa. It primarily sells steel goods to consumers in the car industry, appliance, and engineering, construction in local markets and through a centralized marketing structure.

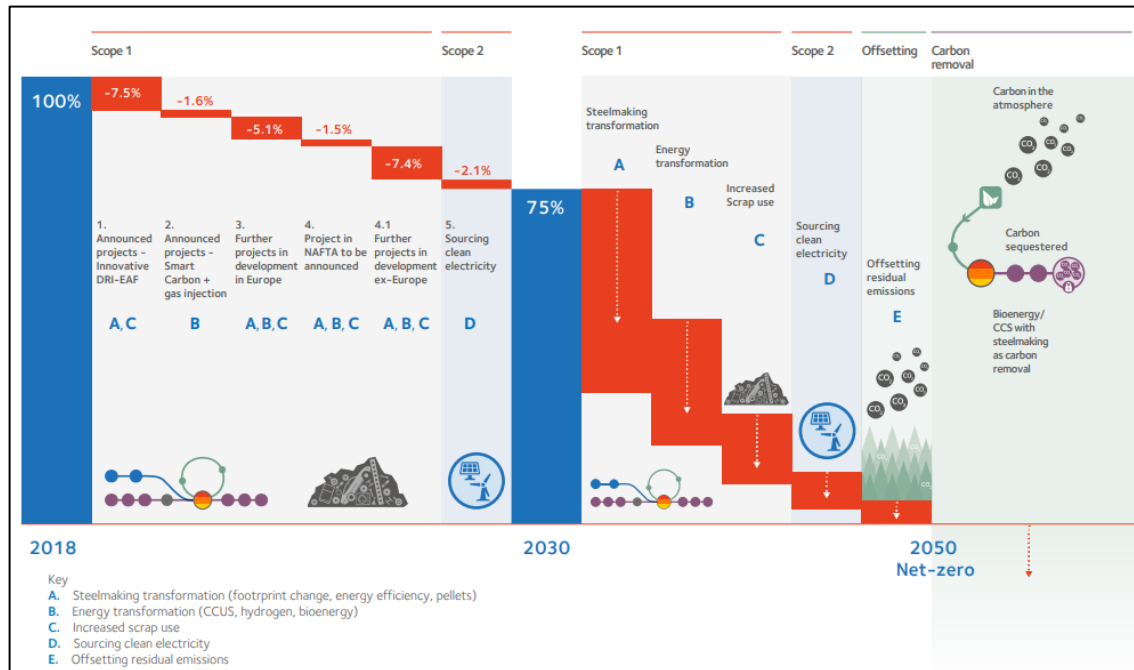
ArcelorMittal SA specializes on the production of mining and the production of steel. Steel production is the main emphasis of the mining sector. Another main point the company pays attention to is financial activities, shipping, and logistics as well as corporate and shared services.

Invention and human intellect are fueling previously unheard-of advancements in global growth as we speak, making this era one of incredible progress.

In this shift, technology is essential, but so are the elements that make up our world. The company has a built-in interest in this and a clear obligation in this as the top mining and Steel Corporation in the world. For the future success of our world, steel is as important as ever. It will be crucial in constructing the circular economy of the future because it is one of the few materials that is entirely recyclable and reusable. Steel will keep improving, becoming more intelligent and environmentally friendly.

Through intelligent steels, ArcelorMittal wants to contribute to the creation of a better world. Steels produced with cutting-edge techniques that are more effective, require less energy, and emit a considerable amount less carbon. reusable, stronger, and cleaner steels. Infrastructure made of renewable energy and steel will support societies as they change throughout this century.

By putting research and development at the core of the business operations, the company promotes this culture of innovation. Engineers that work for the firm because they get to take on the most intimidating challenges are some of the smartest and brightest people in the industry.



ArcelorMittal is more than just a business—with around 158,000 employees, it is a community. They never concede that the boundaries of the material have been reached since they are motivated by an entrepreneurial spirit and a quest for perfection. The company workers promise to keep pushing the envelope, whether it be by creating technologies to lessen the carbon footprint of steel, revolutionizing the built environment with their new construction solutions, printing steel powders in 3D to create automotive parts, or implementing advanced automation and artificial intelligence throughout many different levels of operations. The steel industry of the future needs to have these qualities.

Glencore PLC

Glencore PLC is a well-known and worldwide company with headquarters in Baar, Switzerland. According to the official website www.glencore.com, the oil and gas division of Glencore has its headquarters in London and its registered office in Saint Helier, Jersey. The business was already one of the biggest integrated makers and marketers of commodities as Glencore International. With a world market share of 60% in internationally tradable zinc, 50% in internationally tradable copper, 9% in internationally tradable grain, and 3% in internationally tradable oil in 2010. The company became both one of the largest firms in Switzerland and the largest commodities trading company in the world.

One of the biggest global natural resource diversified enterprises, Glencore is a significant producer and marketer of more than 90 commodities. The operations of the Group include about 150 mining, metallurgical, oil production, and agricultural enterprises.

Glencore's industrial and marketing activities are backed by a global network of more than 90 offices spread over more than 50 countries, with a significant presence in both established and developing regions for natural resources.

Industrial users like those working in the automotive, steel, power generation, oil, and food processing industries make up Glencore's clientele. Additionally, they offer logistical support, financing, and other services to both commodity producers and consumers. A total of 158,000 individuals work for Glencore enterprises, including contractors.

Glencore takes great pride in belonging to both the International Council on Mining and Metals and the Voluntary Principles on Security and Human Rights. The Extractive Industries Transparency Initiative counts us as an active participant.

Natural resources are the focus of Glencore Plc (Glencore), a diversified business. The organization produces and markets a variety of mineral products. Operations of the corporation include the processing, storage, and transportation of agricultural products, energy, and metals and minerals. Australia, Colombia, and South Africa all have coalmines that Glencore owns and runs. Moreover, the corporation manages oil and gas production facilities in Equatorial Guinea, Chad, and Cameroon. It primarily provides services to the automobile, steel, oil, power generating, and food processing industries. In addition to the Americas, Europe, Africa, Asia, and Oceania, the corporation also operates there. The headquarters of Glencore are in Baar, Zug, Switzerland.

Including contractors, Glencore enterprises employ over 135,000 people. Their marketing and industrial activities are supported by a global network of more than 40 offices, with a strong foothold in over 35 countries in both established and new regions for natural resources.

Industrial users like those working in the automotive, steel, power generation, battery production, and oil industries make up Glencore's clientele. Moreover, they offer logistical support, financing, and other services to both commodity producers and consumers.

Glencore takes great pride in belonging to both the International Council on Mining and Metals and the Voluntary Principles on Security and Human Rights.

By 2050, they want to have net zero total emissions as a business with setting a new short-term aim of a 15% reduction in emissions by 2026 compared to 2019 levels and raising the medium-term emission reduction target to a 50% reduction by 2035.

Anglo American PLC

A worldwide mining corporation with its corporate headquarters in London, England is called Anglo American PLC. According to the official website www.angloamerican.com, they produce a big amount of diamonds, copper, nickel, iron ore, and steelmaking coal. It is the world's greatest producer of platinum, accounting for around 40% of global output. The business has operations in North America, South America, Australia, Europe, Asia, and Africa.

The mining portfolio of the company consists of base metals like copper and nickel, precious metals and minerals like platinum and diamonds, as well as bulk commodities like iron ore, manganese, and metallurgical coal. Africa, Europe, North and South America, Asia, and Australia are among the regions where Anglo American has mining operations.

The company has several points to highlight:

- *Rethinking mining to enhance people's quality of life.* The future mining will be much better and well thought which is very advantageous. The ultimate mine of tomorrow will continue to supply the priceless raw materials required by contemporary society for a very long time.
- *It is necessary for modern life.* Their fundamental materials are used to construct our houses, offices, railways, and airports; metals are critical components in smartphones, electric vehicles, and wind

turbines, as well as cleansing traditional vehicles and other pollution. Simply put, the goods that they produce help the world progress toward a future that is more sustainable.

In order to better connect the resources in the ground to the people who need and value them, Anglo American is working to make this future a reality. The firm does this by combining integrity, creativity, and smart innovation, with the utmost consideration for people, their families, local communities, customers, and the world at large.

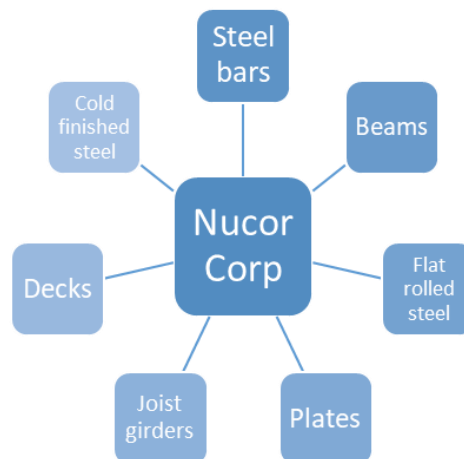
By developing new methods for mining and processing materials, they are now once again setting the pace for the sector. With every ounce, carat, and kilogram of precious metal or mineral, they are decreasing our physical footprint by using less water, less energy, and more precise extraction techniques. The company is creating brighter and healthier futures around operations, for the billions of people who depend on their products every day all around the world while collaborating to create better jobs, a better education, and better enterprises.

Nucor Corp

According to the official website <https://nucor.com>, it is the one of the largest sustainable and varied manufacturers of steel and steel-related products in North America. Their team was formed with the goal of leading the sector through unmatched customer service, solidifying reliable relationships, and producing long-term value.

American steel and associated product manufacturer Nucor Company is situated in Charlotte, North Carolina. It is the largest scrap recycler in North America, the largest "mini-mill" steelmaker (melting scrap steel in electric arc furnaces as opposed to blast furnaces to melt iron), and the largest steel manufacturer in the United States. Nucor ranked as the world's fifteenth-largest steel producer as of 2021.

The carbon intensity of Nucor is currently less than one-third of the global average. Therefore, Nucor is 18 years ahead of the aim of keeping global warming below 2 degrees.



Yet they are dedicated to moving forward because of the awareness that this is insufficient.

As it was stated in the official website <https://nucor.com>, by applying baseline goals from 2015, Nucor pledges to reduce the combined steel mill and GHG intensity by 35% by 2030. By achieving this objective, Nucor's steel plant CO2 emissions will be 77% lower than the global average for steelmaking. In addition, Nucor will keep reducing and disclosing the majority of its emissions. They are dedicated to reducing the carbon intensity of steel mills in order to produce steel that is net zero-emission on a large

scale beyond 2030. In addition to steel, Nucor also deals in ferro-alloys, supplies pig iron, HRI/DRI, and processes ferrous and nonferrous scrap through its subsidiary, The David J. Joseph Company.

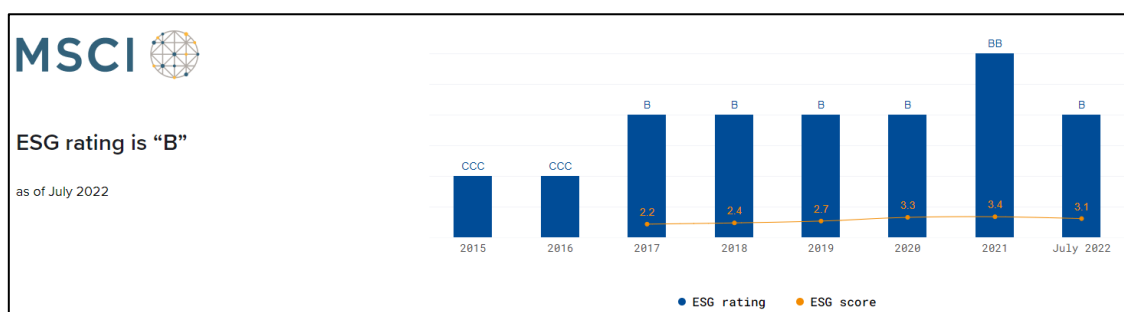
The corporate ethos at Nucor is anti-union, and none of its mills are unionized.

GMK Noril'skiy Nikel' PAO

According to the official website <https://www.nornickel.com/>, GMK Noril'skiy nikel PAO is a mining and metallurgical company with its headquarters in Russia. The Company explores, extracts, refines, and sells basic and precious metals such as gold, silver, nickel, palladium, platinum, rhodium, cobalt, and others that are created from ore. Russian mining and smelting firm Norinickel specializes in the production of nickel and palladium. Its major activities are situated in the Norilsk-Talnakh region of northern Siberia, close to the Yenisei River. Additionally, it owns properties in South Africa, Harjavalta in western Finland, and Nikel, Zapolyarny, and Monchegorsk on the Kola Peninsula.

The Company's operational segments are as follows:

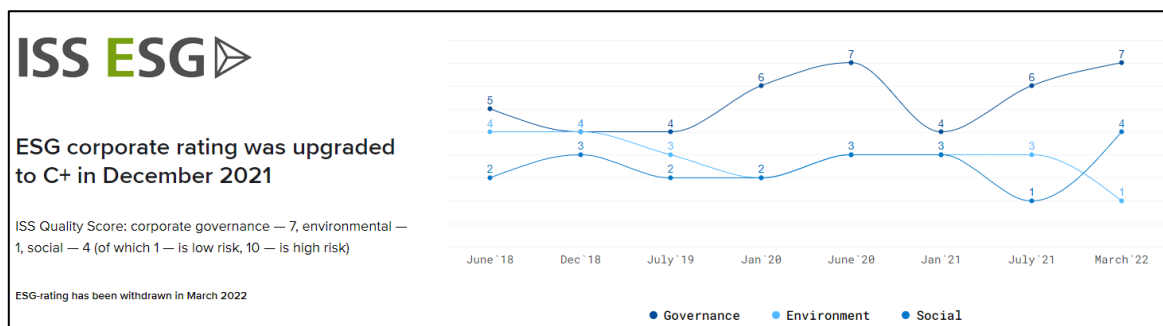
- GMK Group, which consists of mining and metallurgy operations, energy, repair and maintenance services situated on the Taimyr Peninsula;
- Group KGMK, which consists of mining and metallurgy operations, energy, exploration activities located on the Kola Peninsula;
- Norilsk Nickel Harjavalta, which consists of refinery operations located in Finland;
- Other metallurgical, which includes exploration activities and other metallurgy operations;
- Other non-metallurgical activities, including trading, logistics management, transportation services, energy and utility, research, and other domestic and international activities.



Norilsk Nickel, which has its headquarters in Moscow, is the 11th-largest producer of copper and the world's largest producer of refined nickel. The organization is a MICEX-RTS listed company. The company's largest shareholders as of March 2021 were Oleg Deripaska's Rusal (27.82%) and Vladimir Potanin's Olderey Holdings Ltd (34.59%).

Rusal's 25% ownership in the company was the subject of a \$12 billion share buyback offer from Norilsk Nickel in December 2010, but the offer was turned down. A shareholder agreement on dividend payout amounts was signed in 2012 by Potanin's Interros holding, Rusal, and Roman Abramovich to resolve a dispute over the topic as well as issues with the organization's overall strategy and management. The likelihood of an extension or suspension of the agreement before its June 1, 2023 expiration date is

unknown. Abramovich sold a 1.7% stake in the business in March 2019 for \$551 million, primarily to Russian and British investors. Any share purchases by Potanin and Deripaska's Rusal were prohibited.



Membership



In November 2016, the Company joined the United Nations Global Compact



Norilsk Nickel's environmental management is in compliance with international standards ISO 9001: 2015



Compliance with GRI (global reporting initiatives) and RSPP public verification procedure. First social responsibility report in 2003

Anglo American Platinum Ltd

According to the official website <https://www.angloamericanplatinum.com/>, a collection of businesses that manage platinum mines is housed under Anglo American Platinum Limited. Platinum group metals, base metals, and precious metals are produced and supplied by Anglo American Platinum Limited in South Africa, Asia, Europe, and other countries. Nickel, copper, gold, sodium sulfate, cobalt sulfate, platinum, chrome, palladium, iridium, rhodium, osmium and ruthenium are also produced there. Anglo American Platinum Limited replaced the company's previous name of Anglo Platinum Ltd. in May 2011. The company was established in 1946, and Johannesburg, South Africa serves as its corporate headquarters. A branch of Anglo American South Africa Investments Proprietary Limited is Anglo American Platinum Limited.

With about 38% of the annual supply, Anglo American Platinum Limited is the world's top primary platinum producer. The group's headquarters are in South Africa, to the northwest and northeast of Johannesburg. The most of of the firm's activities are situated in the Bushveld Igneous Complex, a large area with a diverse array of mineral commodities including chromium, titaniferous magnetite, platinum group metals and vanadium.

A range of mined, recycled, and traded materials are delivered to their network of international clients as part of their comprehensive resource-to-market service. As their company is at the heart of the greater South African economic and social environment, they are committed to working toward a secure, sustainable, competing, and successful corporation which enriches the country, communities, employees, and shareholders. Several elevated items, including fuel cells, computer displays, jewelry, pacemakers for the heart, water and air purifiers, hard drives, and fertilizers, frequently employ PGMs. Platinum has lately joined gold as a popular investment commodity because of the high value of PGMs.

Freeport-McMoRan Inc

According to the official website <https://fcx.com/>, American mining company Freeport-McMoRan Inc., also known as Freeport, is headquartered in Phoenix, Arizona's Freeport-McMoRan Center. In addition to being the greatest producer of copper and molybdenum in the world, the firm holds and operates the world's biggest gold site, Indonesia's Papua province's the Grasberg mine.

The business was established by Delaware state legislation on November 10, 1987. A firm manages substantial proven and probable reserves of copper, gold, and molybdenum across a wide range of long-lived, geographically diverse assets.

Indonesia, South America, and North America are the regions where Freeport-McMoRan Inc. mines mineral resources. The company mainly searches for oil and gas, as well as gold, silver, molybdenum, copper, and other metals. In addition to El Abra in Chile and Cerro Verde in Peru, it also owns the Grasberg minerals district in Indonesia, Morenci, Bagdad, Safford, Sierrita, and Miami in Arizona, Tyrone and Chino in New Mexico, Henderson and Climax in Colorado, and Morenci, Bagdad, and Climax in Arizona. The business also manages a set of oil and gas properties, mostly in the Gulf of Mexico and offshore California. About 135 of its wells were in operation as of December 31, 2021. In July 2014, the business altered its name to Freeport-McMoRan from Freeport-McMoRan Copper & Gold. Phoenix, Arizona serves as the corporate headquarters for Freeport-McMoRan Inc., which was founded in 1987.

Their top priority is the wellbeing of each employee. The management is certain that all other organizational goals are consistent with and rely on safety and health concerns, and that good safety and health supervision will boost productivity and reduce costs. With regard to the health and safety of their workforce, they take a performance-based approach through establishing robust management systems, providing enough coaching, providing safety rewards, and putting in place workplace health initiatives.

They consider their people to be their greatest asset. They work to create, support, and nurture an environment at work where everyone feels respected, valued, and treated with dignity. People feel comfortable speaking up and sharing ideas in their inclusive workplace, which promotes innovation and operational excellence. Their Business Conduct principles and other corporate policies reflect their commitment to inclusion and diversity as well as security, respect, honesty, outstanding quality, and devotion as their key principles.

The International Council on Mining and Metals (ICMM), of which FCX is a founding member. The company's site-level sustainability programs are developed as a result of implementing the ICMM Sustainable Development Framework, and they meet the goals of responsible sourcing for the global market. Under the ticker "FCX," their stock is traded on the New York Stock Exchange.

*The information on picture is taken from official website of KASE (Kazakhstan Stock Exchange)

ESG bonds			
Organizations to carry out an independent ESG assessment			
Sustainable Development Bonds (ESG bonds) are aimed at financing projects in the field of ecology, environmental protection and social field. They are represented by green bonds, social bonds and other bonds issued specifically to finance sustainable development projects.			
The compliance of green, social or other bonds issued to finance sustainable development projects with the applicable principles and standards is determined by the relevant authorized body or organizations that independently evaluate funding projects aimed at issuing sustainable development bonds, the list of which is determined by the Exchange.			
In order to develop the ESG business, KASE provides relief for the payment of listing fees to issuers of sustainable development bonds, as well as appropriate consulting support.			
All Environmental bonds Social bonds Green bonds			
Ticker	Company	ISIN	Type
EABRb21	Eurasian Development Bank	KZ2D00008083	bonds
EABRb25	Eurasian Development Bank	KZ2D00008174	bonds
ASDBe6	Asian Development Bank	XS2294363416	international bonds
ASDBe9	Asian Development Bank	XS2444205756	international bonds
FRMPb3	JSC "Damu" Entrepreneurship development fund	KZ2C00008068	bonds
BRKZb25	Development Bank of Kazakhstan JSC	KZ2C00008605	bonds
ASDBe12	Asian Development Bank	XS2541297557	international bonds
ASDBe13	Asian Development Bank	XS2571803019	international bonds
KEGCB4	"KEGOC" JSC	KZ2C00007797	bonds

The governance structures of FCX serve as the cornerstone for generating consistent, long-term stakeholder value and demonstrate their dedication to and recognition of the significance of ESG issues in all facets of their business.

FCX has created and put into place strict policies and procedures that encourage widespread participation in and strict accountability from company leadership regarding their ESG commitments. Their efforts to incorporate sustainability into business practices and ESG into routine decision-making are aided by these policies and procedures.

Their governance enables them to put a strong emphasis on transparency, which they understand is crucial for establishing and sustaining long-lasting trust with stakeholders. They pledge to regularly report on their ESG performance, including through frameworks for third-party assurance. Additionally, they work to improve and modernize their governance frameworks in order to continue to meet changing stakeholder expectations. The Chairman and CEO of the company, as well as the Board of Directors, are held actively accountable for ESG at the highest levels of the organization. Expectations are consistently communicated to their entire workforce through strategic leadership, unambiguous rules, and thorough training.

Severstal' PAO

According to the official website <https://severstal.com/eng/>, Russian company Severstal is based in Cherepovets and primarily operates in the mining and steel industries. Severstal, the largest steel producer in Russia, is listed on both the London Stock Exchange and the Moscow Exchange. A major portion of the company is owned and managed by billionaire Alexey Mordashov.

Severstal owns significant industrial facilities in a number of African nations as well as in Russia, Ukraine, Kazakhstan, France, and Italy. The business also owns mining assets, securing its raw material supply.

Additionally, Severstal owns Severstal Cherepovets, a professional ice hockey team that competes in the Kontinental Hockey League, as well as Severstal Air Company, an airline that primarily operates out of Cherepovets Airport and Vnukovo International Airport.

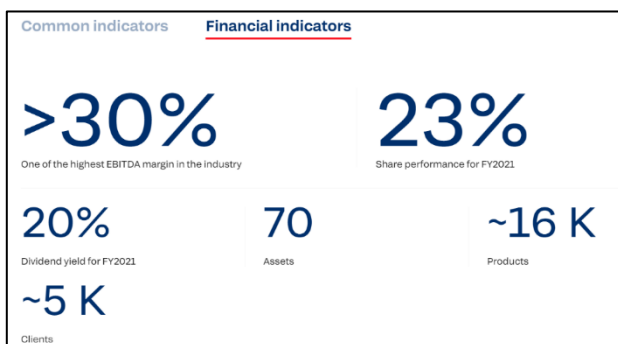
Out of 92 oil, gas, and mining companies, Severstal was rated as one of the top 16 for respecting indigenous rights and resource extraction in the Arctic. In terms of the biggest steel producers, it is ranked 37. The Arctic Environmental Responsibility Index (AERI), which ranks mining, oil, and gas companies that extract resources north of the Arctic Circle, placed Severstal at number 27 in 2021.

Severstal PAO produces steel and rolled goods. Severstal Resources and Severstal Russian Steel are its two operating segments. Along with two coal mining complexes, Vorkutaugol in northwest Russia and PBS Coals Limited in the United States, two iron ore complexes, Karelsky Okatysh and Olkon in northwest Russia, are part of the Severstal Resources segment. The Severstal Russian Steel section principally comprises of steel manufacturing, together with a high-grade automobile galvanizing plant, rolling mill, metalware facilities in Russia, Ukraine, and Italy, along with a ferrous scrap metal recycling company, as well as several international supporting operations for trade, maintenance, and shipping. The business was established on August 24, 1955.



Resources, Russian Steel, and International are the three divisions that make up the company. The production of iron ore and coking coal is the focus of the Resources division; flats, longs, and steel pipes for a variety of uses are the focus of the Russian Steel division; and the American-based company's steel property is its international subsidiary. The firm has operations both locally and internationally and uses a variety of divisions, subsidiaries, and affiliated businesses.

One of the most successful mining and metals corporations in the world, Severstal, works with customers and partners to create cutting-edge steel-based products and all-encompassing solutions. Severstal continues to be a global pioneer in efficiency thanks to its best EBITDA margin in the steel sector, consistent creation of positive free cash flow throughout the cycle, and track record of achieving its objectives.



The company has updated its tried-and-true strategy to deliver more growth, keeping its core benefits while incorporating new ones. The future leadership role for Severstal in the steel sector is to be the top option for its clients, personnel, and partners. The Company is establishing new strategic priorities to further set itself apart from its rivals in order to accomplish this. These three things are embracing new opportunities, leading in costs, and providing superior client experience. The cutting-edge corporate culture of Severstal will support all three.

- Superior client experience — Severstal strives to provide customers with special selling points in each market;
- Cost leadership — Severstal wants to significantly reduce the cost of its basic steel products;
- New opportunities — Severstal wants to use modern technologies and fresh business strategies around the world in order to access and ultimately profit from them.

The Company will be able to achieve its financial goal of boosting EBITDA by 10-15% annually for the next five years by putting this set of goals into practice. (Price/macro factors are not included in this.)

Grupo Mexico SAB de CV

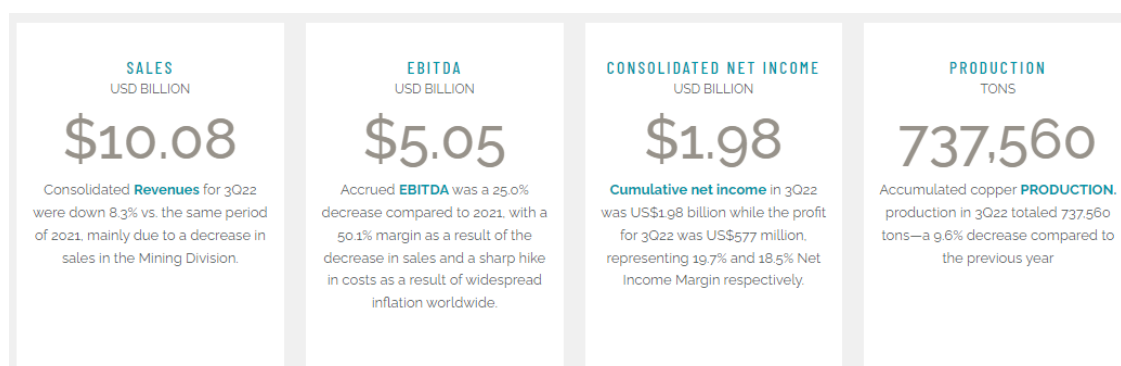
According to the official website <https://www.gmexico.com/en/Pages/about-us.aspx>, the mining company Minera Mexico, the transportation company GMxT, the infrastructure company Fundacion Grupo Mexico, and other divisions make up the Mexican conglomerate Grupo México. Through ASARCO, its mining sector ranks as Mexico's and the world's third-largest copper producer. With over 800 engines and 26,300 coaches operating on 11,000 km of track, it operates the largest rail fleet in Mexico. It connects five significant inland Mexican cities, five border towns, and 13 seaports (five on the Pacific Ocean and eight on the Gulf of Mexico).

The Company's primary businesses include mining and metallurgy, ore exploration, exploitation, and benefit, multimodal freight railroad service, and infrastructure construction. Globally, Grupo México, S.A.B. de C.V. operates in the infrastructure, freight transportation, and copper production industries. Its subsidiary Americas Mining Corporation, whose subsidiaries include Southern Copper Corporation in Mexico and Peru and Asarco in the United States, is in charge of representing the company's mining division. The mining division conducts exploration for gold, selenium, sulfuric acid, zinc, molybdenum, and copper. It holds stakes in 15 open-pit and underground mines as well as 8 exploration projects across Mexico, Peru, the USA, Argentina, Chile, Ecuador, and Spain.

Infraestructura y Transportes Mexico, S.A. de C.V. and Grupo Mexico Transportes, S.A. de C.V. are its subsidiaries that represent its Transportation Division. Its subsidiaries are Ferrocarril Mexicano, Grupo Ferrocarril Mexicano, Ferrosur, Intermodal Mexico, Mexico Proyectos y Desarrollos and Texas Pacifico, a subsidiary, represents its Infrastructure Division. In addition to railroad services for ordinary transportation and intermodal freight, the Transportation division also provides commuter carriage

services, supporting terminal supervision services, and intra-terminal transport services. For the industries of cultivation, locomotive, cement, energy, intermodal, metals and minerals, industrial products, chemical products, and fertilizer, this division offers railroad services. In 24 Mexican states, it runs an 11,131 km long railroad network.

The engineering and drilling services are provided by the infrastructure division. Additionally, it builds and maintains the Salamanca-León highway and Silao Bypass, and it produces power through a joint cycle factory and a wind plant. Based in Mexico City, Grupo México, S.A.B. de C.V. was established in 1890.



Copper, silver, gold, molybdenum, lead, and zinc are all mined, processed, and sold by Grupo Mexico SAB de CV. The company is granted permission to run the Chihuahua-Pacifico and Pacifico-Norte railroad lines. Grupo Mexico runs open-pit copper mines, a coal field, underground mines, copper smelters, a rod mill, and a refinery for precious metals through its subsidiaries.

Infrastructure development, engineering, procurement, project management, and integral project engineering activities are among the additional services offered by Grupo Mexico SAB de CV (Grupo Mexico). The automotive, agricultural, energy, and industrial markets in Mexico are served by its railroad transportation services.

2. Literature Review

In order to achieve the objective of maximizing wealth, one of the company's evaluation methods that is of primary significance to shareholders is profitability. Numerous studies have empirically examined the factors that affect the profitability of traditional banks, Islamic banks, manufacturing enterprises, insurance firms, and other industries. To the best of our knowledge, there is not much research on the factors that affect mining companies' profitability, especially based on ESG. Most of the research is static in nature and ignores issues like autocorrelation, heteroscedasticity, and multicollinearity.

The financial performance of a corporation is impacted by many different variables. In our case liquidity, firm size, cost management, internal growth rate, market capitalization, ESG itself are firm-specific characteristics that might impact on a firm's profitability. Macroeconomic variable that affects profitability is GDP growth. Return on Assets (ROA) is used in this study as a measure of profitability. The variables that are mentioned here mostly were chosen based on how frequently they appeared in earlier studies.

Dependent variable

There are several things to consider when assessing a company's profitability. For properly determining a company's profitability, ratio analyses built from financial data are essential. The profitability indicators ROA and ROE are widely used financial measurements by investors to assess a company's profitability as per the literature.

Independent variables
Firm-specific determinants

ESG (Environmental, Social and Governance):

In recent years, the role of businesses in promoting sustainable development and addressing social and environmental challenges has gained increasing attention. Environmental, Social, and Governance (ESG) investing is a response to this trend, and it has become a popular topic of research among academics, practitioners, and policymakers.

The literature on ESG investing is diverse and rapidly growing, covering a range of topics including the definition and scope of ESG investing, its benefits and challenges, and the impact it has on companies, investors, and society.

One of the key themes in the literature is the financial performance of companies that adopt ESG practices. Many studies have found a positive relationship between ESG performance and financial performance, indicating that companies that adopt sustainable and responsible practices tend to have better long-term performance. This has led to growing interest in ESG investing among investors, who are looking to generate returns while promoting sustainable development.

Another important theme in the literature is the impact of ESG investing on corporate behavior. Many studies have found that companies that are subjected to ESG pressure tend to improve their environmental and social performance, indicating that ESG investing can drive positive change. Additionally, research has shown that companies with strong ESG practices tend to have better risk management, enhanced reputation, and stronger relationships with stakeholders.

Despite its growing popularity, ESG investing is not without challenges. One of the main challenges is the lack of standardization and transparency in ESG reporting, which makes it difficult for investors to compare and assess companies. Another challenge is the need for greater education and awareness about ESG investing, as well as the development of more sophisticated investment tools to help investors make informed decisions.

Although there is no obvious understanding of the positive correlation between profitability of companies and ESG, there is still a great quantity of well-researched articles on that. For instance, Brogi and Lagasio (2019), found a significant and positive association between ESG and banks profitability through ESG scoring and multiple regression analysis using data from MSCI ESG KLD STATS (2000-2016) and from OSIRIS database (distributed by Bureau Van Dijke) in the U.S. market. Moreover, they demonstrated that reinforcing environmental policies boosts banks' profitability in the long run. The study conducted on metal and mining South African companies by Tattersall (2020) indicates a significant positive correlation between ESG and ROA with the help of data from Johannesburg Stock Exchange and multi-regression techniques. The study by Zhao et al. (2018) on China's power generation companies shows same significant enhancement of financial performance by ESG using panel regression model.

Some authors expanded their research by illustrating which factor within ESG affected more, supported by multivariate regression analyses and data from S&P Capital IQ—Compustat, MSCI ESG datasets. As per Kim and Li (2021), there is overall positive effect of ESG on business's profitability, however, it is more distinct for larger firms and corporate governance has the biggest influence across all categories, especially for businesses with weak governance.

In the contrary, some studies found weakly positive or no correlation results between ESG and organizations' financial performance. The study of Balatbat et al. (2012) provides findings on weakly positive association involving both 1-year and 2-year lag analyses of top 300 companies listed on the Australian Securities Exchange by one-to-one correlation analysis and multi-linear regression. Atan et al. (2016) indicated no association between the amount of ESG disclosure and a company's financial performance in the comparative study on top 100 largest companies' data from Bursa Malaysia and Nasdaq OMX Copenhagen.

In conclusion, it is to be said that the literature on ESG investing is quite controversial and obviously widespread currently. The evidence suggests that ESG investing can have positive financial, environmental, and social impacts, and that it is a promising trend, which has the potential to promote sustainable development and long-term growth. However, there is still much work to be done to overcome the challenges of ESG investing and to ensure that it becomes a mainstream investment strategy.

Firm size: The size of a firm is an essential indicator of its profitability. The amount of assets a company possesses reflects its ability to produce goods that meet the needs of its customers.

According to conventional neo-classical beliefs, economies of scale cause firm size to be a decisive factor for corporate profitability (Shaheen and Malik, 2012). According to this perspective, businesses with significant assets can produce at a cheap cost in order to increase sales and profit. Based on this theory, firm size should have a favorable impact on profitability. According to Hirdinis (2019), firm size variables positively and significantly influence the profitability of the company. Thus, the increased profitability can be justified and forecasted by the company size when it has a significant and positive impact. Since bigger companies trade in greater volume and frequency in the capital markets, we suggest that it attracts more investors (Hirdinis, 2019).

Liquidity: Liquidity estimates a firm's capability, particularly the cash on hand to meet upcoming obligations. The business will experience financial issues if it is unable to meet its commitments. This condition may have an impact on how profitable a firm is and how well it runs. The current ratio is the liquidity ratio that is most frequently utilized for managing liquidity. A low current ratio typically signifies a difficulty with a company's liquidity, whereas a high current ratio denotes a large amount of funds, which might lower the company's return on assets (ROA). In the empirical literature review on the influence of the CR on profitability, there are still inconsistent results. According to a study of Endri (2021), liquidity had no impact on profitability, meaning that changes in current assets and current liabilities are independent of company's wealth.

Market capitalization: Assessing a company's market capitalization can help you better understand its organizational structure and financial performance. According to Deitiana (2015), market capitalization can be defined as market value of a company, which is calculated by multiplying the price of its shares by the number of shares outstanding. This figure is used by the investment community to measure a company's size and essentially how the stock market values it.

Cost management: The relationship between income and the costs of obtaining that income is displayed by the "cost income ratio (CIR)" or "cost-to-income ratio." In our study to determine how effective is cost management in mining companies, we will analyze Cost to Income Ratio or Operating cost divided by Operating Income. Lower ratios generally imply higher efficiency.

Internal growth rate: According to Ross (2009), Internal Growth Rate is the highest rate of growth a company can attain without utilizing any sort of external financing, or the highest degree of growth the organization has ever experienced. The level of company activities that can continue to fund and expand the company is known as the firm's maximum internal growth rate. In our case IGR is calculated by dividing Retained earnings over Total Assets. The IGR can show businesses how to use their current resources more effectively and efficiently to foster internal growth. Manufacturing firms, for instance, may examine their production procedures to maximize the use of equipment and labor hours and decrease any idle time to increase productivity. Internal growth can be produced by launching new product lines or business divisions that enhance the company's current services or appeal to the market for the product. In order to better allocate resources to more successful products, the company can also review its current product lines to identify any underperforming products that might be eliminated.

Macroeconomic determinant

GDP growth: GDP growth rate is chosen as one of the macroeconomic variables to see how positive economic circumstances can influence profitability of mining companies. Gross domestic product (GDP) is the term used to describe the total value or market worth of all completed products and services produced within a country's boundaries during a certain time period. Because it is a wide measure of total domestic output, it acts as a comprehensive assessment of the status of the economy in a specific country.

Hypotheses of the study

Based on the aforementioned literature, the following hypotheses are proposed in order to analyze the relationships between the dependent and independent variables:

- H1: Total assets have a positive impact on profitability of mining companies.
- H2: Liquidity has a negative impact on profitability of mining companies.
- H3: Market capitalization has a significant positive impact on profitability of mining companies.
- H4: Cost Management has a significant positive influence on the profitability of mining companies.
- H5: Internal growth rate has negative impact on profitability of mining firms.
- H6: GDP growth has a positive significant influence on the profitability of mining firms.
- H7: ESGSCORE has positive influence on the profitability of mining companies

3. Data and Methodology

The Data

This study makes use of financial statements from Refinitiv Eikon listed companies as well as data from The World Bank. The information was gathered from ten companies (table below) for a ten-year period between 2012 and 2021. Ten companies were chosen based on Net Income indicators provided on Refinitiv Eikon; the highest NI mining firms with full financial data were eventually selected for analysis. We used firm-specific and macroeconomic determinants of firm profitability in this study. A model was created with the goal of examining the correlations between the dependent and independent variables, as well as possible relationships between and among the variables. Panel data statistics was used to obtain a result due to the data's series format.

Identifier	Company Name	Industry Name	Country of Headquarters	Net income in \$bln, 2021
RIO.L	Rio Tinto PLC	Diversified Mining	United Kingdom	21.4
MT.AS	ArcelorMittal SA	Iron & Steel	Luxembourg	14.9
GLEN.L	Glencore PLC	Diversified Mining	Switzerland	9.1
AAL.L	Anglo American PLC	Diversified Mining	United Kingdom	8.9
NUE.N	Nucor Corp	Iron & Steel	United States of America	6.9
GMKN.MM	GMK Noril'skiy Nikel' PAO	Specialty Mining & Metals	Russia	6.5
AMSJ.J	Anglo American Platinum Ltd	Non-Gold Precious Metals & Minerals	South Africa	5.2
FCX.N	Freeport-McMoRan Inc	Specialty Mining & Metals	United States of America	4.6
CHMF.MM	Severstal' PAO	Iron & Steel	Russia	4.1
GMEXICOB.MX	Grupo Mexico SAB de CV	Diversified Mining	Mexico	3.9

Methodology

We utilized FGLS (feasible generalized least square) to conduct the regression because it corrects for autocorrelation, heteroscedasticity, and cross-sectional dependency. The regression model used is as follows:

$$ROA = \beta_0 + \beta(LnTA) + \beta(LIQ) + \beta(LnMARCAP) + \beta(CIR) + \beta(IGR) + \beta(GDP) + \beta(ESGSCORE) + e$$

Where,

ROA: Return on assets as measure of profitability of firm

LnTA: Total assets as measure of the size of firm, where Ln denotes the natural logarithm, whose base value is e

LIQ: Current Assets/Current Liabilities as measure of liquidity of firm

LnMARCAP: Outstanding shares by the current market value of one share as measure of market capitalization, where Ln denotes the natural logarithm, whose base value is e

CIR: Cost management as Cost to Income Ratio or Operating cost divided by Operating Income

IGR: Internal growth rate as Retaining Earnings divided by Total Assets

ESGSCORE: Environmental, Social and Governance; Refinitiv ESG Combined Score is an company-wide score based on the reported information.

GDP: GDP growth (Worldbank database)

Table 3.1 presents visual data on ESG Score for 10 companies over 10 years used in our regression analysis.

4. Empirical Results

Table 4.1. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	100	.084	.093	-.106	.47
LnTA	100	24.212	1.002	22.274	25.766
LIQ	100	2.017	.806	1.001	4.6
LnMARCAP	100	23.958	.745	21.897	25.558
CIR	100	14.335	31.732	-145.913	137.634
IGR	100	.282	.248	-.443	.97
GDP	100	1.648	2.824	-9.27	7.441
ESGSCORE	100	62.33	12.798	40.215	91.295

Year	Rio Tinto PLC	ArcelorMittal SA	Glencore PLC	Anglo American PLC	Nucor Corp	GMK Noril'skiy Nickel' PAO	Anglo American Platinum Ltd	Freeport-McMoRan Inc	Severstal ' PAO	Grupo Mexico SAB de CV
2012	49.1	45.6	51.8	87.2	48.8	51.7	76.3	81.7	50.0	46.6
2013	50.2	54.0	60.6	62.1	50.5	53.0	74.1	78.8	45.2	49.2
2014	70.5	74.7	53.1	88.9	51.5	56.5	55.3	81.0	56.7	59.1
2015	62.1	64.5	69.4	50.2	61.9	51.7	74.8	49.9	55.6	61.5
2016	80.2	77.0	55.3	69.5	57.3	58.7	57.0	59.8	56.7	59.9
2017	45.0	72.0	91.3	75.1	57.8	58.7	76.9	81.4	67.7	61.6
2018	58.2	58.9	52.1	81.6	52.4	56.4	81.8	83.7	64.8	62.1
2019	76.2	52.9	49.0	80.7	48.6	44.3	81.2	83.0	73.0	51.1
2020	78.3	52.6	48.1	61.5	52.4	40.2	79.5	56.3	54.0	64.4
2021	42.1	62.4	47.0	59.0	58.1	44.3	77.6	83.0	81.4	64.7

Table 4.1 contains information on descriptive statistics including observation, means, minimum, maximum, and standard deviations. The standard deviation can be used to assess fluctuation. The profitability of mining companies are not relatively stable, as can be observed from the descriptive statistics table, because the standard deviation of ROA (0.093) is higher than the mean (0.084). At the same time, because their standard deviations are below the mean, the total asset, liquidity ratio, market

capitalization, internal growth rate, ESG, it can be assumed that the volatility is not particularly high. The cost to income ratio and GDP growth rate, on the other hand, has a high volatility standard deviation (31.73) and (2.824), which is higher than the mean (14.33) and (1.648). The descriptive statistics table shows that all variables have a positive mean value over the study period, ranging from -145.91 to 137.63 for cost management ratio.

Table 4.2. Correlations among Variables

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	The table 4.2
(1) ROA	1.000								
(2) LnTA	-0.338	1.000							
(3) LIQ	-0.047	-0.297	1.000						
(4) LnMARCAP	0.164	0.683	-0.190	1.000					
(5) CIR	-0.294	0.260	-0.292	0.005	1.000				
(6) IGR	0.192	-0.237	0.280	-0.088	-0.094	1.000			
(7) GDP	0.140	0.096	-0.032	-0.009	-0.031	0.032	1.000		
(8) ESGSCORE	0.031	-0.006	-0.072	-0.013	-0.026	-0.098	0.003	1.000	
								0	

above shows high correlation between total assets (firm size) with all following variables - ROA, liquidity, market capitalization, cost to income ratio (cost management) and internal growth rate. There is also a high correlation between liquidity and internal growth rate, liquidity and cost management, ROA and cost management. Correlation between other variables is very modest. There is a positive correlation between ROA and ESG.

Table 4.3 Variance Inflationary Factor (VIF)

Variable	VIF	1/VIF
LnTA	2.34	0.426714
LnMARCAP	2.06	0.485348
LIQ	1.23	0.810698
CIR	1.22	0.816904
IGR	1.15	0.872723
GDP	1.03	0.966958
ESGSCORE	1.02	0.984315
Mean VIF	1.44	

We use the variance inflation factor (VIF) to detect multicollinearity. If mean VIF less than 5, then it is acceptable. We obtained mean VIF=1.44 in our model, indicating that there is normal correlation between the independent variables that does not necessitate further corrections.

Table 4.4 OLS regression

Table	ESGSCOR	0	0	-1.94	.053	-.001	0	*	4.7
	E								
	Constant	.137	.201	0.68	.493	-.256	.531		
<hr/>									
	Mean dependent var	0.084		SD dependent var		0.093			
	Number of obs	100		Chi-square		162.335			
	Prob > chi2	0.000		Akaike crit. (AIC)		-319.421			
<hr/>									
*** $p < .01$, ** $p < .05$, * $p < .1$									

FGLS regression

The FGLS regression model delivers more significant values and is more trustworthy, as shown by a comparison of the two regression results presented above. We need to pay attention to the coefficient and P-value sections of the FGLS regression analysis. We can determine whether the variables are positively or negatively associated using the coefficient and the significance can be determined using the P-value, which will be less than [0.01, 0.05, or 0.10]. The P-value of four variables TA (0.000), MARCAP (0.000), IGR (0.000) and GDP (0.000) are less than 0.01, indicating a strong significant relationship with profitability determinant (ROA).

Assuming that *ceteris paribus*, increase in ESGScore variable will decrease ROA, however, eventually there will not be any effect of ESG, although it could be significant, which is consistent with the studies of [2] and [8] discussed earlier in the literature review.

According to Table 4.7 above, which summarizes the FGLS regression results, enterprises with a wealth of assets are not necessarily profitable; rather, their size (TA) has a negative impact on ROA, which is the contrary of what was shown in an earlier study by [11]. In other words, 1% increase in firm size will decrease ROA by 4.9%. Vice versa, Market capitalization has a positive correlation with ROA, that is 1% increase in MARCAP will increase ROA by 4.8%.

Liquidity (LIQ) and cost management (CIR) have a negative impact on ROA; however, it is not significant. Practically these findings on liquidity are consistent with the studies of [14], which states that there is no effect of liquidity on profitability of companies. Moreover, if there were significant results on CIR, it could support efficient-structure hypothesis as well.

As mentioned earlier, IGR has a positive significant correlation and 1% increase in internal growth rate will increase profitability by 3%, which leads us to the conclusion that it more beneficial for mining companies avoiding external financing [13].

Even though there is significant positive correlation between ROA and GDP, 1% increase in GDP will increase profitability of mining firms only by 0.4%, which eventually can explain that top mining industry companies have no advantage from economic growth of their countries. This would probably explain the negative correlation between ROA and ESG as well because more developed countries tend to spend more and devote more attention to environmental, social, and governmental practices.

The whole model can be statistically validated or best fitted. 50.7% changes in ROA can be explained by changes in independent variables.

5. Conclusion

This paper investigated determinants of profitability taking Return on Assets (ROA) in the top mining companies as dependent variable and firm size, liquidity, market capitalization, cost management, internal growth rate, GDP growth and ESG as independent variables in the regression analysis.

Even though the literature review has already pointed out the possibility of negative and no effect relationship between profitability and ESG practices still this study findings proved the same. This result creates the place for future more detailed research by choosing other types of ESG scoring, report and database as well as combination of different independent variables in the econometric model such as net export, inflation, and fuel price. Despite the obtained results, this study establishes clear understanding on the importance and necessity of ESG practices as discussed in the introduction, especially in the long-term view.

This study would be best served as a collection of information on top mining companies’ practices and on importance of ESG factors inclusion for the Kazakhstani mining industry due to the fact that Kazakhstan is still among the top 10 nations in the world for mineral assets and is one of the most developing markets for natural resources. Unfortunately, there is a little public comprehensive official data stored on mining in Kazakhstan, thus following information mostly based on statistics from year 2017, however, researched materials seem reasonable to this day according to unofficial sources. The mining sector, which in 2017 contributed about 30% of export revenue, 9% of the nation's GDP, and 19% of industrial employment, is a significant contributor to the country's economy. As a supplier of goods to Asia and Europe, the nation benefits from its geographic location. Largely untapped mineral reserves are found in Kazakhstan.

chart 1. Kazakhstan’s natural resources in relation to various world’s total reserves Kazakhstan is currently the world’s leading producer of uranium, the third largest producer of chrome and seventh largest producer of zinc. The primary objectives of Kazakhstan's mining sector are the extraction and export of base metals and raw materials, followed by high-grade processing overseas. Approximately 80% of mined products are exported, making up 20% of all exports from the nation.

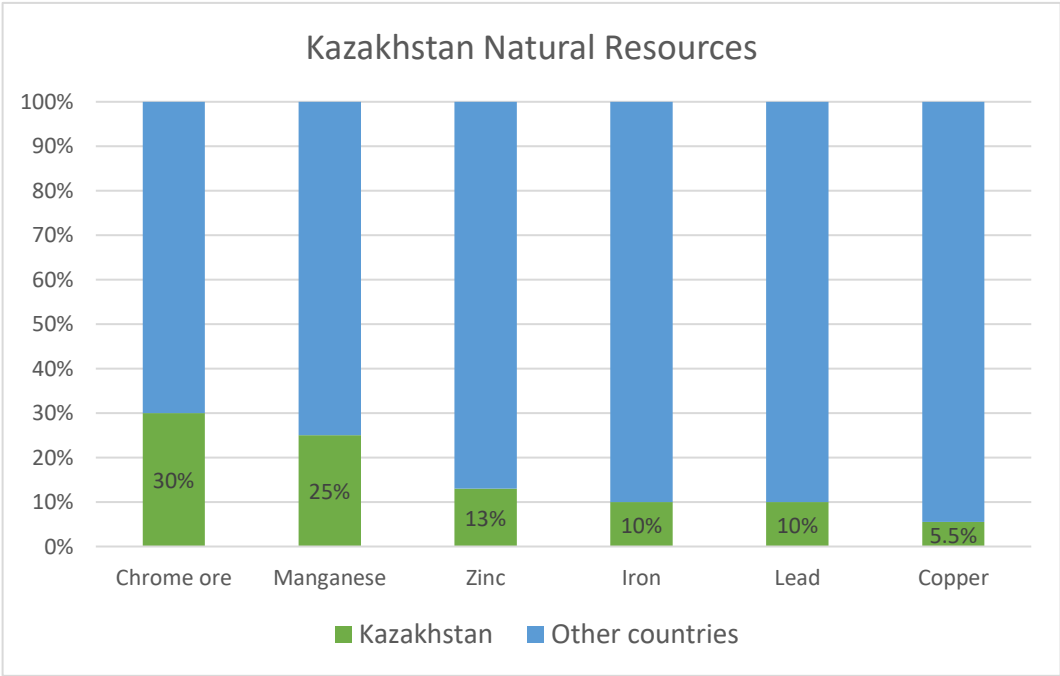




Chart 2. Other vital natural resources of Kazakhstan.

In the near future, Kazakhstan will continue to be a significant location for iron ore mining. Strengthening trade ties between the governments of Kazakhstan and China is likely to give local miners more capital to fund expansion, supporting moderate production growth through 2026 and beyond. The development of Kazakhstani mining projects for iron ore and aluminum is still being funded by the China Development Bank. There is a variety of initiatives of China, which aim to improve trade ties with Central Asian countries, where Kazakhstan is a key transit route. Kazakhstan is well situated to take advantage of demand, primarily from China and India, as well as meeting the expanding demands of the local market thanks to its strategic location. Kazakhstan updated its "On Subsoil and Subsoil Use" Code on December 27, 2017. The Western Australian model served as the foundation for the development of the new Subsoil Code. The goal is to increase geological study and reduce junior miners' administrative duties.

The considerable potential of Kazakhstan's mining and infrastructure sectors has recently been recognized by BMI research. For investors considering Kazakhstan, a large amount of foreign direct investment and a developed export market are both advantages.

Chart 3. Foreign Mining companies in Kazakhstan



The copper mine in Northern Kazakhstan is receiving an investment of about AUD 100 million from Rio Tinto Group. In order to access the nation's natural resources, Rio Tinto established a fifty-fifty joint venture with Tau-Ken Samruk, Kazakhstan's national operator of mining assets. Another joint venture has been created with KazGeology, the state exploration organization of Kazakhstan. The estimated cost of engineering and construction is one billion AUD. Iluka Resources performs geological investigation in Kazakhstan with the goal of finding deposits of mineral sands that contain rutile and zircon. In July 2016, the second phase of aero geophysics began.

The government of Kazakhstan is eager to draw in more capital to the sector. Major investment events including Minex Kazakhstan, Mining World Central Asia, and the Astana Mining and Metallurgy Congress are frequently held in the country. The mining and metals sector in Kazakhstan offers cheaper rates and significant room for growth, according to Standard & Poor's. Businesses in the industry can gain a competitive edge thanks to things like easy access to reliable resource deposits, reasonable energy and labor prices, and less strict environmental regulations. Kazakhstan has improved its mining legislation and is placed 36th out of 190 nations in the 2018 Doing Business report. The reserves of mining businesses are strong. Since a sizeable fraction of the deposits are easily obtainable, less complicated and hence less expensive technologies can be used. With over sixty of the one hundred and five elements of Mendeleev's Table being extracted there, Kazakhstan has a sizeable and diverse base of mineral raw materials. As a result, Kazakhstan has about two hundred thirty registered mining enterprises engaged in the production and processing of minerals. Huge local holdings created by regional businesspeople as a result of the privatization of previously state-owned assets, subsidiaries of foreign corporations, and minor businesses, including some Australian greenfield operations, are the major players in the market. Mergers, acquisitions, and investment activity are ongoing processes that are substantially changing the industry.

The biggest mining firms operating in Kazakhstan are:

- Eurasian Resources Group: Having completely integrated mining, processing, power generation, strategical, and marketing operations, ERG is among the top mining and smelting groups in the world. One-third of Kazakhstan's mining and metals industry is made up of the Eurasian Group. Chromium, manganese, iron ore, bauxite, and coal are some of its main exports.
- Kazakhmys: The largest producer of copper in Kazakhstan, Kazakhmys is a global leader in the mining and development of natural resources. From the ore mine to the finished copper cathode and rod

production, copper operations are completely integrated. As byproducts, the copper division also generates significant amounts of zinc, silver, and gold.

- Kaz Minerals: A fast-growing copper company with a focus on large-scale, low-cost open pit mining in Kazakhstan, Kyrgyzstan, and Russia. According to <https://kase.kz/en/>, in the Pavlodar and East Regions of Kazakhstan, it runs the Bozshakol and Aktogay open pit copper mines. In the East Region of Kazakhstan, it also manages three underground mines and associated concentrators, as well as the Bozymchak copper-gold mine. In 2018, there were 295 kt of copper produced overall, along with 50 kt of zinc in concentrate, 183 koz of gold, and 3,511 koz of silver as byproducts. With the help of the Group's new operations at Bozshakol and Aktogay, KAZ Minerals has become a business predominated by top-tier open pit copper mines, achieving one of the highest growth rates in the sector.
- ArcelorMittal Temirtau: A part of the ArcelorMittal global steel empire, ArcelorMittal Temirtau is an integrated mining and metallurgical complex with its own coal, iron ore, and energy base in the Karaganda region.
- Bogatyr Coal: One of the biggest open-pit coal mining companies in the world, Bogatyr Coal runs two mines: Severny and Bogatyr. The company has a total of about 3 billion tons of coal in its industrial reserves.
- Kazzinc: a mining company that was established in 1997 and sold to the Swiss commodity trader Glencore for a majority stake. With substantial copper, precious metals, and lead assets, Kazzinc is a significant, fully integrated zinc producer.
- Tau-Ken Samruk: a national company that manages state properties in Kazakhstan's mining and metals sectors. Tau-Ken Samruk is a Glencore partner and the owner of 29.8% of Kazzinc's capital. For participation in a range of projects, from early-stage exploration to project development, the company is actively looking for investors, including foreign investors. Rio Tinto and Tau-Ken Samruk have formed a joint venture for exploration.
- Kazatomprom: supervisor of Kazakhstan's state-owned uranium and rare metals resources as well as the nation's nuclear fuel producer for power plants. Kazakhstan is the largest uranium producer in the world. Kazatomprom, a state-owned nuclear holding company which also produces tantalum, beryllium, niobium, and molybdenum.
- The largest untapped tin deposit in the world is Tin One Mining. The reserves consist of 94.5 million tonnes of ore and 463.5 K tonnes of tin-containing ore with an average grade of 0.49 percent as of the 2014 JORC-compliant Mineral Resource Statement.
- Altynalmas: a company of a full geological, mining and gold processing cycle. Gold-bearing ore is mined at 9 deposits in Kazakhstan, which are owned by the company. The company's assets are present in 4 regions of Kazakhstan: Zhambyl, Karaganda, Abai and Akmola regions. Minerals are processed at Akbakai, Dolinnoye, Aksu's own gold recovery plants, the Pustynnoe processing plant and the Altynalmas Technology precious metal extraction plant. In 2019, AK Altynalmas JSC bought out Aktogay Mys LLP and MMC KazakAltyn.

The lack of mineral processing in Kazakhstan's mining industry may constrain efforts to build a value chain and increase Kazakhstan's reliance on unpredictable international markets. Some local ores have lower global market competitiveness due to low concentrations that necessitate difficult extraction processes and thereby raise production costs. In Kazakh mining operations, business procedures and technology can be quite dated. In order to compete globally, producers must invest in technological innovations and adopt more contemporary business practices to replace outdated equipment and work practices. Although decisions can take a long time, Kazakhstani mining companies are typically eager to adopt new ideas and prepared to use cutting-edge tools, technologies, and services to boost output, reduce costs, and improve health, safety, and environmental performance. In Kazakhstan, there are also infrastructure problems. The mining sector in Kazakhstan is largely integrated into a single production

chain with Russia and Ukraine as a result of the Soviet Union's legacy. The infrastructure that is already in place is intended to send most of the mining output to these nations. Transportation costs to China are significantly higher due to a lack of transportation infrastructure and the fact that China's industry is concentrated in the eastern part of the country, far from the shared border. China is still a significant and expanding market for Kazakhstani mining companies.

Rare metals are frequently produced in Kazakhstan along with non-ferrous metals, such as gallium and rhenium in the production of alumina and cathode copper, respectively. Tellurium is derived from alloys used in the alkali refining of black lead, while indium, thallium, and selenium are extracted from the dust created during lead production. Lead-bearing concentrates are used to extract cadmium and thallium.

Thus, above mentioned information reveals a huge potential in development of mining companies in Kazakhstan and this paper could serve them as a tool with the demonstration of best practices and key for more efficient and sustainable future. Moreover, while analyzing correlation of companies' profitability through ROA with ESG score provided from Refinitiv Eikon database via charts showed in Appendices, it can be said that there is positive correlation in most of the companies in recent years if we analyze each firm separately. This can prove earlier mentioned studies' statements about the positive influence of ESG practices on firms' profitability in the longer term. Nevertheless, in fact this study can also confirm the claims that nowadays measuring real ESG impact is still found to be complex as it is a large set of procedures, which need more thorough investigation on future financial benefits.

In conclusion, ESG is becoming a critical aspect of mining operations as stakeholders demand greater transparency and accountability. ESG (Environmental, Social, and Governance) refers to a set of standards for a company's operations that impact not only financial performance but also broader societal and environmental outcomes. In the mining industry, ESG has become increasingly important as stakeholders are paying closer attention to a company's impact on the environment, communities, and workers. Adopting ESG principles can improve a mining company's reputation and long-term sustainability. It can also help to secure investment and partnerships, attract talent, and meet the expectations of customers and regulators. Environmental considerations such as reducing greenhouse gas emissions, managing waste, and conserving water resources can also contribute to cost savings and operational efficiency. Furthermore, incorporating ESG principles into business operations can help to address social issues such as human rights, labor conditions, and community relations. This can result in positive outcomes for both the company and local communities, such as increased trust and collaboration, improved worker well-being, and reduced social conflicts. Thus, there is a strong recommendation on continuation of further research as embracing ESG principles can not only improve a company's financial performance but also benefit the environment and communities.

References:

- [1] Brogi, M., & Lagasio, V. (2019). Environmental, social, and governance and company profitability: Are financial intermediaries different?. *Corporate Social Responsibility and Environmental Management*, 26(3), 576-587.
- [2] Balatbat, M., Siew, R., & Carmichael, D. (2012). ESG scores and its influence on firm performance: Australian evidence. In *Australian School of Business School of Accounting*, School

of Accounting Seminar Series Semester (Vol. 2, pp. 1-30). Australia: University of New South Wales, India.

[3] Tattersall, K. R. (2020). *The Impact of Environmental Performance on Corporate Profitability: Evidence from South African Publicly Listed Metal & Mining Companies*. The IIE.

[4] Kim, S., & Li, Z. (2021). Understanding the impact of ESG practices in corporate finance. *Sustainability*, 13(7), 3746.

[5] Friede, G., Busch, T., & Bassen, A. (2015). ESG and financial performance: aggregated evidence from more than 2000 empirical studies. *Journal of sustainable finance & investment*, 5(4), 210-233.

[6] Isto, R. (2022). A Study of the Integration of Environment, Social, and Governance Policy in the Mining Industry.

[7] Aboud, A., & Diab, A. (2018). The impact of social, environmental and corporate governance disclosures on firm value: Evidence from Egypt. *Journal of Accounting in Emerging Economies*.

[8] Atan, R., Razali, F. A., Said, J., & Zainun, S. (2016). Environmental, social and governance (ESG) disclosure and its effect on firm's performance: A comparative study. *International Journal of Economics and Management*, 10(2), 355-375.

[9] Heenetigala, K., Lokuwaduge, C. D. S., Armstrong, A., & Ediriweera, A. (2015). An investigation of environmental, social and governance measures of listed mining sector companies in Australia. *Journal of Law and Governance*, 10(4).

[10] Zhao, C., Guo, Y., Yuan, J., Wu, M., Li, D., Zhou, Y., & Kang, J. (2018). ESG and corporate financial performance: Empirical evidence from China's listed power generation companies. *Sustainability*, 10(8), 2607.

[11] Hirdinis, M. (2019). Capital structure and firm size on firm value moderated by profitability.

[12] Deitiana, T. (2015). The Determinant of CSR Disclosure of Mining Industry Listed in Indonesia Stock Exchange. *Asian Business Review*, 5(3), 141-148.

[13] Ross, S. A., et al. 2009. *Fundamental of Corporate Finance* (translated by: Ali Akbar Yulianto). Jakarta: Salemba Empat

[14] Endri, E. (2021). Coal price and profitability: Evidence of coal mining companies in Indonesia. 670216917.

[15] Steele-Schober, T. (2021). The Importance of Esg for Mineral Reporting. *Journal of the Southern African Institute of Mining and Metallurgy*, 121(6), viii-xi.

- [16] Lokuwaduge, C. S. D. S., & Heenetigala, K. (2017). Integrating environmental, social and governance (ESG) disclosure for a sustainable development: An Australian study. *Business Strategy and the Environment*, 26(4), 438-450.
- [17] Zumente, I., & Bistrova, J. (2021). ESG importance for long-term shareholder value creation: Literature vs. practice. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(2), 127.
- [18] Rio Tinto | Global. (n.d.). <https://www.riotinto.com/>
- [19] Home Page | ArcelorMittal. (n.d.). <https://corporate.arcelormittal.com/>
- [20] About us. (n.d.). <https://www.glencore.com/en/who-we-are/purpose-and-values>
- [21] Anglo American. (n.d.). <https://www.angloamerican.com/>
- [22] About us. (n.d.-b). <https://nucor.com/>
- [23] Home - Nornickel. (n.d.). Nornickel. <https://www.nornickel.com/>
- [24] Home. (n.d.). <https://www.angloamericanplatinum.com/->
- [25] Freeport-McMoRan | FCX. (n.d.). <https://fcx.com/>
- [26] Home page - Kazakhstan Stock Exchange (KASE). (n.d.). <https://kase.kz/en/>
- [27] Severstal is a vertically integrated steel and steel-related mining company with major assets in Russia and investments in other regions. (n.d.). PAO “SEVERSTAL.” <https://severstal.com/eng/>
- [28] FINANCIAL INFORMATION. (n.d.). <https://www.gmexico.com/en/Pages/financial-information.aspx>
- [29] Sciarelli, M., Cosimato, S., Landi, G., & Iandolo, F. (2021). Socially responsible investment strategies for the transition towards sustainable development: The importance of integrating and communicating ESG. *The TQM Journal*, 33(7), 39-56.
- [30] Amel-Zadeh, A., & Serafeim, G. (2018). Why and how investors use ESG information: Evidence from a global survey. *Financial Analysts Journal*, 74(3), 87-103.
- [31] Li, T. T., Wang, K., Sueyoshi, T., & Wang, D. D. (2021). ESG: Research progress and future prospects. *Sustainability*, 13(21), 11663.
- [32] Díaz, V., Ibrushi, D., & Zhao, J. (2021). Reconsidering systematic factors during the COVID-19 pandemic—The rising importance of ESG. *Finance Research Letters*, 38, 101870.
- [33] Broadstock, D. C., Chan, K., Cheng, L. T., & Wang, X. (2021). The role of ESG performance during times of financial crisis: Evidence from COVID-19 in China. *Finance research letters*, 38, 101716.

- [34] Escrig-Olmedo, E., Muñoz-Torres, M. J., & Fernandez-Izquierdo, M. A. (2010). Socially responsible investing: sustainability indices, ESG rating and information provider agencies. *International journal of sustainable economy*, 2(4), 442-461.
- [35] Shaheen, S., & Malik, Q. A. (2012). The impact of capital intensity, size of firm and profitability on debt financing in textile industry of Pakistan. *Interdisciplinary Journal of Contemporary Research in Business*, 3(10), 1061-1066.

Capital Structure Determinants of the Construction Industry

Murodjon Juraev

Bang College of Business, KIMEP University

Almaty, Kazakhstan

Murodjon.Juraev@kimep.kz

Abstract

This paper examines the determinants of capital structure in the construction industry. Specifically, I investigate the impact of different factors such as firm size, profitability, growth opportunities, the tangibility of assets, industry competition, interest rate levels, and economic conditions on the level of debt financing in construction firms. I collected data through an investigation of the article written on this topic. The results indicate that firm size and tangibility of assets have a negative effect on the level of debt financing and profitability. Growth opportunities and economic conditions are also found to be significant determinants of capital structure in the construction industry. Industry competition and interest rate levels, however, do not appear to have a significant effect on the level of debt financing. These findings have implications for researchers and construction firms and contribute to our understanding of corporate finance and capital structure.

Keywords: Profitability, Capital structure, Construction sector, Debt financing

Introduction

Capital structure is a crucial aspect of any business organization, as it determines the proportion of debt and equity financing used to fund the company's operations. A company's capital structure may have a big impact on its financial performance and risk, especially in the construction sector, where big expenditures and extended project durations are the norm. The construction industry is a vital sector of any economy, contributing to the creation of infrastructure that facilitates business activities, housing, and other public amenities. Like any other business, construction firms require funding to finance their operations, and one of the crucial considerations is the capital structure. Capital structure refers to the composition of a firm's financing, including the use of debt and equity.

Capital structure refers to the way a company finances its operations and growth by using a mix of debt and equity. The decision about the optimal capital structure is crucial for any firm as it impacts the cost of capital, risk profile, and ultimately, the value of the company (Booth et al., 2001). The two main sources of financing are debt, which includes borrowing from banks, issuing bonds, or other forms of loans, and equity, which involves raising funds from investors by issuing shares in the company. The

capital structure of a firm is determined by various factors, including the company's financial characteristics, the industry it operates in, and the economic environment. The construction industry is a unique sector with specific features that can influence the financing decisions of firms operating in the industry. The capital structure of a firm is determined by various factors, including the company's financial characteristics, the industry it operates in, and the economic environment (Titman & Wessels, 1988). The construction industry is a unique sector with specific features that can influence the financing decisions of firms operating in the industry.

The construction industry also faces unique challenges in terms of the capital structure due to its project-based nature. Construction projects typically require a significant amount of capital, and companies in the industry must make substantial investments in fixed assets, such as land, buildings, and equipment, to carry out their operations. Additionally, the industry is subject to significant fluctuations in demand, which can make it difficult for companies to maintain a stable cash flow. Given these unique characteristics, the determinants of capital structure in the construction industry are likely to differ from those in other sectors. Some factors that may influence the capital structure of construction firms include the size of the company, its growth opportunities, the level of asset tangibility, the level of competition in the industry, and the economic conditions.

My master's thesis focused on identifying the capital structure determinants of the construction industry. In this article, I reviewed several studies that examine the determinants of capital structure and will discuss the key findings of my research and their implications for construction firms. I explore the findings of these studies to gain insights into how firm size, the tangibility of assets, interest rates, industry competition, economic conditions, and growth opportunities impact firms' financial decisions. The aim of writing this article is to provide valuable insights for both researchers and practitioners interested in understanding the factors that influence firms' financing decisions. The methodology used in studies employs large datasets of financial and economic variables to perform regression analyses that tested the relationship between various factors and the dependent variables of interest.

Firm size and tangibility of assets

Firm size can affect a firm's ability to obtain debt financing because larger firms may be perceived as less risky than smaller firms. In their study Rajan and Zingales (1995) found that larger firms tend to have a lower debt-to-equity ratio. Larger firms tend to be less reliant on debt financing because they have greater access to internal sources of capital, such as retained earnings, and are typically seen as less risky by lenders (Rajan & Zingales, 1995). In addition, larger firms may have more diverse revenue streams, which can help mitigate the risk of default and make equity financing a more attractive option. Compared to larger firms, smaller firms may have less diversified revenue streams and less bargaining power with suppliers and customers, making them more vulnerable to economic shocks. This may make lenders less willing to extend credit to smaller firms, which can limit their ability to take on debt financing. Additionally, smaller firms may have less access to capital markets, which can limit their ability to raise funds through debt offerings (Rajan & Zingales, 1995). Smaller firms and those with more intangible assets may have less transparent financial reporting and may be perceived as riskier by lenders, making it more difficult to obtain debt financing (Rajan & Zingales, 1995). Lenders may require higher interest rates or collateral to mitigate this risk, which can lead to lower profitability.

Tangibility of assets, or the degree to which a firm's assets can be used as collateral, can also impact a firm's ability to obtain debt financing. A study by Titman and Wessels, (1988) found that firms with more tangible assets tend to use less debt financing. Firms with more tangible assets, such as property or equipment, may be able to use these assets as collateral to secure loans (Titman & Wessels, 1988). This can make lenders more willing to extend credit to these firms, as they have a means to recover their investment if the borrower defaults. On the other hand, firms with more intangible assets, such as intellectual property or brand value, may not be able to use these assets as collateral, which can make it more difficult to obtain debt financing (Titman & Wessels, 1988). Firms with more tangible assets may have a lower level of debt financing because lenders are more willing to accept tangible assets as collateral for loans. However, this may also make these firms more vulnerable to default in the event of a decline in the value of their assets, which can have negative consequences for profitability. Smaller firms and those with more tangible assets may require more financial flexibility to respond to changing market conditions (Titman & Wessels, 1988). Using more equity financing allows these firms to avoid the financial constraints that come with high levels of debt, which can limit their ability to invest in growth opportunities or manage unexpected expenses (Titman & Wessels, 1988).

Additionally, the negative effect of firm size and the tangibility of assets on profitability may be related to the higher cost of debt financing for these firms. Larger firms may face higher administrative costs associated with servicing debt, while firms with more tangible assets may face higher interest rates due to the increased risk of default. A study by Booth et al. (2001) found that higher debt levels are associated with lower profitability, particularly for firms with low credit ratings. This is because higher levels of debt increase interest expenses, which can lower net income and reduce profitability (Booth et al., 2001). Also, higher levels of debt can increase a firm's financial leverage, which magnifies the impact of changes in operating income on net income (Booth et al., 2001). In other words, as a firm takes on more debt, a smaller change in operating income can result in a larger change in net income due to interest expenses. This can reduce profitability and increase the risk of financial distress (Booth et al., 2001). Furthermore, lenders may require higher interest rates for firms with high levels of debt, which can increase interest expenses and lower profitability.

In summary, firm size and tangibility of assets can impact a firm's ability to obtain debt financing, while high levels of debt can reduce profitability. While there may be some benefits to using less debt financing, such as a lower risk of default, these factors can also have negative implications for profitability. Firms need to carefully consider the trade-offs between debt and equity financing when making financing decisions, taking into account factors such as their size, asset structure, and cost of capital.

Growth opportunities and economic conditions

The research conducted by Gavin Cassar and Scott Holmes, suggest that growth opportunities and economic conditions are important factors that influence a firm's capital structure decision. Firms with higher growth opportunities may prefer to use less debt financing to avoid the risk of financial distress, while firms in industries with high growth opportunities may have more opportunities for profitable investment and therefore may require less debt financing (Gavin Cassar & Scott Holmes, 2003). Their research examined the impact of economic conditions on the capital structure of firms and found that during times of economic growth, firms tend to use more debt financing. Conversely, during times of

economic growth, firms may prefer to use more debt financing to take advantage of favourable market conditions (Gavin Cassar & Scott Holmes, 2003).

A study by Rajan and Zingales (1995) found that firms with high growth opportunities tend to have a lower debt-to-equity ratio, while firms in industries with greater tax shields and more stable cash flows tend to have a higher debt-to-equity ratio. Rajan and Zingales (1995) also found that the relationship between growth opportunities and capital structure is moderated by the degree of product market competition. Firms with high growth opportunities that operate in competitive markets tend to have a higher debt-to-equity ratio than those in less competitive markets. This is because firms in competitive markets need to maintain financial flexibility to make investments that can help them remain competitive (Rajan & Zingales, 1995).

In terms of economic conditions, a study by Graham and Harvey (2001) found that during times of economic expansion, firms tend to use more debt financing, while during times of economic contraction, firms tend to rely more on equity financing. In addition, Graham and Harvey (2001) noted that the relationship between economic conditions and capital structure can also be influenced by firm-specific factors, such as the availability of collateral, the quality of management, and the level of agency costs. They found that firms with more tangible assets tend to use more debt financing, while firms with higher agency costs tend to rely more on equity financing (Graham & Harvey, 2001).

Overall, the findings from these studies suggest that the determinants of capital structure are complex and multifaceted, and depend on a range of factors including growth opportunities, industry characteristics, economic conditions, and firm-specific factors. By taking these factors into account, firms can make more informed decisions about their optimal capital structure and better manage their financial risks.

The industry competition may not be a major determinant of capital structure because firms can still obtain financing through debt markets even in highly competitive industries (Bradley, Jarrell & Kim 1984). Furthermore, in some cases, competitive industries may require firms to use more equity financing in order to remain flexible and responsive to changing market conditions. A study by Bradley, Jarrell, and Kim (1984) found that industry competition was not a significant determinant of capital structure. The research suggests that industry characteristics, such as the degree of product differentiation and the level of regulation, may have a greater influence on capital structure than competition per se (Bradley, Jarrell & Kim 1984). For example, firms in regulated industries may have more stable cash flows, making debt financing more attractive, regardless of the level of competition.

Industry competition and interest rate levels

The industry competition may not be a major determinant of capital structure because firms can still obtain financing through debt markets even in highly competitive industries (Bradley, Jarrell & Kim 1984). Furthermore, in some cases, competitive industries may require firms to use more equity financing in order to remain flexible and responsive to changing market conditions. A study by Bradley, Jarrell, and Kim (1984) found that industry competition was not a significant determinant of capital structure. The research suggests that industry characteristics, such as the degree of product differentiation and the level of regulation, may have a greater influence on capital structure than competition per se (Bradley,

Jarrell & Kim 1984). For example, firms in regulated industries may have more stable cash flows, making debt financing more attractive, regardless of the level of competition.

A study by Titman and Wessels (1988) found that interest rate levels had a limited effect on the use of debt financing. Interest rate levels may not have a significant effect on the level of debt financing because firms can often mitigate interest rate risk through the use of interest rate swaps and other hedging strategies (Titman & Wessels 1988). In addition, firms may be able to negotiate favorable interest rates with lenders based on their creditworthiness and other factors. Titman and Wessels (1988) found that while interest rates do affect the cost of debt financing, other factors such as tax shields and bankruptcy costs also play an important role in determining a firm's capital structure. They suggest that firms may use debt financing to take advantage of tax benefits and to signal their creditworthiness to external stakeholders, regardless of interest rate levels.

These studies suggest that industry competition and interest rate levels may not be as significant in determining a firm's capital structure as other factors, such as industry characteristics, tax benefits, and bankruptcy costs. While industry competition and interest rates can impact a firm's financing decisions, these factors are not necessarily the primary drivers of capital structure choices.

Conclusion

Understanding the determinants of capital structure in the construction industry is important for several reasons. First, construction firms are significant players in the global economy, and their financing decisions can have implications for the overall health of the industry and the broader economy. Second, construction projects are typically capital-intensive, meaning that financing decisions can have a significant impact on the success of the project. Finally, an understanding of capital structure determinants can help construction firms make informed financing decisions that optimize their capital structure and reduce financial risk.

In conclusion, several factors influence capital structure decisions in the construction industry. These factors include the size of the firm, profitability, growth opportunities, asset tangibility, tax shields, and market conditions. Studies on the determinants of capital structure in the construction industry can provide valuable insights into the financing decisions of construction firms. These insights can be valuable for researchers interested in studying the determinants of capital structure and the factors that influence firms' financing decisions. By understanding the factors that impact firms' access to debt financing and their profitability, researchers can gain a more nuanced understanding of how firms make financial decisions and how they manage financial risk. Furthermore, these findings can be useful for practitioners in the field of finance, as they provide insights into the factors that may impact a firm's ability to obtain debt financing and its profitability, which can inform financial decision-making.

References

- Booth, L., Aivazian, V., Demirgüç-Kunt, A., & Maksimovic, V. (2001). Capital structures in developing countries. *The Journal of Finance*, 56(1), 87-130.
- Graham, J. R., & Harvey, C. R. (2001). The theory and practice of corporate finance: Evidence from the field. *Journal of Financial Economics*.
- Yat Hung, C., Ping Chuen Albert, C., & Chi Man Eddie, H. (2002). Capital structure and profitability of the property and construction sectors in Hong Kong. *Journal of Property Investment & Finance*, 20(6), 434–453.
- Feidakis, A., & Rovolis, A. (2007). Capital structure choice in European Union: Evidence from the construction industry¹. *Applied Financial Economics*, 17(12), 989–1002.
- Rajan, R. G., & Zingales, L. (1995). What Do We Know about Capital Structure? Some Evidence from International Data. *The Journal of Finance*, 50(5), 1421–1460.
- Jayiddin, N. F., Jamil, A., & Roni, S. M. (2017). Capital Structure Influence on Construction Firm Performance. *SHS Web of Conferences*, 36, 00025.
- W., F. A. (2020). Impacts of capital structure: Profitability of construction companies in Ethiopia. *Journal of Financial Management of Property and Construction*, 25(3), 371–386.
- Trotman, K. T. (1980). The Effect of the Firm's Capital Structure on the Choice of Accounting Methods for Long-Term Construction Contracts. *Australian Journal of Management*, 5(1–2), 141–144.
- Gavin C., Scott H. (2003). Capital structure and financing of SMEs: Australian evidence. *AFAANZ, Blackwell Publishing, Accounting and Finance* 43, 123–147
- Bradley, M., Jarrell, G. A., & Kim, E. H. (1984). On the existence of an optimal capital structure: Theory and evidence. *The Journal of Finance*, 39(3), 857-878.

Titman, S., & Wessels, R. (1988). The determinants of capital structure choice. *The Journal of Finance*, 43(1), 1-19.

What factors affect future direct investment in the case of Kazakhstan

Aliya Toekenova

Bang College of Business

Kimep University

Abstract

The purpose of this paper is to find out what factors may affect future direct investment, in the period from 1991 to 2021. For example, it is important to note that stable financial relations between the countries of the Eurasian Union affect the economy of our country. The methodology of the study of future investment in Kazakhstan used a panel data model to observe the relationship between dependent and independent changes. The originality of the study lies in the comparative analysis of factors affecting investments of the Republic of Kazakhstan. Exports of our products to other countries, profits received and money supply turnover were also involved. In addition, this paper shows a close relationship between emissions to the environment in the form of air pollution of carbohydrates and used waste after production and consumption with the three main variables: energy consumption, economic growth, and foreign direct investment (FDI).

Conclusion: Investment from other countries in Kazakhstan can help build industry, nuclear power plants, and most importantly, oil refineries, which contribute to the solution of improving the economy of Kazakhstan.

Keywords: FDI, Exchange Rate (ER), Gross Domestic Product (GDP), Oil price, Net export, Money Supply, CO₂.

2. Introduction

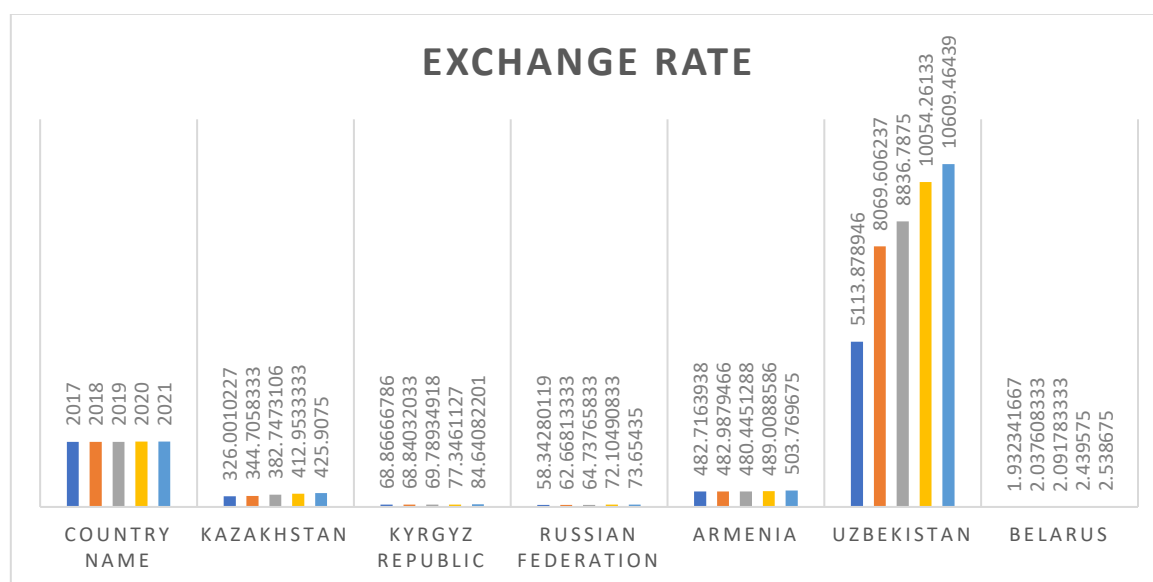
This article is relevant because it deals with issues related to future investments in Kazakhstan. As everyone knows, investment in Kazakhstan plays a big role in maintaining economic stability both inside and outside the country. Foreign direct investment is influenced by growth in trade information and migration. All these indicators mean that in this case a close political and international connection between countries, which leads to mass globalization, is developing. Countries that invest their investments can own operating assets such as factories, mines, and land. Increased foreign investment

can be used, for example, as one indicator of increasing economic globalization affect the growth of gross domestic product of GDP

Thus, the following factors were investigated:

Exchange Rate (Exr) – The study examined the dynamic changes in the exchange rate of foreign currency that affected the dynamics of growth of the currency of Kazakhstan. The data were taken for the last 5 years from the World Bank.[1]

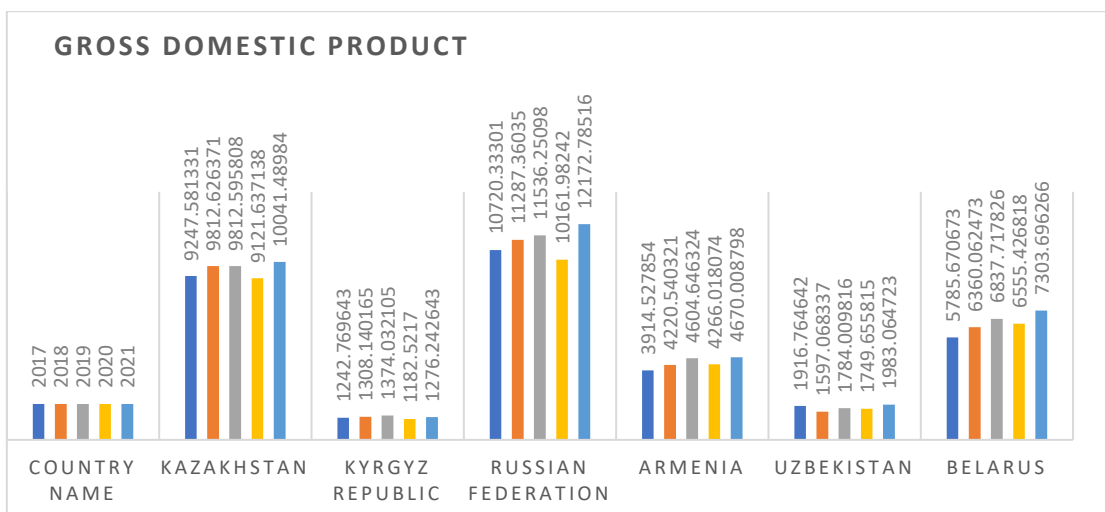
Histogram1. Exchange rate



Source: Author create

Studies of gross domestic product (GDP) were based on World Bank data for the period 2017-2021. GDP data Russia, Belarus, Kyrgyzstan, Kazakhstan, Uzbekistan, and Armenia.[1]

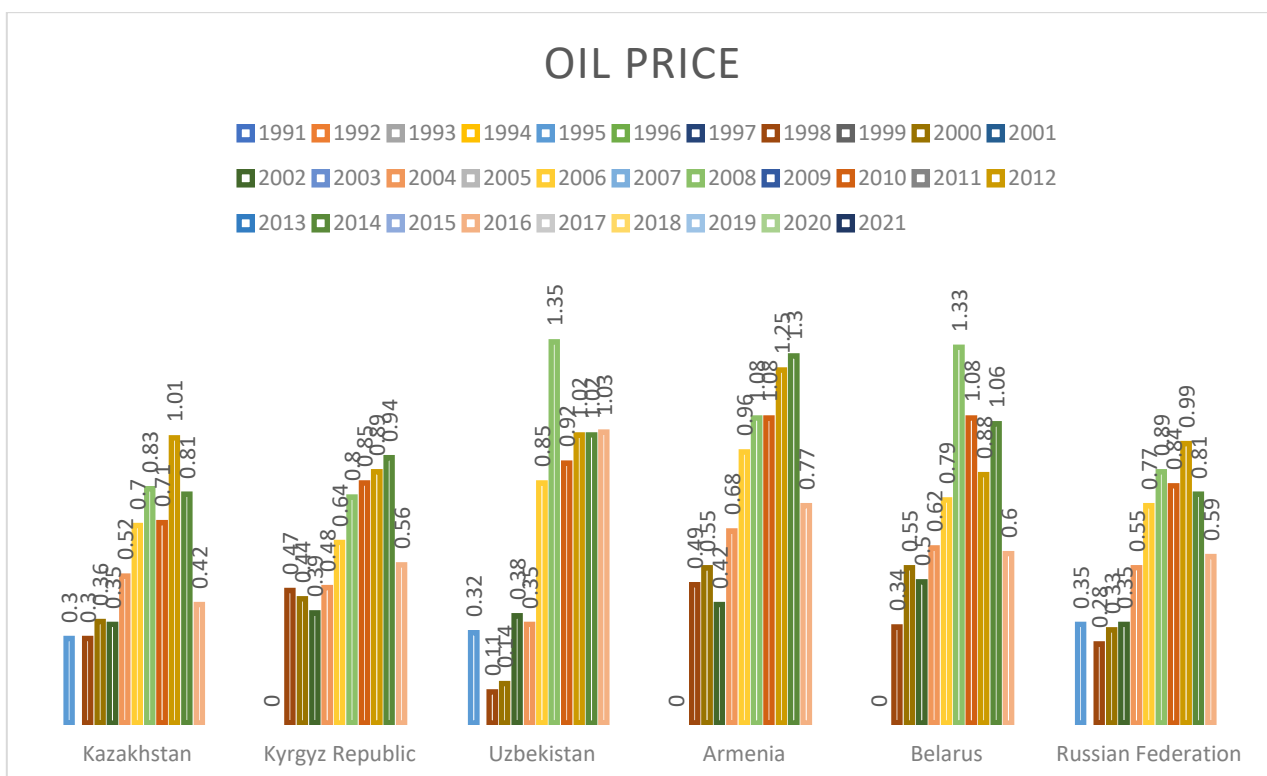
Histogram 2. Gross Domestic Product



Source: Author create

The price of oil relied on world sources of prices, which directly influenced the price of Kazakhstan's oil. Data based on World Bank for the period 2017-2021.[1]

Histogram 3.Oil price

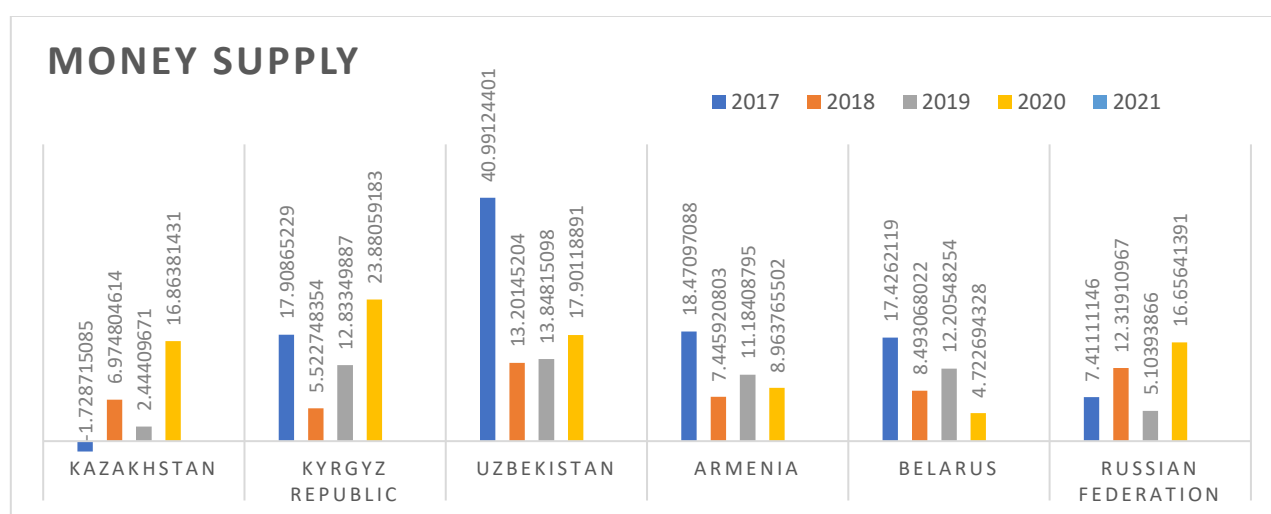


Source: Author create

Net exports are the value of all exports when our country exports its products to foreign countries. On this issue, the main task was to establish from which products the country received more profit and for which goods there was greater demand. We studied statistics on the volume of exports and compiled a comparative table in points for the last five years.

On the issue of the money supply, the amount of cash that was in circulation was investigated. The circulation of goods and funds between the countries of the Eurasian Economic Union was considered. The Eurasian Union includes such countries as Kazakhstan, Russia, Armenia, Kyrgyzstan, and Belarus. Indicators for the last 5 years were also taken.

Histogram 4. Money Supply



Source: Author create

CO2- The government of Kazakhstan understands that in parallel with the development of production for export, it is necessary to consider the impact of waste emissions into the environment of harmful substances that affect the health of all living beings. Therefore, there is a question of cleaning the environment of hazardous substances, which requires large expenditures and thus has a tangible impact on the economy of Kazakhstan.

Kazakhstan produces more than 30% of its GDP, and a large share of it comes from oil and gas production and extractive industries. Nevertheless, Kazakhstan intends to solve this problem on the basis the world experience. It should be noted that the country is assisted in this issue by the technical assistance provided by the Joint Economic Research Program (JERP), jointly funded by the Government of Kazakhstan and the World Bank.

Kazakhstan intends to be carbon-neutral by 2060, using the latest alternative energy sources.

3. Literature review

Many articles have been written on the subject of foreign investment that has a direct impact on the economy of a particular country. These articles widely discuss the problems of the application of FDI attraction in action. If we consider Xinxin Wang, Zeshui Xu, Yong Qin, and Marinko Skare's article "Foreign Direct Investment and Economic Growth: A Dynamic Study of Approaches and Measurement Results" published in 2021, we can see that this paper reveals the extent of FDI impact on economic growth using bibliometric analysis and R programs. The authors of this paper had to use different methodologies of economic development and FDI to disclose this topic. And in the Journal of Asian Finance, Economics and Business Tran, T.Q.,(2020) "Factors affecting foreign direct investment", the authors described 5 independent factors, approaches, and measurement results. However, despite the research Bhagwati (1998) notes that the positive effect of FDI in those countries where exports are developed than in countries with predominantly small economies. [29][30][31]

Exchange rate (Exr) - as a factor influencing FDI. Information about the influence of ER on FDI attraction is very scarce, as the main focus is on the analysis of the decision to attract FDI to certain countries. The positive decisions on FDI attraction, in the beginning, were considered the development of the microeconomics of countries. The theory of FDI based on currency stability was proposed by Aliber, R. (1970) A Theory of Foreign Direct Investment. [32]

According to his theory, it can be said that it is possible to benefit from the difference in exchange rates, so it is more profitable to invest in those countries, where the currency is weak than in countries with strong currencies. The author came to this conclusion after receiving empirical data on American, British, and Canadian economies, which showed that it was possible to earn money on the difference in exchange rates, thus confirming the theory of currency premium.

Gross Domestic Product (GDP) is the total monetary consumption of all final goods and services produced and sold by a country in a certain period of time. GDP data is used to compare the global assessment of macroeconomics and the economic condition between countries. Investors get information about various aspects of a country's economy from GDP data, which helps in making investment decisions. According to research by Bhagwati (1988), the ratio of FDI to GDP and the ratio of the current account balance to GDP in eight transition economies have a negative relationship. [33]

Oil Price - Energy prices play a major role in economic growth in any country. When looking at data on the impact of oil on national economies, it can be divided into two categories: exporters (Alley, 2016; Hesse et al., 2009;) and importers (Antonakakis et al., 2014; Nasir). increase. et al., 2018; Wang et al., 2013), in this case, for the first countries oil is the main source of income, while for the second countries the oil price change, that is for importing countries it can result in huge costs. Thus, these countries have a great impact on their economies. Thus, we can conclude that changes in oil prices have different effects on economies.[34][35][36][37][38]

Net Exports - causal relationship between foreign direct investment and the volume of foreign trade. K. Kodizma (1970) put forward this theory of direct investment. According to this theory, the factors of economic growth in developing countries are international trade and FDI. So the research data of Yol and Teng (2009) on short and long-term exports hurt FDI in the period 1975-2006.[39]

Money supply – is cash and deposits that can be spent as your own money. According to a study using the ARDL method by Shahrudin et al. (2010) the determinants of FDI in Malaysia for the period 1970-2008. It was found that GDP and money supply growth have a positive effect on FDI. Thus, an increase in the money supply leads to a decrease in the interest rate, which in turn leads to an increase in investment and puts more money in the hands of consumers, thereby increasing spending. This encourages companies to buy more raw materials. Consequently, there is an increase in business activity which increases the demand for labor. The opposite can happen if the money supply falls or the growth rate declines.[40]

Eurasian Economic Union can increase FDI inflows because the potential benefits of FDI include the transfer of technology, experience, and knowledge, as well as overall economic growth and increased exports.

CO2- The Kuznets curve is the hypothesis that income inequality increases in early-stage economies, but tends to decrease as the economy grows. This hypothesis was first proposed on December 29, 1954, by economist Simon Kuznets and framed as an inverted U-shaped curve. The Kuznets curve was first used in environmental policy following the 1991 research by Princeton economists Jim Grossman and Alan Krueger [41]. As product productivity increases, the threat to the environment increases immediately at the outset. This leads to the fact that as income increases the need for a safe life, i.e. for a clean environment, and thus more resources become available to address these issues. As a consequence, wealthier citizens can spend more money on environmental health, as they feel the need for their bodies to breathe clean air and bathe in clean water.

Dummy: In order to concretize the understanding of which factors influence FDI, the FGLS study is conducted and uses a limited interval beginning in 1991 and ending in 2021. In general, it can be seen from the use of the link give a detailed explanation of which factors affect FDI, affecting the stability of a particular state, while the results of macroeconomic determinants are constantly in flux depending on their correct evaluation.

Thus, one can see a detailed explanation of the factors influencing FDI from the material presented, while the results of the macroeconomic determinants vary markedly depending on their correct estimation.

3.1 Hypotheses of the study

The following hypotheses are assumed to analyze the influence of factors on the FDI:

H1: Exchange rate- has a positive impact on FDI

H2: GDP – hurts FDI

H3: Oil price positive impact on FDI

H4: Net export positive impact on FDI

H5: Money Supply-positively impact on FDI

H6: CO2 positively impacts FDI

4. Data and Methodology.

3.1 Data

The purpose of this research is to study the factors that affect FDI in Kazakhstan for the period from 1990 to 2021. Panel data analysis was chosen for the study. Data for the study were taken from the World Bank.

3.2 Methodology

This study mainly uses FGLS, and estimation methods to examine the relationship between the exchange rate, GDP, oil price, money supply, net exports, CO2, and foreign direct investment. In order to determine the relationship, the following equation was constructed in the study.

$$FDI=B_0+B_1(GDP)+B_2(Mon)+B_3(Exp) +B_4(CO_2) +B_5(Exr)+B_6(Oil)+B_7(DUMMY)+E$$

Where: FDI- foreign direct investment; GDP- gross domestic product; Mon- money supply; Exp- net export ; CO2- carbon emission; Exr- exchange rate; Oil- oil price; Dummy- 2017-2019;

3.3 Results

Empirical Results

The study is largely understood on the generalized least squares (FGLS) method because there are more variables than years being investigated. The study's data spans three years and seven variables. Before doing the regression analysis, the robustness of the model was evaluated. Choosing the best model, was essential. The stationarity test revealed that there was no unit root for any of the variables. The multicollinearity test results indicated a score below 5, indicating that the model is devoid of multicollinearity. The results of the autocorrelation test indicate that there is no autocorrelation. When heteroscedasticity exceeds 0.10, all variables are not considered to be heteroscedastic.

3.4. Descriptive Statistics

variable	Obs	Mean	Std.Dev.	Min	Max
FDI	173	3.410433	3.357859	-5.160327	17.13123
GDP	186	10.43361	0.0552078	10.22714	10.48903
Oil	135	1.29923	0.3096279	-0.1347931	1.668102
Exp	175	3.324329	14.08574	-48.17576	39.91464
CO2	174	0.8752974	0.6098281	0.1465958	2.311845
Mon	138	1.423825	0.2730348	1.116822	1.902395
Exr	186	0.3172046	0.1064941	0.1379117	0.6345132
Source: Calculated from research results					

3.4 illustrates the descriptive statistics of variables. The research includes 6 post union countries (Russia, Belarus, Kyrgyzstan, Kazakhstan, Uzbekistan, and Armenia) covering the period 2017-2019. The descriptive statistics results show that the highest FDI is 17.13123 for the Kyrgyz Republic (2015). Further, the minimum value of FDI is -5.160327 for the Kyrgyz Republic (2020). In addition, GDP has an average value of 10.43% and a minimum value of 10.22%. Macroeconomic and microeconomic variables have a huge range too.

3.5. Correlation results

	FDI	GDP	Oil	Exp	CO2	Mon	Exr
FDI	1.0000						
GDP	-0.1192	1.0000					
Oil	0.1308	-0.0820	1.0000				
Exp	-0.1003	-0.0670	-0.1244	1.0000			
CO2	0.0845	-0.3340	0.3482	-0.0704	1.0000		
Mon	-0.0900	-0.0184	-0.5611	0.2171	-0.3421	1.0000	
Exr	-0.0608	0.1865	0.1414	-0.1637	-0.2264	0.1556	1.0000
Source: Calculated from research results							

Table 3.5 above shows a correlation test that identifies the degree of association between dependent and independent variables. As a result, a high correlation is found between FDI and Oil price, FDI and CO2, oil price and carbon dioxide, and export and money supply. Other variables have a modest correlation. There are also negative correlations.

3.6. Multicollinearity test results.

Variable	VIF	1/VIF
----------	-----	-------

Mon	1.75	0.570813
Oil	1.73	0.578501
CO2	1.40	0.713520
Exr	1.28	0.782079
GDP	1.18	0.844197
Exp	1.10	0.906269
Mean VIF	1.41	
Source: Calculated from research results		

The model is not multicollinear, as shown by table 3.6's mean VIF value being less than 5. To determine the correlation between the independent variables in the regression model, the multicollinearity test is required. The model developed by the researchers demonstrates a reliable association between the independent variables. The model doesn't need to be adjusted.

3.7.FGLS test

FDI	Coef.	Std.Err.	z	P> z	[95% Conf. Interval]	
GDP	1.930989	1.987564	0.97	0.331	-1.964565	5.826542
Exp	0.0192486	0.0083999	2.29	0.022	0.0027851	0.0357122
CO2	-1.360449	0.1959592	-6.94	0.000	-1.744522	-0.9763762
Exr	0.7007063	0.9390875	0.75	0.456	-1.139871	2.541284
Mon	0.7429303	0.9371853	0.79	0.428	-1.093919	2.57978
Oil	-0.4281675	0.6101326	-0.70	0.483	-1.624005	0.7676704
2017	-0.4800023	0.5241425	-0.92	0.360	-1.507303	0.5472981
2018	-1.517955	0.5290441	-2.87	0.004	-2.554863	-0.4180478
2019	-0.0673708	0.5289425	-0.13	0.899	-1.104079	0.9693374
cons	-17.19638	20.75363	-0.83	0.407	-57.87275	23.47999
R-squared	0.1621					
Observation	28					
Number of groups	6					
Source: Calculated from research results						
Note: *p<0.10, **p<0.05, ***p<0.010.						

As mentioned above we did the generalized least squares (FGLS) test. The results are shown in Table 3.7 for the proxy was taken FDI to find out what factors affect FDI in Kazakhstan.

Assuming that ceteris paribus, a 1% decrease in the constant variable Future direct investment by - 17.19%, and it is not significant, The focus of FDI in developing nations has evolved from market and resource-seeking to more(vertical) efficiency-seeking. MNEs are anticipated to move some of their production facilities to low-cost (really low-cost) emerging nations as a result of the pressure that globalization has put on prices. However, [JH Dunning](#), JR Dilyard - Transnational corporations, (1999)

argues that the motives for that, in contrast to FDI in industrial nations, FDI in developing nations continues to be primarily focused on exploiting natural resources and local or regional markets.[27]

A country's gross trade is measured by its net exports. A country's net exports are calculated by subtracting total imports from total exports of goods and services. We find a statistically significant positive effect of exports on FDI level 0.01%. The results show that a 1% increase in exports leads to a 0.01% increase in FDI. This result is consistent with the logic of economic theory and the reality of Kazakhstan's economy during the study period, showing that exports are developing and growing in the same direction as foreign direct investment. Because foreign companies invest not only in supplying the domestic market, but also in supplying the foreign market. A study by Selim et al. (2016) showed a positive effect of foreign investment on the exports of the Eastern Balkans, and a study by Zakia and Ziad (2007) showed a positive effect of foreign direct investment on exports.[22]][23]

Foreign direct investment (DFI) can be an important driver of increasing trade intensity. DFI includes partial or full ownership and control of existing or new assets by foreigners. As Tubagus Feridhanusetyawan Charles Stahl & Phillip Toner write (APEC Labor Market: Structural Change and the Asian Financial Crisis) FDI refers to partial or full ownership and control of existing or new assets by foreigners. In developing countries such as Chile and China, FDI can account for 15-20% of total annual investment. Even in developed countries like Singapore, FDI can account for up to 30% of domestic investment[24].

FDI increases pollution. This indicates that technological effects cannot curb his CO₂ emissions due to the introduction of obsolete technology into the production process. This has a negative impact on economic growth in the long run (Jayanthakumaran et al., 2012). Test results show that a 1% increase in foreign direct investment leads to a significant negative carbon emission of 1.36%. In other words, significant impacts are attributed to foreign investors not adopting appropriate pollution reduction strategies. Findings from the article "Economic Growth, CO₂ Emissions, Renewable Waste and FDI Linkages in Pakistan":New evidence from the 3SLS (Khuda Bakhsh, Sobia Rose, Muhammad Faisal Ali, Najid Ahmad Muhammad Shahbaz) shows that marginal pollution damage increases as FDI increases. On the other hand, for CO₂ emissions, there is a significant negative association between FDI and light pollution damage[25][26].

Time Dummies 2018 has got a negative impact on FDI, that is to say, it negatively affected FDI, With a 1% decrease in time dummies 2018, the FDI will be reduced by -1.51% respectively.

The coefficient of determination indicates how well the data fit the regression model. In the FDI model, 16% of the variation in the dependent variable can be explained by variation in the independent variables.

The F-test shows whether the entire model is the best fit or financially sound.

Conclusion

This study examines the factors that influence the flow of foreign direct investment (FDI). The following factors were considered. Oil prices, money supply, exports, exchange rates, CO₂, and gross domestic product using annual data for 1991 and 2021.

A study of foreign direct investment (FDI) allows you to assess the economic situation of a country. Foreign investment in general has allowed Kazakhstan to remain stable. Since Kazakhstan became an independent post-Soviet republic, by 2021 she will attract more than \$370 billion in foreign investment. Kazakhstan's economy as a separate independent country has experienced both ups and downs, but despite these changes, the country has been able to continue its ups and downs thanks to foreign direct investment. Kazakhstan's main industry is fuel (oil, coal, iron ore). chemicals (manganese, chromite, zinc, phosphate, sulfur, uranium); metals (lead, copper, titanium, iron, steel, gold, silver) agricultural machinery, electric motors and building materials, food products, including oil and petroleum products; It included chemicals, natural gas, grain, ferrous metals, wool, meat, and coal. High demand in 2019. Therefore, the total export value in 2019 was \$58 billion.

Kazakhstan ranked 25th out of 190 countries in the World Bank's Doing Business 2020 report. Kazakhstan climbed three points in the 2020 rankings from 28 to 25 the previous year. This puts Kazakhstan ahead of countries such as Iceland (26th), Austria (27th), Russia (28th) and Japan (29th). Kazakhstan is prioritizing the development of the non-oil sector, which accounted for 85% of the country's economic growth in 2019.

In the first seven months of 2020, Kazakhstan exported significantly more goods than in the previous year, including a seven-fold increase in car exports. The country's GDP fell by 3% due to a reduction in services due to the COVID-19 pandemic, but the real economy grew significantly. During his first eight months of the year, production increased in agriculture, construction and manufacturing.

The largest growth in 2020 was in Automotive (53.6%), Pharmaceuticals (39.7%), Metalworking (19.5%), Mechanical Engineering (16.5%) and Light Industry (16.4%). Services industries that registered growth included construction (10.7%) and telecommunications (8.2%).

References

42. World Development Indicators <https://databank.worldbank.org/source/world-development-indicators>
43. [K Bakhsh](#), S Rose, MF Ali, N Ahmad - Journal of environmental , 2017 – Elsevier [Economic growth, CO2 emissions, renewable waste and FDI relation in Pakistan: New evidences from 3SLS](#)
44. B Muhammad, [S Khan](#) - Energy Reports, 2019 – Elsevier [Effect of bilateral FDI, energy consumption, CO2 emission and capital on economic growth of Asia countries](#)
45. Y Yu, W Xu - Atmospheric Pollution Research, 2019 – Elsevier [Impact of FDI and R&D on China's industrial CO2 emissions reduction and trend prediction](#)
46. [BA Blonigen](#) - Atlantic economic journal, 2005 – Springer [A review of the empirical literature on FDI determinants](#)
47. [N Crespo](#), [MP Fontoura](#) - World development, 2007 – Elsevier [Determinant factors of FDI spillovers—what do we really know?](#)
48. [LK Cheng](#), [YK Kwan](#) - Journal of international economics, 2000 – Elsevier [What are the determinants of the location of foreign direct investment? The Chinese experience](#)

49. VM Gastanaga, JB Nugent, B Pashamova - World development, 1998 - Elsevier [Host country reforms and FDI inflows: How much difference do they make?](#)
50. LR De Mello - Oxford economic papers, 1999 - academic.oup.com [Foreign direct investment-led growth: evidence from time series and panel data](#)
51. [DO Cushman](#) - The Review of Economics and Statistics, 1985 – JSTOR [Real exchange rate risk, expectations, and the level of direct investment](#)
52. [A Kyereboah-Coleman](#)... - The Journal of Risk ..., 2008 - emerald.com [Effect of exchange-rate volatility on foreign direct investment in Sub-Saharan Africa: The case of Ghana](#)
53. TS Osinubi, LA Amaghionyeodiwe - International journal of applied ..., 2009 - usc.gal [Foreign direct investment and exchange rate volatility in Nigeria](#)
54. [A Boateng](#), [X Hua](#), [S Nisar](#), [J Wu](#) - Economic Modelling, 2015 – Elsevier [Examining the determinants of inward FDI: Evidence from Norway](#)
55. [A Boateng](#), [X Hua](#), [S Nisar](#), [J Wu](#) - Economic Modelling, 2015 – Elsevier [Examining the determinants of inward FDI: Evidence from Norway](#)
56. [P Alagidede](#), [M Ibrahim](#) - Journal of African Business, 2017 - Taylor & Francis [On the causes and effects of exchange rate volatility on economic growth: Evidence from Ghana](#)
57. AG Awan, W Ahmad, P Shahid... - International Journal of ..., 2014 - academia.edu FACTORS AFFECTING FOREIGN DIRECT INVESTMENT IN PAKISTAN
58. JW Lee, G Baimukhamedova... - Journal of International ..., 2010 - papers.ssrn.com IMPACT OF FOREIGN DIRECT INVESTMENT ON
59. R Dalrymple - 2014 - digital.lib.washington.edu Foreign Direct Investment, Exchange Rate, and Their Roles in Economic Growth of Developing Countries: Empirical Evidence from Kazakhstan
60. PI Nwosa - Transnational Corporations Review, 2021 - Taylor & Francis
61. JW Lee, G Baimukhamedova... - Journal of International ..., 2010 - papers.ssrn.com Foreign Direct Investment, Exchange Rate, and Their Roles in Economic Growth of Developing Countries: Empirical Evidence from Kazakhstan
62. F Faisal, SU Rahman, R Chander, A Ali... - Resources Policy, 2021 – Elsevier Investigating the nexus between GDP, oil prices, FDI, and tourism for
63. H Mahmood - 2018 - zbw.eu Foreign direct investment, domestic investment and
64. [MM Alalawneh](#), [E Ibadov](#), A Huseynli - Journal of International ..., 2019 - researchgate.net [The impact of foreign direct investment on exports in Jordan: An empirical analysis](#)
65. [Z Mishal](#), Z Abulaila - Journal of Economic and Administrative ..., 2007 - emerald.com [The impact of foreign direct investment and imports on economic growth: The case of Jordan](#)
66. T Feridhanusetyawan, C Stahl... - Journal of Contemporary ..., 2001 - Taylor & Francis [APEC labour markets: Structural change and the Asian financial crisis](#)
67. [K Jayanthakumaran](#), [R Verma](#), [Y Liu](#) - Energy Policy, 2012 – Elsevier [CO2 emissions, energy consumption, trade and income: a comparative analysis of China and India](#)
68. S Rose, MF Ali, N Ahmad, [M Shahbaz](#) - Journal of environmental ..., 2017 – Elsevier [Economic growth, CO2 emissions, renewable waste and FDI relation in Pakistan: New evidences from 3SLS](#)
69. [JH Dunning](#), JR Dilyard - Transnational corporations, 1999 - unctad.org [Towards a general paradigm of foreign direct and foreign portfolio investment](#)
70. X Wang, [Z Xu](#), [Y Qin](#), [M Skare](#) - Journal of Business Research, 2021 – Elsevier [Service networks for sustainable business: A dynamic evolution analysis over half a century](#)

71. TQ TRAN, TA DANG, NAT TRAN - ... of Asian Finance, Economics ..., 2020 - koreascience.or.kr Factors Affecting Foreign Direct Investment: Evidence on Tay Ninh Province
72. J Bhagwati - Foreign affairs, 1998 – JSTOR The capital myth: the difference between trade in widgets and dollars
73. Aliber, R. (1970) A Theory of Foreign Direct Investment. In: Kindleberger, C.P., Ed., The International Corporation: A Symposium, 5th Edition, MIT Press, Cambridge, MA, 17-34.
74. JN Bhagwati - The World Bank Research Observer, 1988 – JSTOR Export-promoting trade strategy: issues and evidence
75. I Alley - OPEC Energy Review, 2016 - Wiley Online Library Oil price volatility and fiscal policies in oil-exporting countries
76. T Nordtug, D Altin, A Booth, KM Hessen... - ... Health, Part A, 2009 - Taylor & Francis Gene Expression of GST and CYP330A1 in Lipid-Rich and Lipid-Poor Female Calanus finmarchicus (Copepoda: Crustacea) Exposed to Dispersed Oil
77. N Antonakakis, I Chatziantoniou, G Filis - Energy Economics, 2014 – Elsevier Dynamic spillovers of oil price shocks and economic policy uncertainty
78. MA Nasir, L Naidoo, M Shahbaz, N Amoo - Energy Economics, 2018 – Elsevier Implications of oil prices shocks for the major emerging economies: A comparative analysis of BRICS
79. Y Wang, C Wu, L Yang - Journal of Comparative economics, 2013 – Elsevier Oil price shocks and stock market activities: Evidence from oil-importing and oil-exporting countries
80. MA Yol, NT Teng - Jurnal Pengurusan, 2009 - researchgate.net Estimating the domestic determinants of foreign direct investment flows in Malaysia: Evidence from cointegration and error-correction model
81. N Shahrudin, Z Yusof, NM Satar - International Review of ..., 2010 - researchgate.net Determinants of foreign direct investment in Malaysia: What matters most
82. JT Roberts, PE Grimes - World development, 1997 – Elsevier Carbon intensity and economic development 1962–1991: A brief exploration of the environmental Kuznets curve

Understanding Behavioral Finance: Exploring the Intersection of Psychology and Investing

Tolegen Kuandykov

Bang College of Business

KIMEP University

Abstract

Behavioral finance is a growing field that bridges the gap between finance and psychology, seeking to understand why people often make irrational financial decisions. Unlike traditional finance theories that assume people are rational and make optimal financial choices, behavioral finance recognizes that psychological, social, and emotional factors play a significant role in shaping financial decisions and market outcomes. This paper discusses various behavioral finance aspects that include the idea of cognitive biases, which are systematic errors in decision-making brought on by elements like heuristics, emotions, and mental shortcuts, which are one of the cornerstones of behavioral finance. For instance, overconfidence bias might cause investors to overrate their skills and predict unduly positive stock return scenarios. On the other hand, the anchoring bias might lead people to place too much weight on the information they first learn and disregard fresh information that challenges their assumptions. Financial decision-making is significantly influenced by emotions as well. Financial markets are driven by two of the strongest emotions: fear and greed, which are frequently the cause of illogical financial conduct. People may sell their stocks at the bottom of a market collapse out of fear of losing money, but greed may drive people to take unwarranted risks in an effort to increase returns. Besides, behavioral finance illuminates how social and cultural issues affect financial choices. Social norms and expectations can influence people's financial decisions and investing habits, which can result in herd behavior and market bubbles. In essence, by acknowledging the significance of psychological, social, and emotional aspects, behavioral finance gives a more thorough and nuanced explanation of financial decision-making and market results. Investors and regulators can make better decisions and create more effective policies that support financial stability and growth.

Key Words: Behavioral finance, Gap, Irrational financial decisions, Cognitive biases, Emotions Social norms, Herd behavior, Market bubbles

Introduction

In contrast to conventional finance theories, which presume rational behavior, the study of behavioral finance tries to understand how psychological, social, and emotional aspects affect financial decision-making and market results. This area of study aims to understand how sociological and cultural factors affect herd behavior and market bubbles, as well as how cognitive biases and emotional influences, including fear and greed, influence financial decisions.

Thus, behavioral finance does research to address the following questions:

How do emotional and cognitive biases affect financial decision-making?

How are herd behavior and market bubbles influenced by socioeconomic and cultural factors?

How can cognitive biases and feelings of emotion affect market outcomes like asset price, volatility, and trading volume?

How might behavioral finance knowledge be applied to strengthen financial regulation and investing tactics?

The study of behavioral finance has a lot to offer in terms of prospective contributions. This discipline provides a more complete and nuanced perspective on market behavior by acknowledging the significance of psychological, social, and emotional variables in financial decision-making. This can offer insightful information that can assist investors and regulators make more knowledgeable and effective decisions. It can also aid in the development of more precise financial models that more accurately capture the complexity of human behavior in the financial sector.

Psychological factors in financial decision-making: insights for investors and regulators.

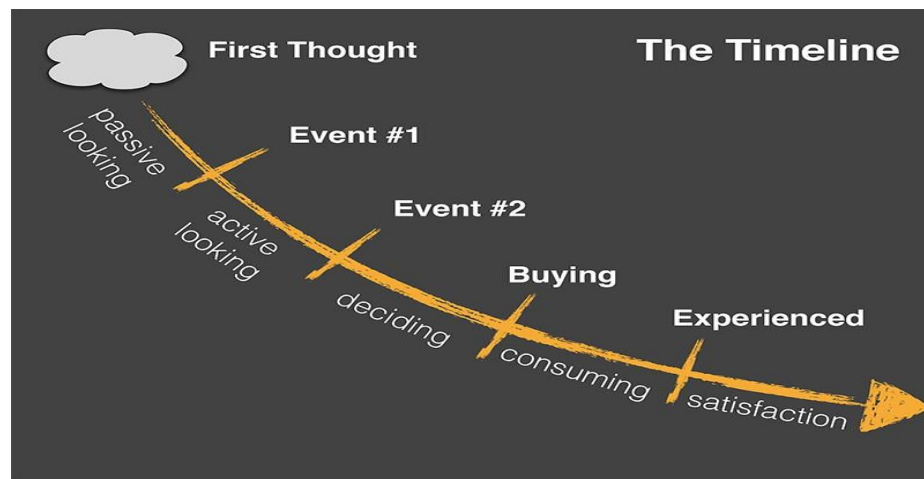
Anchoring:

Mental Accounting:

A cognitive bias called anchoring influences how people make subsequent judgments. Due to this bias, people tend to place too much emphasis on the "anchor," or the first piece of information they are given. Anchoring can have methodological problems, such as assessing the effect accurately and separating it from other possible biases. Also, the use of anchoring might be crucial when considering financial decisions and their effects on the market. For instance, if a stock's beginning price serves as the anchor, an investor who forms an anchor based on that price may be less likely to sell even if the stock price declines since they are bound to the higher initial price. Similar to this, a favorable financial report on a company's shares may help a person establish a favorable opinion of the stock, encouraging them to invest even if unfavorable information becomes available. This anchoring effect may lead to market inefficiencies including asset mispricing and irrational behavior, which can affect market results. Researchers can better understand the consequences of this cognitive bias on financial decision-making and increase the accuracy of their findings by addressing methodological problems linked to anchoring.

Mental accounting is a psychological concept in which people organize and classify financial resources into several accounts in their thoughts, each with its own set of restrictions and rules. This idea can influence financial choices and market results by influencing how people view and handle money. People might, for instance, perceive money acquired through a windfall—like a bonus or gift—differently from money acquired through regular employment (Madaan & Singh, 2019). While they might be more frugal with their normal income, they might be more likely to spend the windfall on discretionary products. This type of mental accounting can result in impulsive purchases and investment choices that aren't in line with a person's long-term financial objectives. The tendency for people to overvalue or underestimate assets depending on the mental account they are assigned is an example of how mental accounting can contribute to market inefficiencies. This may result in inaccurate asset valuations and skewed market dynamics. The figure below demonstrates the concept of mental accounting:

Figure 1.0



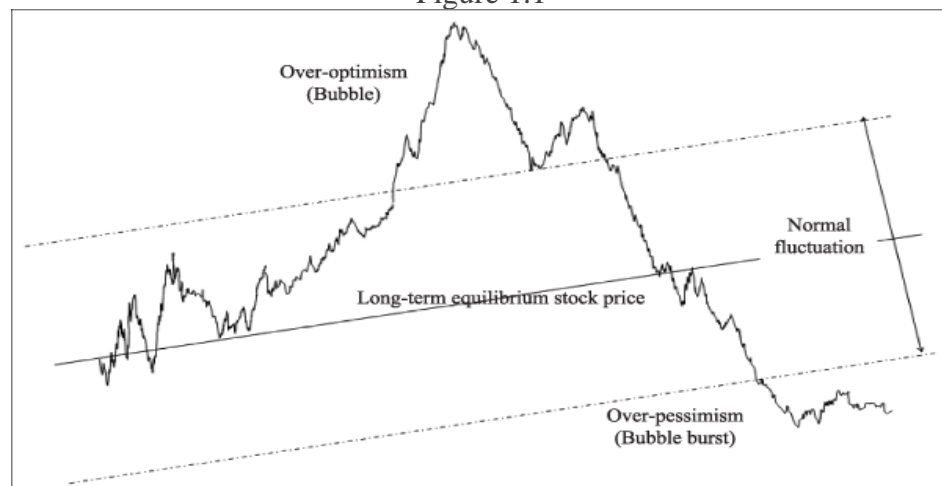
Mental Accounting

Herding:

Herding is the concept that refers to a person's propensity to copy the actions and judgments of a bigger group, frequently without all the facts. Financial markets may develop self-reinforcing feedback loops, where investors copy other traders' behavior and cause prices to deviate from basic values (Madaan & Singh, 2019). The actions of investors during market bubbles, such as the dot-com bubble in the late 1990s and the housing bubble in the middle of the 2000s, illustrate this phenomenon. Prices increased quickly during these times as investors flocked to popular assets, expecting the market to climb further. More investors joined the trend as prices increased, pushing them even higher. When the market realized the underlying assets were overvalued, the feedback loop eventually collapsed, causing prices to drop precipitously.

A chart that shows the price increase of a certain asset during a bubble, followed by an abrupt collapse below, is an example that illustrates this occurrence. This pattern can frequently be noticed in the stock market or real estate bubble housing price charts. The graph illustrates investor-swarming behavior and a self-reinforcing feedback loop that pushes prices further from their underlying values.

Figure 1.1



The economic psychology of stock market bubbles.

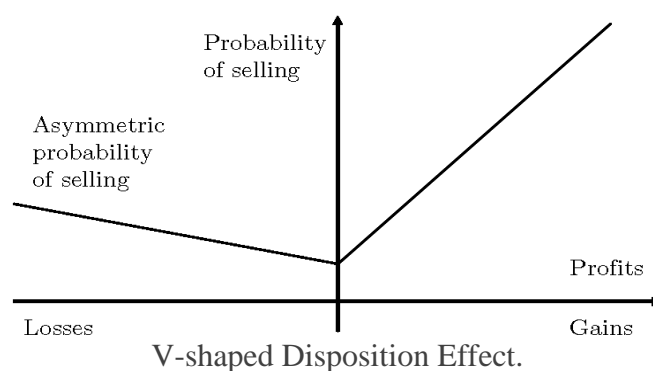
Overconfidence:

The results of the market and financial decisions can be significantly impacted by overconfidence. It can result in an overinflated sensation of control and unjustified faith in one's capacity for foresight.

Overconfident people are, therefore, more likely to make poor financial choices, such as taking on more risk than is reasonable given their degree of competence or ignoring data that goes against their preconceived notions.

The "Disposition Effect," which refers to a tendency for people to sell winning investments too soon and hold onto losing investments for an excessively long period of time, is one statistic that illustrates this. The investor missing out on opportunities to lock in gains and minimize losses might lower overall investment returns (Madaan & Singh, 2019). This graph illustrates how the disposition effect affects investment performance and emphasizes the need to refrain from being overconfident while making decisions regarding money. Individuals should be aware of and on guard against overconfidence's possible consequences on their decision-making as it can be a crucial component that influences financial decisions and market results.

Figure 1.2



Social and psychological factors in financial decision-making: insights for investors and regulators

Family structure and social environment:

The dynamics of a family and the community in which they live can impact the choices made in the market and the results obtained. For instance, the upbringing and education that one receives from their family play a significant part in forming one's financial literacy and habits toward saving, spending, and investing. Because people are frequently impacted by the perspectives and financial behaviors of others around them, a person's social network, which can include peers and mentors, can also affect the person's financial actions. In particular, an individual's financial objectives and decision-making processes can be influenced by the cultural and societal norms that exist about money and the achievement of financial success (Baker et al., 2019). In turn, the collective effect of these individual financial actions can affect the market's outcomes and the financial system's overall stability.

Religious/political views:

Political and religious beliefs can influence market outcomes and financial decisions. For instance, a person's religious views may affect their values, attitudes, and financial practices, including how they see debt, savings, and charity giving. Contrarily, political beliefs can influence how someone

interprets economic laws and policies, including trade, taxes, and the function of government in the economy (Areiqat et al.,2019). For instance, the few with more conservative political philosophies may be more inclined to support low taxes and little government involvement in the economy. In contrast, those with more progressive philosophies may be more inclined to support higher taxes and more government involvement in social welfare programs. These divergent viewpoints may influence consumer purchasing, investment choices, and general economic activity, influencing market results.

Similar to how a person's opinions on consumerism, materialism, and the desire for riches may be shaped by their religious beliefs, these attitudes may impact how they make financial decisions and how the market performs. For instance, those who follow religious doctrines that place a higher value on simplicity, altruism, and community than on financial prosperity may be less inclined to participate in heavy consumption and debt (Costa et al.,2019). Thus, religious and political beliefs are a significant component of the social forces that influence the economy and can be potent motivators of financial decisions and market outcomes.

Increase in income level:

Through various mechanisms, income level can affect financial choices and market results. For instance, higher-income people typically save more and invest more in the financial markets, which may increase demand for financial assets and raise prices. The life-cycle hypothesis can be used to model this relationship and states that:

$$C(t) = Y(t) - T(t) - S(t)$$

where:

$C(t)$ = consumption spending at time t

$Y(t)$ = disposable income at time t

$T(t)$ = taxes at time t

$S(t)$ = savings at time t

People with higher incomes will have larger $Y(t)$ s and greater resources available for both spending and saving. Savings growth can be predicted by:

$$S(t) = Y(t) - C(t) - T(t)$$

This demonstrates that those with higher incomes will have higher savings rates and, as a result, a larger pool of money available to invest in financial markets. These higher investments may impact market outcomes through increased demand for financial assets and subsequent price increases.

Investors and regulators can benefit from this partnership in several ways. Investors can manage their capital more wisely if they have a better grasp of how variations in income level affect financial decisions and market results, for instance. Using this data, regulators may create regulations that support financial stability and guarantee that market outcomes are just and equitable for all participants (Baker et al.,2019). The relationship between income level and financial choices, market outcomes, and market outcomes as a whole emphasizes the significance of taking social factors into account when analyzing financial markets and offers useful information for financiers and regulators to make more informed and profitable choices.

Emotional influences on financial decisions: insights for investors and regulators

Joy:

The decisions made in the market and how they turn out can be significantly influenced by joy. When people are happy, they may be more willing to take chances and act on impulse, which can result in heightened market volatility and potentially unfavorable financial outcomes. On the other side, having

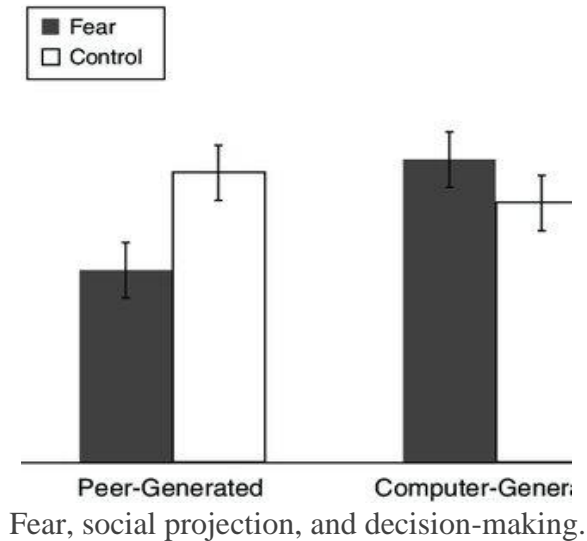
a constructive and upbeat attitude can increase confidence and investment, which in turn drives market expansion. In order to make judgments that are better informed and more effective, investors and regulators need to have a solid understanding of the psychological aspects that play a role in financial decisions. These factors include feelings such as joy.

Fear:

Fear is a potent emotional component that can considerably influence the decisions made regarding finances and the consequences of market events (Costa et al.,2019). When people are afraid, they may become less willing to take risks, which can result in less money being invested and slower market growth. Individuals can also be driven to make rash choices by fear, such as panic-selling their assets, which can increase the degree of volatility in the market.

In order to make judgments that are better informed and more successful, investors and regulators need to have a solid understanding of the psychological aspects that play a role in financial decisions (Baker et al.,2019). These factors include feelings such as fear. Fear has a significant impact on market behavior, and when investors and regulators are aware of this impact, they are better able to anticipate how the market will react and make decisions that will have the least amount of negative impact. Fear, for example, can play a significant part in financial decisions, which underlines how crucial it is to take into account psychological and behavioral elements while attempting to comprehend the results of market situations. The figure below demonstrates fear, social projection and decision-making:

Figure 1.3



Confidence:

Financial decisions and market outcomes can be significantly influenced by confidence as an emotional aspect. When people are confident, they are more likely to take risks, make large investments, and stimulate the economy. On the other hand, a lack of confidence can lead to people avoiding risk, which might result in market stagnation or collapse (Areiqat et al.,2019). This emphasizes the importance of comprehending the psychological influences on financial decisions and market results. By enabling them to predict market trends better and create more effective laws, this knowledge can assist investors and regulators in making more educated decisions. It also emphasizes how important it is for people to control their emotions and choose wisely regarding their money.

Conclusion

The study of behavioral finance is a subfield of finance that acknowledges the influence of psychological, social, and emotional elements on monetary decisions and the results of market activity. It departs from standard finance theories that presuppose rational decision-making by acknowledging the existence of cognitive biases and the influence of emotions on financial decisions. The study of behavioral finance helps to illuminate how social and cultural norms influence financial choices and offers a more thorough knowledge of financial decision-making and market outcomes. Investors and regulators can utilize this knowledge to improve their decision-making processes and develop policies that are more likely to be successful.

References

1. Areiqat, A. Y., Abu-Rumman, A., Al-Alani, Y. S., & Alhorani, A. (2019). Impact of behavioral finance on stock investment decisions applied study on a sample of investors at Amman stock exchange. *Academy of Accounting and Financial Studies Journal*, 23(2), 1-17.
2. <https://search.proquest.com/openview/08220b663af9db586157f43027ab29a0/1?pq-origsite=gscholar&cbl=29414>
3. Baker, H. K., Kumar, S., Goyal, N., & Gaur, V. (2019). How financial literacy and demographic variables relate to behavioral biases. *Managerial Finance*, 45(1), 124-146.
4. <https://www.emerald.com/insight/content/doi/10.1108/MF-01-2018-0003/full/html>

5. Costa, D. F., Carvalho, F. D. M., & Moreira, B. C. D. M. (2019). Behavioral economics and behavioral finance: a bibliometric analysis of the scientific fields. *Journal of Economic Surveys*, 33(1), 3-24.
6. <https://onlinelibrary.wiley.com/doi/abs/10.1111/joes.12262>
7. Madaan, G., & Singh, S. (2019). An analysis of behavioral biases in investment decision-making. *International Journal of Financial Research*, 10(4), 55-67.
8. <https://www.academia.edu/download/84194078/9807.pdf>
9. Sharma, A., & Kumar, A. (2020). A review paper on behavioral finance: study of emerging trends. *Qualitative Research in Financial Markets*, 12(2), 137-157.
10. <https://www.emerald.com/insight/content/doi/10.1108/QRFM-06-2017-0050/full/html>

Websites:

11. Web1: <https://www.emerald.com/insight/content/doi/10.1108/QRFM-06-2017-0050/full/html>
12. Web2: <https://search.proquest.com/openview/08220b663af9db586157f43027ab29a0/1?pq-origsite=gscholar&cbl=29414>
13. Web3: <https://www.academia.edu/download/84194078/9807.pdf>
14. Web4: <https://www.emerald.com/insight/content/doi/10.1108/MF-01-2018-0003/full/html>
15. Web5: <https://www.emerald.com/insight/content/doi/10.1108/MF-01-2018-0003/full/html>

Determinant factors affecting the profitability of the banking sector after European Union creation

Anna Shin

KIMEP University

Abay-2, Almaty, Kazakhstan

anna.shin@kimep.kz

Abstract

The establishment of the European Union and the adoption of the single currency euro in 1999 were one of the most memorable and powerful events in history. It had a significant impact on the geopolitics and banking sector in Europe. For instance, the euro introduction has launched the emergence of continent-wide capital markets in Europe, has allowed businesses all over the world to raise funds more simply and on more favorable terms in Europe, and has increased the level of competitiveness within banking industries. Therefore, the purpose of the research is to analyze and determine factors that shape the profitability of the banking sector after one of the most influential historical events of EU formation, by using panel data. Based on the collected scope of literature the following assumptions about the determinant factors and their influences were derived: bank net interest margin (BNIM), capital ratio (BC), bank deposit (BD), GDP growth rate (GDP) have a positive impact while asset quality ratio (AQ) deteriorates profitability measured by return on equity (ROE) and return on assets (ROA). The aggregate data for all banks were collected primarily from the World Bank for the period starting from 1999 till 2020 and European Union countries included are Belgium, France, Germany, Italy, Luxembourg, and the Netherlands. To validate the assumption, I used the Ordinary Least Square model (OLS). According to the results, it was proved that the following variables have a significant relationship with both ROE and ROA, whereas BNIM and GDP are positively referred to while AQ is negatively related to profitability. BC appears to be ambiguous as it directly affects ROA while not influencing ROE. Furthermore, BD is proven to be insignificant in shaping banks' income profiles.

Analysis of tendencies and consumer preferences in the Kazakhstan laptop market

Timur Yessekin

BANG COLLEGE OF BUSINESS

KIMEP University, Almaty, Kazakhstan

timur.yessekin@kimep.kz

ABSTRACT

This Master's thesis analyses the tendencies and consumer preferences in the laptop market of Kazakhstan. The research aims to identify the most popular brands, features, and price ranges in the market, as well as the factors that influence consumers' purchasing decisions. The study used both primary and secondary research methods, including surveys and interviews with laptop buyers and industry experts, as well as analysis of market reports and statistics. The findings indicate that the laptop market in Kazakhstan is highly competitive, with a range of brands and models available at different price points. The most important factors influencing consumers' purchasing decisions are brand reputation, price, performance, and design. The research also suggests that there is a growing demand for lightweight and portable laptops, as well as those with long battery life and high-quality displays. Overall, the study provides valuable insights into the laptop market in Kazakhstan and can help companies better understand consumer preferences and develop effective marketing strategies.

Additionally, the study reveals that the laptop market in Kazakhstan is driven by a young and tech-savvy population, who are looking for laptops that can meet their specific needs and requirements. The study found that students, professionals, and gamers are the main consumer segments in the market, each with distinct preferences and purchasing behaviors. For instance, students prioritize affordability, while professionals value durability and reliability, and gamers focus on performance and graphics capabilities.

Moreover, the study also identified some challenges faced by the laptop market in Kazakhstan, such as the lack of availability of certain brands and models, and the relatively high prices compared to other countries. The research suggests that companies can overcome these challenges by increasing their presence in the market, improving distribution channels, and offering more competitive prices and promotions.

In conclusion, this Master's thesis provides a comprehensive analysis of the laptop market in Kazakhstan, highlighting the key trends and consumer preferences that shape the market. The research provides valuable insights for companies operating in the market, helping them to understand the needs and wants of consumers and develop effective marketing strategies. The study also lays the foundation for future research in this area and can inform policy decisions aimed at promoting innovation and competition in the laptop market.

Keywords

Laptop Brands, Monitor Size, Graphic Card, Operating System, Processor of the Laptop

INTRODUCTION

The rapidly changing technology landscape has given rise to a highly competitive laptop market, where manufacturers are vying for a larger market share. Kazakhstan, being a developing country, is no exception to this trend. As laptops become increasingly important for both personal and professional use, it is imperative to understand the consumer preferences and market trends in order to create effective marketing strategies.

Consumers are increasingly turning to laptops as their primary computing device as they look to optimize their work and entertainment activities. The demand for laptops in Kazakhstan is driven by the development of the IT industry in the country, with laptops becoming increasingly popular among students, professionals, and other consumers. Consumers are increasingly turning to laptops for their portability, convenience, and improved performance. Laptops are becoming increasingly affordable in Kazakhstan, with prices ranging from budget-friendly models to premium solutions. The popularity of laptops in Kazakhstan is also driven by the availability of a wide range of features and products. Consumers are looking for powerful processors, high-resolution displays, and long battery life when choosing their laptops. Gaming laptops are also becoming increasingly popular in Kazakhstan, with powerful graphics cards, large displays, and improved cooling systems.

The rapid growth of the Kazakhstan laptop market in recent years is indicative of the country's increasing reliance on technology and digital devices. According to GFK industry reports, the market value of laptops in Kazakhstan is projected to reach over \$250 million USD by 2022, which is a significant increase from previous years.

This surge in demand can be attributed to a number of factors, including the increasing availability of affordable laptops, the growing adoption of remote work and online learning, and the overall trend towards digitalization in the country.

As more individuals and businesses in Kazakhstan rely on laptops for their day-to-day operations, it is important to understand the factors that influence consumer preferences and purchasing decisions in this market. This includes factors such as brand reputation, product features, and price points, as well as the influence of marketing strategies and technological advancements.

The findings of this research will help to shed light on these factors and provide insights into the current state of the Kazakhstan laptop market. By identifying consumer preferences and market trends, this research will inform marketing strategies and support the overall growth and development of the technology sector in the country.

LITERATURE REVIEW

According to the research in the journal "Understanding Customer Preferences on Laptop Variants and Models for Students and Working Professionals" by Prasad, Ramya K; Venkatesh, Shanti, it has been identified that the primary technical specifications, post-purchase services, price and payment terms, peripheral device specifications, appearance, additional functions, connectivity options and mobility are the seven factors that influence laptop purchases by consumers. Thus, the seven factors influencing the decision to purchase a laptop for students and working professionals are: technical specifications, post-purchase services, price and payment terms, peripheral device specifications, appearance, additional functions, connectivity options mobility. In my research, I would like to test these factors in the laptop market of Kazakhstan - are they key for users when choosing laptops. In Turkish Journal of Computer and Mathematics Education in Research Article "Impact Of Social Media On Consumers Brand Preference For Laptops. Dr.Muskan Nagi, Dr. Shivani Nigam, Dr. Qais Almaamari, Dr. Hussein Khalifa., Dr.Janaki Bojiah it is stated that Results shows that apart from traditional source of information like family, friends and company websites, social media as the new medium of information is very reliable. Respondents prefer social media for their source of information. It can be interpreted from the results that before buying a particular laptop brand they prefer all the attributes like battery life, display and portability etc.

The article suggests that consumers not only rely on traditional sources of information such as family, friends, and company websites, but they also turn to social media platforms to gather information about different laptop brands. This may include seeking advice from influencers or experts in the field, reading reviews or feedback from other consumers, or comparing the specifications and features of different laptops.

METHODOLOGY

The purpose of this study is to analyze the tendencies and consumer preferences in the Kazakhstan laptop market. The study will aim to identify the key factors that influence consumer purchasing behavior and brand preference, as well as the current trends and tendencies in the market.

To achieve this purpose, a mixed-methods research approach will be utilized, combining both qualitative and quantitative research methods. This approach will allow for a more comprehensive understanding of the Kazakhstan laptop market, as well as the ability to triangulate findings and validate the results.

The qualitative component of the study will involve in-depth interviews with key stakeholders in the market, including industry experts, business owners, and consumers. These interviews will provide insights into consumer preferences and purchasing behavior, as well as the challenges and opportunities facing businesses operating in the market.

The quantitative component of the study will involve a survey of laptop consumers in Kazakhstan. The survey will be administered online and will include questions related to brand preference, product features, price points, and other factors that influence consumer purchasing decisions.

The data collected from both the qualitative and quantitative research components will be analyzed using both descriptive and inferential statistical techniques. The results of the analysis will be presented using tables, charts, and graphs to provide a clear and concise summary of the findings.

Overall, the methodology for this study is designed to provide a comprehensive understanding of the Kazakhstan laptop market and identify the key factors that influence consumer preferences and purchasing behavior. The findings of this study will be useful for businesses operating in the market, as well as policymakers and other stakeholders interested in the development of the technology sector in Kazakhstan.

REFERENCES

1. "Understanding Customer Preferences on Laptop Variants and Models for Students and Working Professionals" by Prasad, Ramya K; Venkatesh, Shanti / <https://www.abacademies.org/articles/understanding-customer-preferences-on-laptop-variants-and-models-for-students-and-working-professionals-14888.html>
2. GFK Laptop Panels Market research report (December 2022)
3. "Impact Of Social Media On Consumers Brand Preference For Laptops. Dr.Muskan Nagi, Dr. Shivani Nigam, Dr. Qais Almaamari, Dr. Hussein Khalifa., Dr.Janaki Bojiah
4. Online Article - Laptop consumer research / <https://fdfgroup.ru/poleznaya-informatsiya/gotovye-issledovaniya/issledovanie-potrebiteley-noutbukov/>
5. Online Article - Laptop Market Research / <https://www.cfin.ru/press/practical/2008-01/03.shtml>
6. Online Article - “Worldwide notebook sales are showing explosive growth” / https://www.cnews.ru/news/top/2021-05-14_mirovye_prodazhi_noutbukov
7. Agency statistics - <https://www.strategyanalytics.com/>
8. Online Article - "How the Kazakhstani laptop market is developing” / <https://kursiv.kz/news/rynki/2020-09/kak-razvivaetsya-kazakhstanskiy-rynok-noutbukov>
9. Online Article "Comparison of laptop manufacturers" / <https://hellocomputer.by/blog/sravnenie-proizvoditelej-noutbukov---razberem-kazhdogo-vyberem-luchshego>
10. Online article “Leader has changed in the global laptop market” / https://www.cnews.ru/news/top/2020-11-17_na_globalnom_rynke_noutbukov
11. Online article “The most popular laptop brands in 2021 were named” / <https://blog.eldorado.ru/publications/nazvany-samyepopulyarnye-brendy-noutbukov-v-2021-godu-19711>

Training development of employees in multinational companies in Kazakhstan

Nur Yerkin

Bang College of Business, KIMEP University

Nur.Yerkin@kimep.kz

Abstract

This study investigates the training development of employees in multinational companies in Kazakhstan.

As a transition economy, internal stakeholders and the government still place more emphasis on the sustainability of business organizations in the economy. Different levels of training and development of employees also influence the growth and improvement of Kazakh companies and have an important impact on the modernization and economy of Kazakhstan.

The results of this study will help local business organizations and multinational companies to raise awareness about the training and development of company employees and to modify corporate responsibility in the right direction.

Revision of corporate responsibility for employee training development in the right direction in the context of emerging economies.

Key words: Training, management, development, employee, multinational

Introduction

Literature review

I.What is Human Resource Management?

Human Resource Management (HRM) is the term used to describe a series of activities that are guided by economics and humanistic thinking to effectively use human resources inside and outside the organization through recruitment, selection, training, compensation and other forms of management to meet the needs of the organization's current and future development and to ensure the achievement of organizational goals and the maximum development of members. It is the process of forecasting the organization's human resource needs and making a decision about it.

It is the entire process of forecasting the organization's human resource needs and planning them, recruiting and selecting personnel and organizing them effectively, evaluating performance, paying compensation and motivating them effectively, and developing them effectively to achieve optimal organizational performance by combining organizational and individual needs (Alan, 1995). It is also an important function in the company, especially in the employee dependent business such as airlines, IT solutions, services, consulting, etc.

Definition 1

According to the study of Snell and Bohlander in 2015, they define HRM as “the strategic approach to nurturing and supporting employees and ensuring a positive workplace environment. Its functions vary across different businesses and industries, but typically include recruitment, compensation and benefits, training and development, and employee relations.”

Human resource: It “refers to the sum of the labor capacity of people within a certain range, or; it refers to the sum of intellectual and physical labor that can promote the development of the whole economy and society”. In this definition, the authors stress the importance of employees for the company’s performance and consequently to the economic growth in certain region.

At the same time, Dessler (2016) in his book “Human Resources Management” define HRM as “the rational allocation of human resources in a planned manner according to the requirements of the enterprise development strategy, and through a series of processes such as recruitment, training, use, assessment, motivation and adjustment of employees in the enterprise, to mobilize the enthusiasm of employees and bring into play their potential, so as to create value for the enterprise and bring benefits to the enterprise”. Moreover, Dessler (2016) highlighted the importance to ensure the realization of the strategic objectives of the enterprise is a series of human resource policies and corresponding management activities. These activities mainly include the formulation of enterprise human resources strategy, employee recruitment and selection, training and development, performance management, compensation management, employee mobility management, employee relations management, employee safety and health management, etc. In other words, the enterprise uses modern management methods to plan, organize, direct, control and coordinate a series of activities for acquiring (selecting), developing (nurturing), maintaining (retaining) and utilizing (employing) human resources, so as to finally achieve the development goals of the enterprise.

The author has provided more insight into the definition of the HRM as a strategic partner to the organizational management decisions.

Definition 2

Rendell (2020) defines HRM as Human resource management refers to “the use of modern scientific methods to reasonably train, organize and deploy human resources combined with certain material resources, so that human and material resources often maintain the best ratio, and at the same time to properly induce, control and coordinate human thinking, psychology and behavior, so as to give full play to the subjective initiative of people, so that people can make the best use of their talents, the right person for the job, and the right personnel to achieve organizational goals”. In his definition of HRM, Rendell (2020) concentrate on the contemporary role of HRM in modern organizations from the point of human psychology that needs to use understanding of human nature in order to use the talents and opportunities optimally.

Definition 3

Peter (2013) Human resource management refers to the process of using scientific methods to coordinate the relationship between people and things, deal with the contradictions between people and people, give full play to the potential of people, so that people can make the best use of their talents, things can be done with the right people, and people can be suitable for each other, in order to achieve organizational goals.

In this definition of HRM, Peter (2013) presents the other aspect of HRM as relationship manager between people and other resources in the organization (for example, equipment, technology, machines...)

After the 20th century, the concept of human resource management has been interpreted from different aspects at home and abroad, and can be synthesized into four major categories(Adrian,1999)

- The first category:It is mainly explained from the purpose of human resource management, which is considered to achieve the goal with the help of human resource management.
- The second category:It is mainly explained from the process of HRM or the functions it undertakes, viewing HR as a process of activity.
- The third category:It is mainly explained in terms of the entity of HRM, considering it as the systems, policies, etc. related to people.
- The fourth category:Explained in a comprehensive way from the purpose, process, etc.

HRM as a discipline

Human resource management is an emerging discipline that was introduced in the late 1970s. Although the history of human resource management is not long, the idea of personnel management has a long history. Chronologically, the period from the Industrial Revolution, which began in the late 18th century, until the 1970s is known as the traditional personnel management phase. Since the late 1970s, personnel management has given way to human resource management (Peter,1954).And after 1990s, the new concepts of HR capital and People management has appeared in the academic literature (Robert,2015)

Development History

According to the research of Rendell (2011), there are three generations of HRM through:

- The first generation of HRM emerged in the late 1960s and had few features such as report generation and data analysis, and did not retain any historical information, except for the ability to calculate payroll automatically.
- The second generation of HRM appeared in the late 1970s and was designed for both non-financial HR information and historical information of payroll, and also had primary report generation and data analysis functions.
- The third generation of HRM appeared in the late 1990s, and the database of this generation of HRM collected and managed almost all the data related to HR, and there

CSR and Firms' Profitability: Evidence from S&P 500

Maya Katenova

Bang College of Business, KIMEP University

Abay 2, Almaty, Kazakhstan

mayak@kimep.kz

Abstract

This study focuses on the relationship between firms' profitability and corporate social responsibility (CSR) of firms listed on S & P 500 during the period of 2019-2021. The sample includes 506 firms. We use ESG parameter as a measurement of socially responsible activities. The study attempts to find any relationship between CSR and firms' profitability by using macroeconomic and firm specific variables. The research is mainly focused on long term perspective and adds value to the existing research by focusing on companies from S&P index. This classical study of a CSR and firms' profitability contains three regressions, where ROA, ROE and Net Income are employed. All three variables serve as basic measures of a firm's profitability. The study is interesting for academicians and practitioners.

Keywords: Corporate social responsibility, ESG, Profitability, Firms, S&P 500.

Moderating Effects of the HEXACO Personality Traits and the Collective Psychological Ownership on the Relationship between Self-Assessed Collaboration Skills and Perceived Corporate Responsibility of Employees in Business Companies of Kazakhstan

Yuliya Frolova

Bang College of Business, KIMEP University

Abay 2, Almaty, Kazakhstan

frolova@kimep.kz

ABSTRACT

The objective of this paper is to provide a research design to investigate moderating effects of the HEXACO personality traits and the collective psychological ownership on the relationship between self-assessed collaboration skills and perceived corporate responsibility of employees in business companies of Kazakhstan. Perceived corporate responsibility will be measured by corporate stakeholder responsibility questionnaire containing the following dimensions: community-oriented CSR, natural environment-oriented CSR, employee-oriented CSR, supplier-oriented CSR, customer-oriented CSR, and shareholder-oriented CSR.

KEYWORDS: Kazakhstan, CSR, collaboration skills, personality, psychological ownership

INTRODUCTION

The main purpose of any business enterprise is a profit maximization. Nowadays, one of the most popular recipes to succeed at reaching this challenging goal is to adopt Corporate Social Responsibility (CSR). CSR is a multi-facet management concept according to which companies are advised to integrate environmental and social concerns into everyday business operations. In particular, social concerns of a business could be manifested in its declared and actual care about employees, customers, suppliers, shareholders, and community in general. According to the United Nations Industrial Development Organization (2023), those businesses that exercise eco-friendly management and responsible sourcing, strictly adhere to labour legislation, provide favorable working conditions, often engage stakeholders into the decision-making process, ensure social equity and good governance, take anti-corruption measures, and maintain human rights enjoy higher sales and profits, increased cost savings, elevated productivity and quality, advanced access to capital and markets, high-quality pool of job applicants, stronger customer loyalty, better decision-making, improved risk management, enhanced brand image and corporate reputation.

Human resources managers, as an integral part of contemporary strategic management team, can significantly assist the business companies where they work at leveraging from the CSR. Since HR managers are directly responsible and are heavily involved into selection and hiring process, as well as providing training and development opportunities to new and current employees, they can pay greater attention and devote more time toward identification of personality traits, as well as work-related attitudes and skills of current and prospective employees that can be associated with greater willingness

and readiness of those employees at different levels of the corporate hierarchy including top managerial level, to integrate CSR practices literally in every aspect of their jobs.

RESEARCH OBJECTIVES

The objective of this paper is to examine the relationships between employee collaboration skills, employee HEXACO personality traits, employee perceived collective psychological ownership of the business company where they work and the degree of the CSR of the company where they work. Based on the results of previous research studies and theoretical concepts of collaboration skills, HEXACO personality traits, collective psychological ownership and the CSR, the following hypotheses were developed:

H1: Employee collaboration skills positively relate to the CSR of the company where they work.

H2: HEXACO personality traits, except Emotionality, strengthen the relationship between collaboration skills and the CSR.

H3: HEXACO personality trait of Emotionality, weakens the relationship between collaboration skills and the CSR.

H4: Collective psychological ownership strengthens the relationship between collaboration skills and the CSR.

METHODOLOGY

Employees perceived corporate responsibility will be assessed by multidimensional scale of Akremi et al. (2018). It consists of six dimensions: (1) community-oriented CSR, (2) natural environment-oriented CSR, (3) employee-oriented CSR, (4) supplier-oriented CSR, (5) customer-oriented CSR, and (6) shareholder-oriented CSR. Sample items to measure community-oriented CSR include: 'Our company contributes to improving the well-being of populations in the areas where it operates by providing help for schools, sporting events, etc.' and 'Our company assists populations and local residents in case of natural disasters and/or accidents.' Sample items to measure natural environment-oriented CSR include: 'Our company contributes toward saving resources and energy (e.g., recycling, waste management).' and 'Our company encourages its members to adopt eco-friendly behavior (sort trash, save water and electricity) to protect the natural environment.' Sample items to measure employee-oriented CSR include: 'Our company implements policies that improve the well-being of its employees at work.' and 'Our company avoids all forms of discrimination (age, sex, handicap, ethnic or religious origin) in its recruitment and promotion policies.' Sample items to measure supplier-oriented CSR include: 'Our company makes sure that its suppliers (and subcontractors) respect justice rules in their own workplaces.' and 'Our company would not continue to deal with a supplier (or subcontractor) who failed to respect labor laws.' Sample items to measure customer-oriented CSR include: 'Our company checks the quality of goods and/or services provided to customers.' and 'Our company is helpful to customers and advise them about its products and/or services.' Sample items to measure shareholder-oriented CSR include: 'Our company respects the financial interests of all its shareholders.' and 'Our company ensures that communication with shareholders is transparent and accurate.'

Self-Assessed Collaboration Skills will be assessed by unidimensional scale of Hinyard et al. (2018). Sample items include: 'I share information with others easily.' and 'I routinely listen to the opinions of my fellow team members.'

HEXACO personality traits will be assessed by the Brief HEXACO Inventory of de Vries (2013). It measures six personality traits: (1) honesty-humility, (2) emotionality, (3) extraversion, (4) agreeableness, (5) conscientiousness, and (6) openness to experience. Sample items to measure honesty-humility include: 'I find it difficult to lie.' and 'I would like to know how to make lots of money in a dishonest manner. (R)' Sample items to measure emotionality include: 'I am afraid of feeling pain.' and 'I worry less than others. (R)' Sample items to measure extraversion include: 'Nobody likes talking with me. (R)' and 'I easily approach strangers.' Sample items to measure agreeableness include: 'I remain unfriendly to someone who was mean to me. (R)' and 'I often express criticism. (R)' Sample items to measure conscientiousness include: 'I make sure that things are in the right spot.' and 'I postpone complicated tasks as long as possible. (R)' Sample items to measure openness to experience include: 'I can look at a painting for a long time.' and 'I think science is boring. (R)'

Collective Psychological Ownership will be assessed by unidimensional scale of Su and Ng (2018). Sample items include: 'I feel like we are co-owners of the organization.' and 'My colleagues feel like they are co-owners of the organization.'

STATISTICAL ANALYSIS

Statistical analysis will be performed in SPSS and R software. *Chronbach's alphas* will be calculated to ensure reliability of scales in the context of Kazakhstan. *Mean* and *standard deviations* will be calculated for each construct to get an insight into the current levels of different dimensions of CSR among employees of business companies in Kazakhstan. *Pearson correlation analysis* will be performed to test positive relation of the constructs to each other. *Multiple-regression analysis* will be performed to get a preliminary insight whether HEXACO personality traits and collective psychological ownership strengthen the relationship between collaboration skills and CSR. F-statistics and R-squared will be calculated for this purpose. *Bootstrapping analysis* will also be performed for testing the moderating effects. Finally, *Structural Equation Modeling (SEM)* will be conducted in R to ensure the correct determination of the direction in the relationships between tested variables. RMSEA and CFI coefficients will be calculated for this purpose.

CONCLUSION

The results of this research study will have academic and practical implications. It will test the reliability of the scales in the context of Kazakhstan. It will shed the light on the degrees of perceived corporate responsibility, self-assessed collaboration skills, and collective psychological ownership of employees working in business companies of Kazakhstan. It will close the research gap in studying the moderating effects of the HEXACO personality traits and the collective psychological ownership on the relationship between self-assessed collaboration skills and perceived corporate responsibility in a Central Asian emerging market. Human resources managers of business companies will get an insight on personality traits, work-related attitudes and skills that can be associated with enhanced inclination of employees at different managerial levels of the corporate hierarchy, including top executive level, to apply CSR practices.

REFERENCES

- Akremiti, A. E., Gond, J.-P., Swaen, V., De Roeck, K., and Igalens, J. (2018). How Do Employees Perceive Corporate Responsibility? Development and Validation of a Multidimensional Corporate Stakeholder Responsibility Scale. *Journal of Management*, 44(2): 619 – 657.
- De Vries, R. E. (2013). The 24-item Brief HEXACO Inventory (BHI). *Journal of Research in Personality*, 47, 871-880
- Hinyard, L., Toomey, E., Eliot, K., and Breitbach, A. (2018). Student Perceptions of Collaboration Skills in an Interprofessional Context: Development and Initial Validation of the Self-Assessed Collaboration Skills Instrument. *Evaluation and the health Professions*: 1 – 23.
- Su, X. and Ng, S. (2018). Development and Validation of the Collective Psychological Ownership Scale in Organizational Contexts. *International Social Work*: 1 – 13.
- UNIDO (2023). *What is CSR?* United Nations Industrial Development Organization. <https://www.unido.org>, consulted on April 3, 2023.

Gender Differences in Marital Preparation Skills among Young Adults in Kazakhstan

Liza Rybina

KIMEP University, Bang College of Business

Abay 2, Almaty, Kazakhstan

liza@kimep.kz

Akbota Bazarbayeva

International Institute for Family Development

Almaty, Kazakhstan

bazarbayeva@bk.ru

ABSTRACT

The modern world has faced second demographic transition that with a decline in fertility, a multitude of living arrangements other than marriage, the disconnection between marriage and procreation, and increase in life expectancy. This global trend reached Kazakhstan as the age of marriage and divorce number are rising every year, while the marriage rate in Kazakhstan is decreasing annually. This reduction has an impact on economic and social development of the country. The purpose of the present study is to investigate the marital preparation skills of young adults, which can predict marriage and family formation trends in Kazakhstan. Specifically, the study examines gender differences in marital preparation skills of young adults. The present study measured seven factors of marital preparation skills: conflict resolution skill, sexual relationship skill, household labour skill, financial management skill, leisure management skill, parenting preparation skill, and parental role skill. Data were gathered online through a self-administered questionnaire. Descriptive statistics and t-tests were used to analyse gender differences in marital preparation skills. Results showed that females have higher score than males for household labor skills, leisure management skills, and sexual relationship skills. There were no statistically significant gender differences in other marital preparation skills between males and females, specifically in conflict resolution skills, financial management skills, parenting preparation skills, and parental role skills.

KEYWORDS: Marital Preparation Skills, Gender, Kazakhstan

The impact of top management characteristics on firms' innovative performance in Kazakhstan

Alma Alpeissova, DBA
KIMEP University
alpeis@kimep.kz

Mira Nurmakhanova, Ph.D.
KIMEP University
miranur@kimep.kz

Abstract: *There is an extensive research highlighting the effect of firms' characteristics on their innovative performance. The majority of studies have been devoted to advanced economies, though few of them focus on the emerging markets, in particular economies in transition. Therefore, this study was undertaken to close the gap in the literature and investigate the impact of employee training and level of qualification on firms' innovative performance in Kazakhstan as an economy in transition. To test the research hypothesis, we have employed the firm-level data gathered by the World Bank Enterprise Survey. The data for Kazakhstan were collected in 2019, and was analyzed using the probit and logit models. The research results show the positive significant relations between top management experience and the innovative performance of the firm. However, the study reveals negative significant relations between employee training and qualifications and innovative performance of the firm.*

GEL classifications: O31, O32, M1

Keywords: *innovation performance, innovation management, determinants of innovative output, top management characteristics, employee training, employee qualifications*

Introduction

Although, the determinants of the firm's innovation success as a field of research has been widely discussed in the literature, there is still interest to highlight key influential factors within various contexts among the scholars. This paper aims to contribute to this stream of studies by incorporating top management experience, training and qualifications of employees as factors that predict firm's innovation performance.

This paper contributes by incorporating determinants of innovative performance at the firm level in the economy in transition. This is critical due to the lack of research that explains determinants of firms' innovative performance taking into account local context in the region.

Literature review

The influence of top management characteristics on firm's performance has been widely studied. Some of those studies emphasize the following characteristics of the top management:

- Personalities, values and cognitions of the top managers that also predict their strategic decisions (Nadkarni and Hermann, 2010)
- Demographics and experience (Boal and Hooijberg, 2001)
- International experience (Le and Kroll, 2017)

- Compensation (Carpenter and Sanders, 2002)
- Leadership style (Agle et al. 2006)

The top management characteristics influence on the firm's strategic decisions has been highlighted in the upper echelon theory in management (Hambrick and Mason, 1984). Hambrick and Mason (1984) reason that top management experience, personalities, values, cognitions and other characteristics shape the perception and interpretation of contextual factors and therefore influence their strategic choices.

Further, the influence of the top management characteristics on organizational outcome has been supported in management studies (Boyed and Kannan, 2018; Warren et al. 2019). For instance, experienced top managers possess broader knowledge, abilities and skills that help to better deal with uncertainties (You et al. 2020). Therefore, the following hypothesis has been stated in this study:

Hypothesis 1: Top management industry experience has significantly positive relations with firm's innovative performance

The major proportion of the literature on employee qualifications and training impact on innovative performance reveal positive significant results. For instance, the study conducted in Huawei (9468 employees) has shown that employee training positively influence company's innovative performance (Liu and Prompanyo, 2021). Another study of 10366 companies in Eastern Europe and Central Asia shows that both on-the-job training and education level of employees have significant and positive effect on firms' innovative performance (Na, 2021). Therefore, the following hypothesis has been proposed in this study:

Hypothesis 2: Training and qualifications of employees has significantly positive relations with firm's innovative performance

Methodology

This study is based on data from the 2019 World Bank Enterprise Survey conducted January - October 2019 in Kazakhstan, jointly by the European Bank for Reconstruction and Development, the European Investment Bank, and the World Bank Group. The unit in the study was the establishment, the physical location of the business. The establishment must make its own financial decisions. The sample for 2019 Kazakhstan Enterprise Survey was selected using stratified random sampling. The sample consisted of 1446 establishments representing 921 firms from manufacturing, 174 retail and 151 other services.

The top management industry experience, training of employees and qualification of employees were incorporated as independent variables; and innovative performance as dependent variable. The size, age, gender of the top manager as well as foreign ownership were employed as control variables in the study. Since the dependent variable is a binary variable, this study utilized probit and logit models to analyze the relationship between top management experience and employee training and qualifications, and firm's innovative performance.

Findings

Table 1 presents results of estimated model. For robustness check, we utilize both probit and logit models for estimation of regression.

Table 1. Linear Regression Model: Probit and Logit Analysis

VARIABLES	(1) probit	(2) probit
-----------	---------------	---------------

female_top	-0.123 (0.362)	-0.197 (0.647)
age	-0.022 (0.019)	-0.038 (0.032)
size	0.001 (0.001)	0.001 (0.002)
experience	0.055*** (0.021)	0.096** (0.037)
productive_trained	-0.015** (0.007)	-0.026** (0.013)
nonproductive_trained	0.003 (0.006)	0.005 (0.010)
skilled_workers	-0.001 (0.002)	-0.001 (0.004)
foreign	1.595*** (0.610)	2.695** (1.076)
Constant	-1.113* (0.583)	-1.862* (1.017)

Robust standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The results demonstrate that top management experience have significant impact on firms' innovative performance. This is evident from positive and statistically significant coefficient for top management experience. However, the results do not confirm that employee qualifications and training have positive relations with firms' innovative performance. Moreover, the study results reveal significant negative relations between training of employees and firm's innovative performance in Kazakhstan.

Conclusion

This research partially supports the existing literature suggestions that firm's performance outcomes will depend on top management decisions to allocate corporate resources (Crowley and Bourke, 2018). For instance, this study supports the suggestions of Hambrick (1987) that top management experience have significant impact on firm's product quality. There is a need for the firms to place a significant emphasis on securing the competent top managers; pay attention on the manager's experience enabling the appropriate strategic choices and consequently ensuring company's competitive advantage and long-term performance.

However, this study does not support the stream of both exploratory and relational studies that provide rich evidence on the positive critical role of qualifications and training of employees on firms' innovative performance (Felekoglu and Moultrie, 2013). In fact, there is significant negative relations between training of employees and firm's innovative performance in Kazakhstan. Perhaps, these results could be explained either by low importance of being innovative for employees, or that employees were not trained or not stimulated for product innovations. There is definitely a need for further research to explain study results.

References

- Agle, B.R., Nagarajan, N.J., Sonnenfeld, J.A. and Srinivasan, D., 2006. Does CEO charisma matter? An empirical analysis of the relationships among organizational performance, environmental uncertainty, and top management team perceptions of CEO charisma. *Academy of management journal*, 49(1), pp.161-174.
- Bantel, K.A. and Jackson, S.E., 1989. Top management and innovations in banking: Does the composition of the top team make a difference?. *Strategic management journal*, 10(S1), pp.107-124.
- Boal, K.B. and Hooijberg, R., 2010. Strategic Leadership Research: Moving On. *Leadership Quarterly*, 11(4), pp.515-549
- Carpenter, M.A. and Sanders, W.G., 2002. Top management team compensation: The missing link between CEO pay and firm performance?. *Strategic management journal*, 23(4), pp.367-375.
- Crowley, F. and Bourke, J., 2018. The influence of the manager on firm innovation in emerging economies. *International Journal of Innovation Management*, 22(03), p.185-228.
- Felekoglu, B., Moultrie, J., Maier, A.M. and Durmusoglu, S.S., 2013, May. Top management involvement in new product development projects: A socio-technical perspective on its antecedents, operationalization, and consequences. In *Product Innovation Management Conference (PIM 2013)*, Phoenix, AR.
- Hambrick, D.C. and Mason, P.A., 1984. Upper echelons: The organization as a reflection of its top managers. *Academy of management review*, 9(2), pp.193-206.
- Hitt, M.A., Ireland, R.D., Camp, S.M. and Sexton, D.L., 2001. Strategic entrepreneurship: Entrepreneurial strategies for wealth creation. *Strategic management journal*, 22(6-7), pp.479-491.
- Goll, I., Brown Johnson, N. and Rasheed, A.A., 2008. Top management team demographic characteristics, business strategy, and firm performance in the US airline industry: The role of managerial discretion. *Management Decision*, 46(2), pp.201-222.
- Le, S. and Kroll, M., 2017. CEO international experience: Effects on strategic change and firm performance. *Journal of International Business Studies*, 48, pp.573-595.
- Liu, X. and Prompanyo, M., 2021. The impact of Employee Training on Huawei innovation Performance in Shanxi Province, China. *International Journal of Multidisciplinary in Management and Tourism*, 5(1), pp.1-8.
- Na, K., 2021. The effect of on-the-job training and education level of employees on innovation in emerging markets. *Journal of Open Innovation: Technology, Market, and Complexity*, 7(1), p.47.
- Nadkarni, S. and Herrmann, P.O.L., 2010. CEO personality, strategic flexibility, and firm performance: The case of the Indian business process outsourcing industry. *Academy of Management Journal*, 53(5), pp.1050-1073.
- Vega-Jurado, J., Gutiérrez-Gracia, A. and Fernández-de-Lucio, I., 2008. Analyzing the determinants of firm's absorptive capacity: beyond R&D. *R&d Management*, 38(4), pp.392-405.
- Wernerfelt, B., 1984. A resource-based view of the firm. *Strategic management journal*, 5(2), pp.171-180.

Northern Territories of Kazakhstan in Russian Media: Coverage and Context

Aliya Sailova

KIMEP University, Department of International Relations

2, Abay avenue, Almaty, Kazakhstan

aliya.sailova@kimep.kz

ABSTRACT

The Northern territories of Kazakhstan are one of the most discussed topics in media of Kazakhstan and on the internet. It compels attention due to a series of provocative and ambiguous rhetoric of high caliber state officials of Russia in media.

Since the collapse of the Soviet Union, Russia periodically allowed challenging Northern territories of Kazakhstan in Russian popular TV programs, radio and press. Provocative character of statements has become a subject of hot polemic in the society of Kazakhstan. Some utterances were explicitly aggressive towards the Northern Kazakhstan. Contesting belonging of the Northern Kazakhstan to Kazakhstan is a serious issue in bilateral Kazakhstan-Russia relations with significant impact on the image of both respective countries.

Obviously, the aggressive nature of utterances of strong neighboring country does not contribute to the declared “eternal friendship” and strategic partnership between Kazakhstan and Russia. Emergence of concrete region in the media in a negative context reasonably make counterpart doubt about peaceful relations for the foreseeable future especially in the context of Russia’s invasion in Ukraine.

Media coverage of the Northern territories of Kazakhstan in Russian media and the context have changed the tone over time and involve research interest of how it has proceeded and changed. It is not clear for research community or even media and broad society what Russia’s rhetoric means indeed for Kazakhstan. Definitely, media coverage of Northern territories of Kazakhstan is a type of signal which should be interpreted properly in a proper context.

KEYWORDS: Northern, territories, Kazakhstan, Russia, media, coverage, rhetoric.

1 INTRODUCTION

Since the early 1990’s Russian media and some Russian philosophers mentioned some territories of Kazakhstan as “unlawfully obtained” or “lost lands” of Russia or Russian people (Solzhenitsyn, 1990; Zhirinovskiy, 1993). By lost lands authors of different utterances mentioned Northern territories of Kazakhstan such as administrative units of Kazakhstan as Kostanay oblast, Northern Kazakhstan oblast, Pavlodar oblast and Akmola oblast.

Such statements and utterances directly or indirectly pointed that those parts of Kazakhstan should belong to Russia or belonged to it earlier. It follows according to their statements that the Northern part of Kazakhstan is a territory of Russia and must be returned to Russia. Such statements could be appropriate if Kazakhstan and Russia would have territorial claims and no clear borders between them. However, the countries have no official territorial claims to each other and moreover, they delimited and demarked official borders, their parliaments ratified the agreement on borders between Kazakhstan and Russia – *Treaty of Kazakhstan – Russia state border*, January 18, 2005.

In addition to that, Kazakhstan and Russia concluded – *Declaration of Eternal Friendship and Alliance Oriented to the 21st Century*, July 6, 1998 and *Treaty on good-neighborliness and alliance in the XXI century* of November 11, 2013.

The utterances have been accompanied with aggressive tone and hints that suppose aggression and the use of armed forces to return those territories despite above-mentioned bilateral treaties. In the light of Russian invasion in Ukraine, aggression in Georgia – Abkhazia and the South Ossetia, and the longest land border of 7 000 kilometers, the words of Russian politicians do not seem frivolous ones for Kazakhstan and should be considered seriously in the context of bilateral Kazakhstan-Russia relations.

Northern Kazakhstan has no strategic importance for Russia and does not play significant or even little role for Russia (Beisebayev, 2020). For example, the Ukrainian Crimea was portrayed in media as a strategic region playing its military role in the Black sea by the Russian navy and a touristic destination (Yakunin, 2014).

Besides that, there are a wide range of factors that make the utterances an important theme in the agenda for both foreign and internal politics of Kazakhstan. The statements of Russian politicians, journalists and activists of various levels and caliber possibly, are signals on the one hand and a test of Kazakhstan on the other hand. It is important therefore, to interpret those signals and define what Russia is testing in Kazakhstan.

This piece of research is an attempt to clarify what it has been said about the Northern territories of Kazakhstan by Russian well known speakers in media, what their utterances meant, how they changed over time, what peculiarities they have and define reasons behind those lunges against Kazakhstan.

This research is a case study. It analyzes media coverage of the Northern Kazakhstan in Russian media since 1991 till 2022. Also, it used content analysis of both primary and secondary resources, official documents, academic literature and mainly open internet sources of media including articles and records of TV programs.

Significance of the research topic is explained by lack of knowledge and analysis of Russian media coverage of the Northern territories of Kazakhstan and how are these territories are portrayed in Russian media. It is obvious that Russian media aims not only Russian auditorium in Russia but also people in Kazakhstan imposing own propaganda clichés and ideas to people of the independent country. How such processes occur and what their arguments also present research interest.

In a broad sense it represents specific practical and academic interest to reveal how Russia utilizes rhetoric on some territories of neighboring countries to achieve foreign policy goals whether short-term or long-term ones. Russia by formulating agenda on the Northern Kazakhstan, obviously, tends to benefit from it in some way. This study helps to understand how Russia acts and what goals tries to achieve by its rhetoric in media.

2 UTTERANCES AND STATEMENTS IN MEDIA

Why the Northern Kazakhstan?

The Northern territories of Kazakhstan emerged in Russian media agenda not on an empty place but on an assumption that it is predominantly populated by ethnic Russians who according to some utterances (Solzhenitsyn, 1990) brought “civilization” to the steppe and built cities and villages. Explanations given by speakers (Nikonov, 2020; Fedorov, 2020) mainly say about simple advantage of population of ethnic Russians against ethnic Kazakhs the trend which is changing nowadays and absence of the statehood.

In fact, for the long-term period of time Northern territories of Kazakhstan were populated by ethnic Russians who dominated over ethnic Kazakhs by population. Such dominance along with wide use of the Russian language led to russification of the Northern Kazakhstan. Not only simple difference in numbers of population matters for this issue but also other factors play important roles.

Three of four Northern oblasts of Kazakhstan have common border with Russia. Proximity of Northern oblasts of Kazakhstan to big Russian cities as Novosibirsk, Omsk, Chelyabinsk and Tumen make the region economically connected to them. Also, people having personal or family ties interact with people living on another side of the border.

Roads and railways make connection between Northern territories of Kazakhstan and neighboring regions of Russia easy and affordable in terms of distance and expenses. Having big cities along the border Russia offers their educational institutions and cultural facilities to people who live near the border (Alzhanov, 2022). It is possible to say that Russia has also advantage in production of goods and services which it exports to Kazakhstan. Being of Kazakhstan and Russia members of Eurasian Economic Union make any interaction between countries easier. Russian media broadcast widely their TV programs and radio channels on the territory of Kazakhstan (Nurseitov, 2022).

In other words, Russia has easy access to the Northern territories of Kazakhstan in terms of access to the market of the region, human resources, business opportunities and influence to the people of the Northern territories of Kazakhstan.

In terms of projecting political power of Russia or annexation of territories it is very convenient place where it is easy to invade and keep control relying on loyal local people.

Utterances and statements

Losing political control over vast territories of Kazakhstan and other Central Asian countries in the late of 1980's and early 1990's started discussions among philosophers and Russian nationalists on that Russia lost territories and political power in the region where it was dominating for centuries. Initial discussion was commenced by the famous Russian philosopher and writer Solzhenitsyn.

Political writings of Solzhenitsyn – *Rebuilding Russia* (1990) in a newspaper - *Literaturnaya gazeta*, became one of the first writings that demonstrated interest of Russia or at least a part of people who wanted to “rebuild or restore” Russia. Solzhenitsyn being the Noble prize laureate by his writings made serious statement that entailed positive reactions and fomented interest of other Russian nationalistic activists to Kazakhstan and the Northern territories of Kazakhstan. His article provoked substantial utterances and articles by well-known people in Russia including politicians (Zhirinovsky, 1993; Limonov, 1996). It became the most influential nonacademic writing in terms of citations and references.

Specifically, Solzhenitsyn (1990) being not an expert in history, ethnography, political science or geography wrote that Kazakhstan was an artificial political entity with no rights for its territories. He justified his opinion by the fact that Kazakhs did not live in the territories of the Northern Kazakhstan and populated only regions of the Southern Kazakhstan.

According to his view, Kazakhstan got territories of the Southern Siberia, Southern Ural and steppes of Central Kazakhstan which were developed by Russians and predominantly populated by ethnic Russians. In Solzhenitsyn's (1990) view, Kazakhstan did not have historic borders due to nomadic culture and life style. He suggested that the Northern Kazakhstan and those territories was populated by Russians except the Southern Kazakhstan joined to Russia.

It entailed sharp reactions from both sides ethnic Russians in Russia and Kazakhstan and ethnic Kazakhs in Kazakhstan. If initial step was made by the philosopher, then next steps were made by Russian politicians and activists. This article became a starting point of all statements and utterances not only on the Northern Kazakhstan but also on entire Kazakhstan made by other speakers further.

Another attempt to portray special rights of Russia on the Northern Kazakhstan were made in by such politicians as Vladimir Zhirinovsky, a member of the Russian Parliament and a leader of LDPR political party who in 1993 proposed to “include” territories of Kazakhstan into Russia in his writing – *Last throw to the South*. The main idea of Zhirinovsky (1993) was in conquering the “South” – countries

near Southern borders of Russia including Central Asia, Turkey, Afghanistan and even the middle East countries. Obviously, ideas of Zhirinovsky were not acceptable and even doable but they showed what politicians think about Russian foreign policy and their ambitions.

These two works being populist and nonacademic pushed thinking of the Russian elite and ordinary Russian people that Russia may become a great power again or restore its imperialistic approach to foreign policy. Especially, Solzhenitsyn (1990) laid serious foundation under ideas of modern Russian nationalism which find its reflection in current Russian politics.

It is interesting that Solzhenitsyn did not consider the ways and methods of how to join territories to Russia whereas Zhirinovsky considered aggressive ways of conquering new territories. One of key elements of their works was the destiny of ethnic Russians living abroad.

In terms of academic and professional literature this research may consider Dugin's (1997) - *Foundations of Geopolitics: Russia's Geopolitical Future*. This work cemented the ideas that space of Russia should expand over its borders where ethnic Russians live and Russia should project its power over Eurasia. Dugin's ideas were welcomed and got widespread circulation among Russian philosophers and politicians who implemented some of his ideas in Russian foreign policy.

Kazakhstan, according to Dugin (1997) is again represented as artificial political entity having no rights for sovereignty or any kind of independence. Several works underline that Kazakhstan and more over other Central Asian countries do not deserve sovereignty and should be under political and economic control of Russia and Russian people. Named authors show complete indifference to interests of Kazakhstan, ignore its rights and current state of affairs. Along with that, they say about regrets that Russia lost control and let Kazakhstan and Central Asian countries become independent countries. Also regrets are built on the understanding that Russia lost its imperialistic status.

It is interesting that Solzhenitsyn, Zhirinovsky and Dugin propose own ideas of how to include Kazakhstan into Russia and those ideas are very close to each other. Definitely, they deprive Kazakhstan its sovereignty and include into Russia only those territories which populated by ethnic Russians and those regions populated by Kazakhs they see in the structure of China, or Iran or other political entity. Mentioned works completely ignore the political status of Kazakhstan and objective political, economic and historical conditions.

Obviously, aspirations of authors are based on Russian nationalism and Russian imperialism. Works by Solzhenitsyn and Dugin became theoretical foundations of Russian nationalists. In common, authors of 1990's built theoretical explanation of the role of Russia for Kazakhstan and other countries which were parts of the USSR and tried to justify the interest of Russian and Russians to territories of other independent countries.

In addition to that, the roots of current Russian interests to Kazakhstan and other countries find itself in the historical literature – Karamzin (1803-1826) where he tried to explain Russian steps towards territories of other countries and people.

If in 1990's Russian activists made several attempts to construct basis for further actions than in 2000's almost there were no mentions about the Northern Kazakhstan in Russian media. Nevertheless, such activist as Limonov and members of his political unit were sentenced for preparation of armed seizure of power in Kazakhstan. Russian official media demonstrated disapproval of his actions.

After a long-term pause Russian media space was engaged by utterances of the President of Russia Vladimir Putin who in 2014 after the annexation of the Ukrainian Crimea and the conflict on Eastern Ukraine said that Kazakhstan has never had the statehood and the President Nursultan Nazarbayev created it only in 1991 after the collapse of the USSR. This news got wide circulation on every official TV channel and internet sources.

It was a serious statement made by the President of Russia which involved sharp reaction in the society of Kazakhstan which tried to justify the statehood of Kazakhstan since 1465, the year when the Kazakh khanate was established by khans Zhanibek and Kerey.

For several years before 2020 nor politicians neither activists or serious journalists made statements on the Northern Kazakhstan. In December 2020, a week before the Independence Day of Kazakhstan, December 16, a member of the Russian Parliament – Vyacheslav Nikonov (grandson of Molotov, the former minister of foreign affairs in USSR during Stalin's rule) made a statement on a TV program – *Bolshaya igra* on the First channel (the official TV channel of Russia).

Nikonov said that Kazakhstan got a gift from Russia as its territories. He denied that ethnic Kazakhs lived in the Northern Kazakhstan. His statements fully repeated the words of Putin in 2014.

A few days later another member of the Parliament, Yevgeny Fedorov repeated a statement about a gift of territories and added that Kazakhstan never existed and it should return territories to Russia otherwise Russia will talk to Kazakhstan in a different way.

Both members of the Parliament belong to the political party Yedinaya Russia which is strongly affiliated with the President Putin. The Kremlin, nor the Parliament neither the Ministry of foreign affairs of Russia gave excuses or explanations of statements made by politicians.

The peak of negative utterances form in Russian media occurred in 2022 after Russia's invasion in Ukraine when famous Russian politicians, journalists and researchers made utterances which affected the society of Kazakhstan significantly.

Tigran Keosayan – a journalist, was annoyed that Kazakhstan did not conduct a military parade and threatened the Kazakh society by repeating events as in Ukraine, meaning the war.

Anatoly Medvedev – the former President of Russia, who said in his social network account that Kazakhstan is an artificial unit and it should be joined to Russia. He noted that number of ethnic Russians has decreased and therefore Russia should come and put things in order.

Bijsultan Khamzaev – a member of the Russian Parliament who demanded to join Kazakhstan to Russia, calling Central Asia - Russian land. His statement considered the entire Kazakhstan.

Alexey Borodavkin – the ambassador of Russia to Kazakhstan who said in the interview to the information agency that he detects nationalism in Kazakhstan and promised to help the country in struggle against nationalists in Kazakhstan.

Yevgeny Satanovskij – an economist, the president of research center “Institute of the Middle East” said that Kazakhstan got closer to Turkic countries and distanced from Russia. He anticipated a conflict between Kazakhstan and Russia. He also pointed that Kazakhstan has biological laboratories on its territory as laboratories in Ukraine which were portrayed as dangerous for Russia and sponsored by the USA.

Mostly, the claims of speakers were based on the ideas that:

- Russians always lived on the territories of the Northern Kazakhstan;
- Kazakhs lived on the south and came to the North later after Russians;
- Kazakhs did not have statehood before 1991;
- Russians established towns and villages;
- Taught Kazakhs;
- Russia provided support to build economy of the region during the Soviet period;
- Cultivated the Virgin lands;
- The Northern territories of Kazakhstan is a gift of Russia which should be returned to it;
- Russian language should be a state language;
- Kazakhstan should join Russia and become its part;
- Kazakhstan suffers from nationalists;
- Kazakhstan should not have close relations with other countries then Russia.

However, speakers who made statements based on the above-mentioned assumptions did not make any attempt to verify or somehow prove their statements. It is supposed that audience perceive statements as true considering that people in common do not have critical thinking and fact checking skills.

It is notable that those people who made remarks about the Northern territories of Kazakhstan have never lived in Kazakhstan. As it is evident from made statements speakers have little knowledge on real situation in Kazakhstan and especially on the Northern Kazakhstan.

It is clear that speakers who made utterances were aware of basic facts about the Northern Kazakhstan but did not have accurate information about the region or consciously made inaccurate statements.

Among different cases it is interesting that statement made by Nikonov in December 2020 before the Independence Day of Kazakhstan was followed by statements of Fedorov after several days. Fedorov had enough time to check or verify assumptions made by Nikonov but he supported his arguments. It was a conscious act of support.

The aim of Russian activists whether they are politicians or journalists or from different field is to deny the statehood of Kazakhstan, underline the prevalence of Russian culture and language, portray Kazakhstan or its government in a negative context.

One should bear in mind that Kazakhstan is in the area of Russian TV propaganda where Russian TV channels and radio programs cover almost all parts of Kazakhstan not only the Northern Kazakhstan. Russian media and propaganda address Russia's ideas to all people who speak Russian language.

Until Russia is capable to broadcast their TV channels or influence media of Kazakhstan it poses threat to Kazakhstan and loyalty of people to Kazakhstan.

INTERPRETATION OF SIGNALS

Close look at facts, utterances and the context when they were made allows us to suppose that first statements made in 1990's were related to the decrease of political power of Russia in Kazakhstan. Then stability in 2000's when power of Russia increased we may observe that there were no sharp utterances in bilateral relations.

However, 2014, the year of Russia's aggression in Ukraine became the starting point when nationalists in Russia got a signal from the President Putin and began their rhetoric towards the Northern Kazakhstan and the statehood of Kazakhstan. Rhetoric in media became aggressive in tone.

Challenging territories of Kazakhstan became more active with coming new President of Kazakhstan, Kassym-Zhomart Tokayev. Especially, utterances became more aggressive after tragic events in January 2022 when Russia led CSTO sent troops into Kazakhstan and the start of war in Ukraine in February 2022.

Obviously, all statements towards Kazakhstan and its Northern part tend to become more frequent, irresponsible and more aggressive from the Russian side.

Mostly, the statements and utterances relate to the events in Kazakhstan, the decisions of the country's leadership and the statements of the leaders of Kazakhstan. They are commented through the prism of the national interests of the Russian Federation but not Kazakhstani ones. The national interests of Kazakhstan are not considered at all and represented as a will of nationalists.

For reasons that are not entirely clear, Russian speakers believe that Kazakhstan should carry out the will of the Kremlin to the detriment of its own interests. The fact that the Republic of Kazakhstan is a sovereign and independent state does not prevent the Russian Federation from imposing its vision of the international situation and domestic policy on it. It is understood that Russia is annoyed by some events and processes which now is trying to resolve or influence.

Examples of what disturbs in Kazakhstan's politics could be claims to the decisions of the country's leadership, free interpretation of the history of Kazakhstan or individual events, claims to the position of Russians in Kazakhstan, to the status of the Russian language, to the status of the Kazakh language, the transition to Latin writing, the strengthening of nationalist movements, support for Ukraine, the presence

of Russian military and military facilities in country, possible presence of foreign militaries in Kazakhstan.

If Russian speakers who made utterances challenging the Northern Kazakhstan are organized and have one common center of decision making then their statements are signals to Kazakhstan and especially to the President of Kazakhstan. The threat even from journalists or members of the Parliament could be as a signal to influence decisions of the President or foreign and internal policies or a test which is testing people's attitude and its loyalty to the existing power in Kazakhstan and perception of Russia.

CONCLUSION

Utterances of famous people who are very close to the power or the Kremlin or at least are associated with it and state officials present serious risk and danger as they formulate negative public opinion of Kazakhstan. Kazakhstan is portrayed in Russian media ambiguously. On the one hand, in official media space Kazakhstan is a strategic partner of Russia, member of Russia led international organizations and its economic partner.

On the other hand, Kazakhstan is portrayed according to utterances as vicious country with strong influence of Kazakh nationalists who pursue their narrow interests enforcing Kazakh language among ethnic Russians, force them learn and speak Kazakh language, reduce number of schools with Russian language of instruction. Russian speakers seem to be annoyed with rise of number of ethnic Kazakhs and role of Kazakh language along with decrease of the role Russian language. Also, Kazakhstan in views of Russian propaganda is a close ally of China, the US and Turkey simultaneously.

The statements of various political figures in most cases are perceived by listeners or viewers with great attention and credit as in Russia as in Kazakhstan.

Interests of Russia as may seem spread everywhere ethnic Russians live. It is positioning itself as a defender of ethnic Russians and Russian language and culture. Such an approach pursues restoring influence of Russia and projecting its power across borders. Nowadays, approaches of speakers differ from official stance of the Kremlin but things can change rapidly as in case of Ukraine.

It is important for Russia to keep loyalty of ethnic Russians and Russian speaking people to it. Till Russia has influence on them it can project its power and will in Kazakhstan. For Russia actually is favorable to keep status quo as it is now or keep Kazakhstan in the space of its influence. Therefore, the Northern Kazakhstan in the views of Russia can become tasty morsel if Kazakhstan keeps leading own independent policy. Russia is not interested in the Northern Kazakhstan itself it is interested in projecting its power further.

REFERENCES

- Dugin, Aleksandr. 1997. Osnovy Geopolitiki: Geopoliticheskoe Budushchee Rossii [Foundations of Geopolitics: Russia's Geopolitical Future]. Moscow: Arktogetya.
- Solzhenitsyn, Aleksandr. 1990. Rebuilding Russia [Kak nam obustroit Rossiyu]. Moscow.
- Zhirinovskiy, Vladimir. 1993. Last throw to the South [Poslednij brodok na ug]. Moscow

Web-sites:

- Alzhanov, Dimash. 2022. <https://vlast.kz/politika/52046-nasi-grazdane-daze-ne-osoznaut-cto-oni-zertvy-propagandy.html>
- Beisebayev, Serik 2022. <https://vlast.kz/politika/52046-nasi-grazdane-daze-ne-osoznaut-cto-oni-zertvy-propagandy.html>
- Borodavkin, Alexey. 2022. <https://rus.azattyq.org/a/32197465.html>
- Fedorov, Yevgeny. 2020. <https://rus.azattyq.org/a/kazakhstanis-reaction-to-the-statements-of-russian-deputies-about-the-kazakh->

<territory/31002411.html#:~:text=%C2%AB%D0%9A%D0%B0%D0%B7%D0%B0%D1%85%D1%81%D1%82%D0%B0%D0%BD%D0%B0%20%D0%BF%D1%80%D0%BE%D1%81%D1%82%D0%BE%20%D0%BD%D0%B5%20%D1%81%D1%83%D1%89%D0%B5%D1%81%D1%82%D0%B2%D0%BE%D0%B2%D0%B0%D0%BB%D0%BE%C2%BB%2C,%D0%A1%D0%BE%D1%8E%D0%B7%D0%B0%C2%BB%2C%20%E2%80%94%D0%B7%D0%B0%D1%8F%D0%B2%D0%B8%D0%BB%20%D0%BE%D0%BD>.

Keosayan, Tigran. 2022. <https://www.youtube.com/watch?v=ZzylltDJ1fg>

Khamzaev, Bijsultan. 2022. <https://www.kavkazr.com/a/deputat-gosdumy-ot-dagestana-prizval-prisoedinitj-kazahstan-k-rossii/31641996.html>

Medvedev, Dmitry. 2022. <https://kaztag.kz/ru/news/medvedev-obvinil-vlasti-kazakhstana-v-genotside-russkikh-i-zayavil-o-vozrozhdenii-sssr>

Nikonov, Vyacheslav. 2020. (a) [https://rus.azattyq.org/a/kazakhstanis-reaction-to-the-statements-of-russian-deputies-about-the-kazakh-](https://rus.azattyq.org/a/kazakhstanis-reaction-to-the-statements-of-russian-deputies-about-the-kazakh-territory/31002411.html#:~:text=%C2%AB%D0%9A%D0%B0%D0%B7%D0%B0%D1%85%D1%81%D1%82%D0%B0%D0%BD%D0%B0%20%D0%BF%D1%80%D0%BE%D1%81%D1%82%D0%BE%20%D0%BD%D0%B5%20%D1%81%D1%83%D1%89%D0%B5%D1%81%D1%82%D0%B2%D0%BE%D0%B2%D0%B0%D0%BB%D0%BE%C2%BB%2C,%D0%A1%D0%BE%D1%8E%D0%B7%D0%B0%C2%BB%2C%20%E2%80%94%D0%B7%D0%B0%D1%8F%D0%B2%D0%B8%D0%BB%20%D0%BE%D0%BD)

<territory/31002411.html#:~:text=%C2%AB%D0%9A%D0%B0%D0%B7%D0%B0%D1%85%D1%81%D1%82%D0%B0%D0%BD%D0%B0%20%D0%BF%D1%80%D0%BE%D1%81%D1%82%D0%BE%20%D0%BD%D0%B5%20%D1%81%D1%83%D1%89%D0%B5%D1%81%D1%82%D0%B2%D0%BE%D0%B2%D0%B0%D0%BB%D0%BE%C2%BB%2C,%D0%A1%D0%BE%D1%8E%D0%B7%D0%B0%C2%BB%2C%20%E2%80%94%D0%B7%D0%B0%D1%8F%D0%B2%D0%B8%D0%BB%20%D0%BE%D0%BD>.

(b) <https://kaztag.kz/ru/news/deputat-gosdumy-v-efire-pervogo-kanala-territoriya-kazakhstana-eto-podarok-ot-rossii>

Nurseitov, Shalkar. 2022. <https://vlst.kz/politika/52046-nasi-grazdane-daze-ne-osoznaut-cto-oni-zertvy-propagandy.html>

Putin, Vladimir. 2014. <https://www.golosameriki.com/a/putin-about-kazakhstan-osharov/2434090.html>

Satanovskij, Yevgeny, 2022. [https://arbat.media/vaznoe-v-kazaxstane/rossiiskii-televedushhii-obvinil-kazaxstan-v-zaigryvanii-s-tyurkskim-mirom-](https://arbat.media/vaznoe-v-kazaxstane/rossiiskii-televedushhii-obvinil-kazaxstan-v-zaigryvanii-s-tyurkskim-mirom-4944#:~:text=%D0%9F%D1%80%D0%B5%D0%B7%D0%B8%D0%B4%D0%B5%D0%BD%D1%82%20%D0%BD%D0%B0%D1%83%D1%87%D0%BD%D0%BE%D0%B3%D0%BE%20%D1%86%D0%B5%D0%BD%D1%82%D1%80%D0%B0%20%22%D0%98%D0%BD%D1%81%D1%82%D0%B8%D1%82%D1%83%D1%82%20%D0%91%D0%BB%D0%B8%D0%B6%D0%BD%D0%B5%D0%B3%D0%BE,%D0%B5%D0%B5%20%D0%BE%D1%82%20%D0%A0%D0%BE%D1%81%D1%81%D0%B8%D0%B8%2C%20%D0%BF%D0%B5%D1%80%D0%B5%D0%B4%D0%B0%D0%B5%D1%82%20arbat)

<4944#:~:text=%D0%9F%D1%80%D0%B5%D0%B7%D0%B8%D0%B4%D0%B5%D0%BD%D1%82%20%D0%BD%D0%B0%D1%83%D1%87%D0%BD%D0%BE%D0%B3%D0%BE%20%D1%86%D0%B5%D0%BD%D1%82%D1%80%D0%B0%20%22%D0%98%D0%BD%D1%81%D1%82%D0%B8%D1%82%D1%83%D1%82%20%D0%91%D0%BB%D0%B8%D0%B6%D0%BD%D0%B5%D0%B3%D0%BE,%D0%B5%D0%B5%20%D0%BE%D1%82%20%D0%A0%D0%BE%D1%81%D1%81%D0%B8%D0%B8%2C%20%D0%BF%D0%B5%D1%80%D0%B5%D0%B4%D0%B0%D0%B5%D1%82%20arbat>.

Yakunin, Igor. 2014. <https://kaztag.kz/ru/news/deputat-gosdumy-v-efire-pervogo-kanala-territoriya-kazakhstana-eto-podarok-ot-rossii>

Documents:

Declaration of Eternal Friendship and Alliance Oriented to the 21st Century, July 6, 1998.

Treaty on good-neighborliness and alliance in the XXI century of November 11, 2013.

Treaty of Kazakhstan – Russia state border, January 18, 2005.

Education reforms in Kazakhstan since the 2000s: Between the desire for internationalization and the consolidation of the national identity

Elodie Lafont

KIMEP

Address, Almaty, Kazakhstan

elodie.lafont@kimep.kz

ABSTRACT

The goal of this research is to analyze education reforms and discourses in Kazakhstan. This research focuses on the two main justifications about education reforms in Kazakhstan in official discourses: the desire for internationalization and the willingness to consolidate a fragile national identity. The research uses discourse analysis to understand the two main education reforms in primary and secondary education in Kazakhstan since the 2000s: the trilingual policy and the twelve-year compulsory education.

KEYWORDS: education reform, internationalization, national identity, discourse analysis

1 INTRODUCTION

The Soviet period brought a big contribution to the development of education in Kazakhstan with very high levels of literacy almost reaching 100%, and implementing a eight years compulsory education system (Mynbayeva and Pogosyan 2014, Tabaeva and al. 2021). During the Soviet times, the education system was promoting the Communist ideology aiming to raise citizens loyal to the regime. From the 1930s, learning Russian was mandatory for all students in secondary school which played an important tool in the Russification policy. From the 1950s, the number of Kazakh schools dropped dramatically due partly to the fact that most parents, especially in urban areas, were sending their children to Russian schools which were more reputed (Karabassova 2020). Russian immigration also strengthened the Russian language and the fact that higher education was in Russian contributed to the development of the Russian language in secondary education (Tlemissov, 2020).

After the independence, the economic crisis had an impact on the financing of education with the decrease of public spendings and of the share of the GDP dedicated to education (Mynbayeva and Pogosyan 2014). Even if the 1990s were marked by a profound economic and social crisis in Kazakhstan, new reforms were introduced to establish a new legislative framework of the education system and revising educational content (Silova 2005). These reforms were supposed to reflect the principles of democratization and decentralization of education governance. Due to the free market economy and to diversify the education sector, private educational institutions also emerged (Mynbayeva and Pogosyan 2014, Silova 2005). Despite these reforms, the aim was also to preserve the relatively positive education achievements of the USSR (Tabaeva and al 2021, Silova 2005).

From the 2000s, the education system stabilised. This was an era of preparation for large scale reforms with the most important changes regarding higher education but which then led to the transformation of

school education (Mynbayeva and Pogosyan 2014). With the rapid economic growth, education became a priority as there was a skill gap with an insufficient supply of qualified people and to increase Kazakhstan's economic competitiveness on the international stage.

The Kazakh language which occupied a minor importance during the Soviet times became the national and official language of the country (Anh and Smagulova 2022) and after the independence, there was a shift from Russian to Kazakh language as a medium of instruction in schools (Fierman 2006 in Karabassova 2020).

Nowadays, the Kazakh education system is divided between pre-primary education, school education and tertiary education. This thesis will focus on school education including primary and secondary education.

2 Q

The research objective is to understand how at the same time the concepts of internationalization and national identity are mobilized in official public discourses in order to legitimize education reforms in Kazakhstan.

This puzzle relies on the mobilization of two different concepts, national identity, and internationalization whereas they seem antinomic. Indeed, numerous authors and articles foster the idea that globalization undermines national identities promoting cosmopolitanism (Ariely 2021, Hobsbawm 1992). This research will explore the interactions between local and global dynamics in Kazakh education discourses.

The sub questions to the main research questions are the following:

- To what extent the Kazakh identity is used to explain these education reforms and how this one is represented?
- How is the international environment mobilized and articulated with the Kazakh identity?
- Are there differences in the justifications of reforms that are “homemade” contrary to the ones which are more “imported”?

3 LITERATURE REVIEW

This study aims to understand the motivations behind the transformations of the education system in Kazakhstan from the state point of view. Indeed, official policies are a general framework for the “local negotiations” of infra-national actors (Blum 2007: 105). Thus the discourses used to legitimize education reforms will be analyzed as coming from the initiatives of local actors who perceive these topics as relevant even if they can be influenced by external actors.

An education reform implies an idea of change and transformation of the education system. This is the idea of making the education system better “to correct a deficiency in the current educational system” and reflect what is considered as a “common good” for a nation being part of a broader social context (Horn 2002: 3).

Discourses about the need of “internationalization” and of the preservation of the national identity as justifications of the education reforms will be analyzed.

The concept of internationalization is often strongly linked to the idea of modernization. The international context (international organizations, NGOs, and other countries) influences education systems in different ways creating a need to build a “knowledge economy” to increase their economic competitiveness, to respond to international standards (Zadja 2018), and to implement international dimensions in the education system (Knight 2015). More radically, some policies can be transferred or imported directly

from one national context to another which is called by some authors “policy borrowing” (Silova 2005). The international context creates pressures for reforms but can also be used by the policymakers to justify their policies (Steiner-Khamsi 2002).

The national identity is the feeling of a community of individuals to share a common identity relying among else on a common History, language, values, and traditions. National identity will be apprehended from a post-structural perspective as something which is not fixed but more as a process as individuals do not have a unique identity but multiple ones. Thus, political leaders can create or strengthen an already pre-existing national identity to unite the citizens which is called “nation-building”.

This study is interdisciplinary between public policy, the science of education, sociology, and international relations. For the main theoretical framework, the constructionist theory is used for which ideas and perceptions of the world matter and shape reality. There are competing discourses in states about national identity and the role that the state should play on the international stage.. Education reforms are thus the product of conflictual interactions between different actors and reflect the consensus established between these different actors (Gaziel 2010). The constructionist approach is used to understand what motivates policy reforms and to show the importance of the ideational factors in these changes. Thus, educational reforms are motivated by the perception of the world of the authorities which produce them.

4 METHODOLOGY

Two main education reforms regarding primary and secondary education are analyzed, one widespread in numerous countries around the world and the other one specific to the national context of Kazakhstan. These two reforms will have a deep impact on the whole education system and are still under progressive implementation. They have also been the object of numerous debates in the country.

The first one is the passage from an education of eleven years to twelve years launched in the official discourses since the beginning of the 2000s (Bridges 2014). This reform is an example of “policy borrowing” as it has especially been implemented in the post-Soviet space (Silova and Steiner-Khamsi 2008). The second one launched in 2011 is the introduction of a trilingual policy in schools in Kazakh, Russian and English which is a reform specific to the national context of Kazakhstan.

The differences of nature between these two reforms, one “imported” and the second one more “homemade” make them relevant to analyse discourses on international influence and national identity in two very different cases. Moreover, the reform about the extension of studies seems more technical, less directly connected to identity issues whereas the second one is directly linked to the national identity issues in Kazakhstan.

Official documents of central authorities are analyzed as well as local authorities documents. Indeed, as Kazakhstan is a very centralized country, discourses of local authorities probably reflect the government line. Newspapers articles that include interviews of officials on these education reforms are also used. Most of these documents are available online as they are public acts, official declarations, or legislations. Official documents from international organizations or international NGOs could also be an additional source in case they are used as points of reference for the internationalization policy by the Kazakh authorities.

5 CONCLUSIONS

Kazakhstani policy makers nowadays are not constrained by direct international pressure such as reforms to be implemented in exchange of foreign aid but rather by decisions taken at the national level. Thus, national policy makers have agency in their decisions and their discourses regarding education reforms.

These reforms can be perceived as a reaction of the government of Kazakhstan to globalization processes. In Central Asia, Kazakhstan is the country which has promoted the most English language, the only one to introduce English as a language of instruction (Anh and Smagulova 2022). In their studies about English language choices in Kazakhstan, Anh and Smagulova explain it by the country's economic aspirations to become one of the 30 global economies in the world and a stronger integration in the global economy than its neighbours partly due to the financial man of the oil production (Kissane 2007, Laruelle 2014). More than the causes of these reforms, this is interesting to analyze the goals of these reforms as they are presented in Kazakhstani discourses.

Education reforms discourses from Kazakhstani leaders are first addressed to the international community. For the case of the extension of studies, the goal is to show the belonging of Kazakhstan to the developed countries especially in the education field as for instance member of OECD committees or participating in PISA rankings. Moreover, political discourses underline that this extension of studies would foster the country's economic competitiveness allowing Kazakhstani students to study abroad more easily. Ensuring a multilingual education is also a way to signal that Kazakhstan is a multicultural country opened to the world thanks to the teaching of three languages, Kazakh, Russian and English.

Education reform discourses also address an internal audience and are associated with the legitimacy of Kazakhstan's authorities. The rhetoric of internationalization is also linked to internal power goals and to state's and nation's consolidation. Strengthening international prestige of Kazakhstan is supposed to strengthen the political legitimacy at home. Thus, state narratives about Kazakhstan as a transnationalized state do not go against the ideas of nationhood but are an integral part of it as analysed by Laruelle (2014) in her article about discourses on state identity. Nazerbayev carried the idea that he created a new nation state but that at the same time he brought an old people into modernity (ibid). Kazakh elites made the choice to frame the state legitimacy as being linked to their engagement with the international community. Economic prosperity brought by globalisation has also been fundamental in Nazerbayev's search for legitimacy. Restrictions on political freedom were legitimised in return by the economic growth and a future promised prosperity (Matveeva 2009). This leads to the question of the potential redefinition of the link between internationalisation and statehood or nationhood during the term of the new President Tokayev.

Soyal (2002) notes that transnational rhetoric should then be reconceptualized as structuring discourses on the national, which is the case on discourses about national identity and internationalization in Kazakhstan. Thus discourses about internationalization of education enable to strengthen a fragile national identity due to the multiethnic component of the country.

6 REFERENCES

Ahn, Elise S., and Juldys Smagulova. 2022. 'English Language Choices in Kazakhstan and Kyrgyzstan'. *World Englishes* 41(1): 9–23.

- Ariely, Gal. 2021. 'National Identity and Globalization: Findings from Cross-National Surveys'. In *Globalisation, Cultural Identity and Nation-Building: The Changing Paradigms*, Globalisation, Comparative Education and Policy Research, eds. Joseph Zajda and Suzanne Majhanovich. Dordrecht: Springer Netherlands, 17–35.
- Bridges, David, ed. 2014. *Educational Reform and Internationalisation: The Case of School Reform in Kazakhstan*. Cambridge, United Kingdom: Cambridge University Press.
- Hobsbawm, E. J. 1992. *Nations and Nationalism since 1780: Programme, Myth, Reality*. 2nd ed. Cambridge: Cambridge University Press.
- Gaziel, Haim H. 2010. 'Why Educational Reforms Fail: The Emergence and Failure of an Educational Reform: A Case Study from Israel'. In *Globalisation, Ideology and Education Policy Reforms*, Globalisation, Comparative Education and Policy Research, ed. Joseph Zajda. Dordrecht: Springer Netherlands, 49–62.
- Karabassova, Laura. 2020. 'Understanding Trilingual Education Reform in Kazakhstan: Why Is It Stalled?' In *Education in Central Asia: A Kaleidoscope of Challenges and Opportunities*, Education, Equity, Economy, ed. Denise Egéa. Cham: Springer International Publishing, 37–51.
- Kissane, Carolyn. 2007. 'Education: The Untapped Resource in Oil Rich Countries'. *Globalisation, Societies and Education* 5(2): 201–18.
- Laruelle, Marlene. 2014. 'The Three Discursive Paradigms of State Identity in Kazakhstan. Kazakhness, Kazakhstannes and Transnationalism'. In *Nationalism and Identity Construction in Central Asia. Dimensions, Dynamics and Directions*, ed. Mariya Omelicheva. Lanham: Lexington Books, 1–20.
- Mynbayeva, Aigerim, and Victoria Pogolian. 2014. 'Kazakhstani School Education Development from the 1930s: History and Current Trends'. *Italian Journal of Sociology of Education* 6(2): 30.
- Silova, Iveta. 2005. 'Traveling Policies: Hijacked in Central Asia'. *European Educational Research Journal* 4(1): 50–59.
- Silova, Iveta, and Gita Steiner-Khamsi, eds. 2008. *How NGOs React: Globalization and Education Reform in the Caucasus, Central Asia and Mongolia*. Bloomfield, CT: Kumarian Press.
- Soysal, Yasemin Nuhoglu. 2002. 'Locating Europe'. *European Societies* 4(3): 265–84.
- Steiner-Khamsi, Gita. 2002. 'Reterritorializing Educational Import'. In *Fabricating Europe: The Formation of an Education Space*, eds. António Nóvoa and Martin Lawn. Dordrecht: Springer Netherlands, 69–86.
- Tabaeva, Almira, Vanessa Ozawa, Naureen Durrani, and Hélène Thibault. 2021. *The Political Economy of Society and Education in Central Asia: A Scoping Literature Review*. Nazarbayev University: PEER Network.
- Tlemissov, Ulan et al. 2020. 'Features and Problems of Implementation of Trilingual System in the Secondary School in Kazakhstan'. *E3S Web Conf.* 159: 09005.

The ESG and CSR factor in election programs in the 2023 Kazakhstan Parliamentary elections

Altynay Mambetova

University of International Business

8-A, Abai Ave, Almaty, Kazakhstan

2190364M@gmail.com

ABSTRACT

The environmental, social and governance (ESG) and corporate social responsibility (CSR) concepts have caused a great divide among scholars and there is no agreed opinion on them. One camp supports the social responsibility of businesses while others are critical of businesses' responsibility. There is a vast body of literature in the field, but there is a limited number of studies on ESG and CSR in Kazakhstan. In Kazakhstan, these concepts are not as widespread as in more developed countries. This paper aims to analyze whether the ESG/CSR concept is implemented in the election programs of the political parties participating in the 2023 Kazakhstan Parliamentary elections by using the content analysis technique. The results have shown that only two (Baytaq and Respublica) out of seven political parties have mentioned ESG/CSR in their electoral programs.

KEYWORDS: elections, ESG in electoral programs, Kazakhstan Parliamentary elections, ESG in Kazakhstan, CSR in Kazakhstan

1. INTRODUCTION

The discussion on social corporate responsibility started in the 60s. Yet still, there is an ongoing discussion on the CSR and ESG in place. This debate on the responsibilities of businesses has produced various schools of thought. For example, stakeholder capitalism states that corporations have to serve the interests of all stakeholders in contrast to shareholder capitalism, which argues that corporations have to serve the interests of shareholders only. The role of business in sustainable development is undefined and vague. As a result of this controversy, new terms such as “greenwashing” have emerged. According to the Oxford English Dictionary, “greenwashing” is defined as “the creation or propagation of an unfounded or misleading environmentalist image” (2023). Talking about public goods, some people also can think of Adam Smith’s (1776) famous quote: “I have never known much good done by those who affected to trade for the *public good*.”

ESG stands for environmental, social and governance. In 2004 the term ESG was first introduced in the United Nations Global Compact report “Who cares wins: Connecting financial markets to a changing world”, which was the joint initiative of financial institutions invited by United Nations Secretary-General Kofi Annan. This report made a number of recommendations to consider environmental, social and governance factors for companies, investors, pension fund trustees, regulators, NGOs etc (United Nations Global Compact, 2004).

There is also a belief that the COVID-19 pandemic can accelerate the ESG trend. For example, J.P.Morgan’s (2020) research showed that the COVID-19 crisis would have a positive implication on ESG and suggested that the COVID-19 crisis is a “wake-up call for decision makers to prioritize a more sustainable approach to investment”.

In more developed countries, ESG reporting might be necessary to maintain good relationships with investors. However, controversy over ESG is still in place. As an example, U.S. President Joe Biden used a veto to defend the rule on ESG investing and to reject the Republican proposal (Reuters, 2023). In fact, that was the first veto during his presidency, which proves the great divide on ESG. In addition to that, the war in Ukraine has caused a new wave of debates over ESG as oil and gas companies started to boost and as result, conventional funds outperformed the performance of responsible investors (Temple-West, 2023).

It should be mentioned that despite the growing popularity of ESG, there is no unified definition of ESG, which sometimes makes it challenging to understand what ESG actually consists of.

ESG/CSR in Kazakhstan

In Kazakhstan, ESG popularity is growing. For example, the Kazakhstan Stock Exchange (KASE) joined the United Nations Sustainable Stock Exchanges (SSE) initiative in 2015 and in February 2020, the KASE “updated the requirements for annual reports, providing for additional disclosure of information on social responsibility and environmental friendliness for companies whose securities are in the “Main” category of the Exchange’s official list” (KASE, 2021). In addition to that, the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market is actively working to introduce ESG principles in the financial sector (2022).

With no doubt, Kazakhstan authorities understand the importance of CSR and they are working in this direction.

As an example, in 2014, the work was carried out to develop the National concept of corporate social responsibility of business in Kazakhstan, which was drafted by the "Atameken" (National Chamber of Entrepreneurs) together with the Eurasia Foundation of Central Asia. Later the draft Concept was submitted to the Government but there has not been any news on its approval since then.

In 2014, the Concept of social development of the Republic of Kazakhstan until 2030 and the Plan of social modernization for the period until 2016 were approved. This Concept defines joint solidarity principle, where there are three responsible parties: the state, business community and citizens. This principle implies the development of social partnership, when each party bears certain obligations and responsibilities to achieve a better quality of life and provide the full range of socio-economic opportunities. Even though this Concept has not addressed CSR as such, it is indirectly and partially implies CSR.

Another definition can be found in the Entrepreneurial Code of Kazakhstan, it defines the social responsibility of entrepreneurship as “the *voluntary* contribution of business entities to the development of social, environmental and other areas”.

Another example is the "Paryz" - competition on social responsibility of business that was introduced in 2008.

Considering the above, we can notice ongoing discussions and demand for ESG and CSR in Kazakhstan but more work needs to be done at the legislative level. Some references to CSR elements are present in legislation but they are fragmented.

2. LITERATURE REVIEW

The discussion on corporate social responsibility (CSR) has existed for a long time. There are two camps of opinions on the matter: those who support the idea of ESG and CSR and those who are critical of it.

Friedman (1970) published his famous work “The Social Responsibility of Business Is to Increase Its Profits” where he argued: “What does it mean to say that “business” has responsibilities? Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but “business” as a whole cannot be said to have responsibilities, even in this vague sense”. Besides, Friedman (1970) refers to the social responsibility of businesses as “hypocritical window dressing because it harms the foundations of a free society”.

Another criticism of the CSR and ESG principles is that they always come from a “top-down initiative of certain elites, not the result of widespread bottom-up demand from individual investors, consumers, and workers” (Lau, 2023, p. 3). Also, Lau (2023) argues that “much of the ESG charge is led by governments and elite non-governmental organizations like the World Economic Forum” (p. 3).

On the other hand, some scholars are optimistic about ESG. For example, Schwab and Malleret (2020) believe that there is even more positive outlook for ESG in the post-COVID-19 era due to several factors including due to increased sense of responsibility and social activism.

There is also a number of studies on correlation between ESG and financial performance. Some scholars such as Cornett et al. (2016), Statman and Glushkov (2009) discovered a positive correlation between US commercial banks’ financial performance and their CSR/ESG ranking.

3. RESEARCH QUESTIONS AND METHODOLOGY

The main research questions of this paper are the following:

- Are there ESG and CSR factors mentioned in the election programs of parties running the 2023 Kazakhstan Parliamentary elections?
- How popular is ESG/CSR in Kazakhstan election programs?

To date, no comprehensive study of ESG and CSR in Kazakhstan has been undertaken as far as the author knows.

In order to answer this question, a content analysis technique is employed in the study. Seven election programs were analyzed for the inclusion of ESG/CSR factors for the purpose of this research.

There are seven political parties running for the elections (Amanat, Aq Zhol, Auyl, Baytaq, National Social Democratic Party, People's Party of Kazakhstan, Respublica). Electoral programs were retrieved from the official web-sites of political parties.

It has to be noted that for the purpose of this research independent candidates’ electoral programs have not been considered.

4. SUMMARY OF KEY RESULTS

The result of content analysis has shown that only two political parties out of seven have mentioned ESG/CSR in their political programs. Namely, Respublica and Baytaq (Green Party).

Respublica mentioned CSR two times in its program. Respublica (2023) has suggested to “stimulate business to increase *corporate social responsibility*” because “this is especially important for increasing productive employment as well as improving social infrastructure”. (p. 19). Additionally, in order to promote the development of human capital, Respublica (2023) promised to provide the “expansion of practices and optimization of processes for implementing the principle of *corporate social responsibility*” and stated that “concern for the well-being of employees should become the national idea of a Kazakhstan employer” (p. 20).

Baytaq addressed ESG once in its electoral program. Baytaq (2023) intends to implement ESG in Kazakhstan within a 5-year timeline: “In the public administration system, in 5 years we intend to implement a project approach, similar to any commercial organizations. With the agreed timelines and resources, under the responsibility of individual managers. And the introduction of new international *ESG standard*” (p. 4). Nevertheless, the party does not provide a particular action plan and it is not clear

from the program how this party is going to implement this. In addition to that, it is not clear if the ESG is planned to be implemented in the public administration sector only or in the private sector.

According to the results, only these two political parties have mentioned ESG and CSR in their electoral programs. First of all, it is important to understand the nature of these two parties. Respublica is the party that mostly is represented by businessmen and entrepreneurs, which probably makes the issue of CSR of high relevance to them. Baytaq is the only green party running for the elections, which makes ESG relatable to their campaign.

Therefore, the fact of addressing CSR/ESG in their electoral programs most likely can be explained by the nature of the parties themselves and is correlated with their ideologies.

Table 1 summarizes the results of the content analysis.

Table 1. Political parties running for the 2023 Kazakhstan Parliamentary elections

	Party (in alphabetic order)	Year established	Brief overview	ESG/CSR mentioned in electoral programs
1.	Amanat	1999	The ruling party. Former “Nur Otan” party, in March 2022 changed its name to “Amanat”.	No
2.	Aq Jol	2002	Democratic party. Defines itself as a "constructive opposition", a business party and a follower of the Alash movement at the beginning of the 20th century.	No
3.	Auyl (translated from Kazakh as “Village”)	2015	The main core of the party's activity is problems of the countryside, the agro-industrial complex, and social security for the rural population.	No
4.	Baytaq	2022	Green party. Slogan - "Clean air, Clean water, Clean land - Clean human relations!".	Yes, ESG
5.	National Social Democratic Party	2006	Opposition party (self-declared).	No
6.	People's Party of Kazakhstan	2004	Socialistic party.	No
7.	Respublica	2023	New party mostly consisted of businessmen.	Yes, CSR

Source: official web-sites of political parties.

It is also worth noting that five parties (all parties except National Social Democratic Party and Respublica) addressed the environment in their electoral programs. Some parties addressed trade unions (National Social Democratic Party, People's Party of Kazakhstan, Baytaq) and sustainable development (Amanat, Baytaq).

This leads us to the conclusion that *some* of the ESG components were mentioned and addressed in the electoral programs of the parties separately. However, since there is no unified definition of ESG as such, the ESG concept itself has fallen apart and was fragmented into some of its components in the election programs.

Nevertheless, for the purpose of this research, electoral programs were analyzed to identify ESG and CSR concepts exclusively and not their separate components.

According to the election results held on March 19, 2023, Baytaq is the only party that has not reached a threshold (5%) and did not make it to the Majilis (the lower house of the Parliament of Kazakhstan). Interestingly, it was the only party that mentioned ESG in its electoral program. Consequently, ESG popularity in Kazakhstan political culture and its general understanding by the Kazakhstan electorate is in question.

5. CONCLUSION

Even though ESG/CSR is a relatively new field in Kazakhstan, this paper aimed to focus on the ESG/CSR factor in Kazakhstan's political culture. The fact that only two political parties (Baytaq and Respublika) have mentioned ESG/CSR in their electoral programs leads us to the conclusion that ESG/CSR popularity in Kazakhstan's political culture is low. Baytaq, the only party that addressed the ESG in their campaign, did not get to the Majilis, which can serve as evidence of low ESG's popularity among the electorate.

Despite the fact that ESG/CSR concepts themselves are debatable in nature, awareness about them and their general understanding is needed. The majority of mentioned parties actually have addressed some separate ESG components in their campaigns but not ESG itself. This is probably due to the lack of a unified definition of ESG, which complicates the process of understanding ESG itself. Therefore, possible areas for future research can include research of separate ESG components in electoral programs.

6. ACKNOWLEDGEMENTS

I would like to express my deepest gratitude to Dr Nygmet Ibadildin for his valuable contribution, kind guidance and continuous support.

REFERENCES

- Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market . (2022, November 16). *О работе Международной конференции «ESG – новая парадигма развития финансового рынка»* [Press release]. <https://www.gov.kz/memleket/entities/ardfm/press/article/details/109840>
- Amanat. Retrieved March 21, 2023, from <https://amanat2023.kz/kk/programs>
- Aq Jol. Retrieved March 21, 2023, from <https://akzhol.kz/ru/program>
- Auyl. Retrieved March 21, 2023, from <https://auyl.kz/>
- Baytaq. Retrieved March 21, 2023, from <https://baytaq.kz/program-ru/>
- Concept of social development of the Republic of Kazakhstan until 2030 and the Plan of social modernization for the period until 2016 (2014). Retrieved from <https://adilet.zan.kz/rus/docs/P1400000396>
- Cornett, M. M., Erhemjamts, O., & Tehranian, H. (2016). Greed or good deeds: An examination of the relation between corporate social responsibility and the financial performance of US commercial banks around the financial crisis. *Journal of Banking & Finance*, 70, 137-159.
- Entrepreneurial Code of Kazakhstan. Retrieved from <https://adilet.zan.kz/eng/docs/K1500000375>
- Friedman, M. (1970). The social responsibility of business is to increase its profits. *Corporate Ethics and Corporate Governance*, 173–178. https://doi.org/10.1007/978-3-540-70818-6_14

J.P.Morgan. (2020). *Why covid-19 could be a major turning point for ESG investing*. Why COVID-19 Could be a Major Turning Point for ESG Investing. Retrieved March 22, 2023, from https://www.jpmorgan.com/insights/research/covid-19-esg-investing?source=cib_pr_cc_esginvestinga0620

KASE (2021). *2021 Annual Report*. Retrieved from https://kase.kz/files/reports/KASE_meeting_2021_eng.pdf

Lau, M. (2023). ESG Is Mainly Top-Down Planning by Elites (ESG: Myths and Realities). National Social Democratic Party. Retrieved March 21, 2023, from <https://osdp.kz/ru/programma>

Oxford English Dictionary. (2023). Retrieved March 20, 2023, from <https://www.oed.com/>

People's Party of Kazakhstan. Retrieved March 21, 2023, from <https://halykpartiyasy.kz/ru/programma>

Respublica. Retrieved March 21, 2023, from <https://respublica-partiyasy.kz/docsru>

Reuters. (2023, March 20). *Biden uses first veto to defend rule on ESG investing*. Reuters. Retrieved from <https://www.reuters.com/business/sustainable-business/biden-vetoes-resolution-block-labor-dept-rule-esg-investing-2023-03-20/>

Schwab, K., & Malleret, T. (2020, March). The great reset. In *World economic forum, Geneva* (Vol. 22).

Smith, A. (1776). II. In *An inquiry into the nature and causes of the wealth of nations: By Adam Smith, ... in three volumes*. .. essay, printed for Messrs. Whitestone, Chamberlaine, W. Watson, Potts, S. Watson and 15 others in Dublin.

Statman, M., & Glushkov, D. (2009). The wages of social responsibility. *Financial Analysts Journal*, 65(4), 33-46.

Temple-West, P. (2022, May 23). Ukraine War creates new tensions for ESG Investors. *Financial Times*. Retrieved March 22, 2023, from <https://www.ft.com/content/b2869451-0899-4e02-8fc8-23d6d2ba9d17>

United Nations Global Compact. (2004). *Who cares wins: Connecting financial markets to a changing world*. New York.

FORMATION AND APPROACH TO REGIONALISM IN THE CONTEXT OF THE CENTRAL ASIAN REGION

Bagdat Akbiyeva/ Anita Halnazarova

KIMEP University, College of Social Sciences

Abay, 4, Almaty

Bagdat.Akbiyeva@kimep.kz; Anita.Halnazarova@kimep.kz

Sembinov Murat

Sorbonne-Kazakhstan Institute, KazNPU named after Abay University

Kazybek bi 28

muratsemb@mail.ru

ABSTRACT

This research article is devoted to the issue of regionalization. The authors note that regions are beginning to play a more important role in global political processes. Particular attention is paid to the "old" and "new" regionalisms in the article. Using the comparative method, as well as the method of analysis, the authors propose to consider, in the example of the Central Asian region, the defining features of regionalism. If the "old" regionalism implies a complex system of relations at different levels, and a partial transfer of state sovereignty, then the features of the "new" regionalism are the rejection of bureaucratic supranational institutions, the equality of participants and the opportunity to be members of other organizations. In addition, the article describes the characteristic features of Central Asian regionalism. The problem of choosing a model of this regionalism is determined by the need to form in the political culture such a value as democracy. The scientific novelty of the study is its comprehensive coverage of the theoretical aspects of regionalism and comparison of its various types, the Central Asian region, in some aspects on the example of Kazakhstan.

KEYWORDS: Central Asia, space, region, regionalization, regionalism, new regionalism, ASEAN, EAEU, concept, soft power.

INTRODUCTION

In the first wave of research on regionalism from the 1950s to the mid-1970s, many attempted to define regions "scientifically."¹ Scholars such as Russett, Cantori, and Spiegel and Thompson sought to identify the relationship between regionalism and these factors. as social, economic, political and organizational cohesion in a group of geographically close states [2]. On the other hand, there is now a metatheoretical consensus that regions are "politically created". Whereas currently, the regions are "politically created".

The term "region" is a rather complex and multidimensional concept, the study of which requires an interdisciplinary approach.

The notion of "region" is really difficult to define clearly a priori. In a field characterized primarily by disagreement, there is one thing most agree on: the concept of "region" and its derivatives have been used in a remarkably diverse, confusing and imprecise way by political scientists.[3]

Statement of the problem. Regionalization is a modern trend in global development. This phenomenon is associated with the second half of the 20th century. In addition, there are growing integration trends based on the equality of participants, the temporary nature of association, and the absence of bureaucratic supranational institutions.

These differences and particularities dictate the need to look at regionalization processes from a new perspective, which is due to a number of reasons. First, the problem of regionalization in the context of increasing globalization is topical, as it has a significant impact on the socio-economic and political spheres of the world community. Second, the intensification of globalization leads to the need to identify the processes that determine the logic and accents of modern regional development, which is directly reflected in the process of regionalization.

APPROACHES

Approaches to defining a region. Nowadays, regions are becoming more and more important. What is a region? There are six main approaches to the definition of "region" in modern science: administrative-territorial, territorial-geographic, social, complex and systemic. Only a few approaches should be highlighted. In particular, from the point of view of the territorial-economic approach, the region is considered a vast territory of the country with approximately the same natural conditions, and mainly - "with a characteristic direction of development of productive forces on the basis of the combination of a complex of natural resources and the corresponding social structure".

The systemic approach considers a region "as a territory distinguished from other territories by a certain number of characteristics and having a certain integrity and interconnection of its elements; as a system with its structure, its functions, its links with the external environment, its history, its culture, the living conditions of the population". The systemic approach is more characteristic of describing a region as an association of several states. In this case, the States are often united conditionally according to a specific trait: geographical (Western Europe, Middle East, North Africa, Southeast Asia), linguistic (Turkish-speaking countries, Arabic-speaking countries), religious (Christian countries). Western Europe, Muslim countries in the Middle East), ethnic (Turkish-speaking peoples of Central Asia). Thus, we can conclude that regions are becoming important actors on the international scene and that regionalism is an important trend in international relations.

"OLD AND NEW" REGIONALISM

Regionalism in the modernist sense involves the interaction of geographically close countries cooperating and seeking to create a regional mechanism. The stimulus is similar to the economic and historical experience of these states. The main objective of the cooperation is economic cooperation: the formation of a free trade area leads first to a customs union, then to a common market, an economic union, and a political union.⁴ However, the practice has shown that the transition from economic cooperation to political and security cooperation is only possible if it responds to the national interests of the States involved in this process.

Aspects of regionalization and borders of Central Asia. Central Asia is not a static region with defined borders. On the contrary, the region can be seen as a structure that can be built and reinforced, but which

can also be destroyed. The existence of a region and its borders depends on the actions of actors in different aspects.

We propose to look at various aspects of regionalization, including security, economy, energy, water issues and others. In some aspects, five countries are involved; in some respects, close cooperation between two or three countries in the region is more rational. In general, we include the territories of five countries, namely Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan, in defining the borders of Central Asia. But we still want to leave open the question of CA boundaries and allow case authors to come up with the most rational cooperation formats and number of participating countries for each aspect. While the CA-5 format involves the participation of all five countries, the CA-3 format may cover only three countries in the region. This approach is consistent with our position on promoting soft regionalism without creating cumbersome formal interstate organizations, but with creating platforms, formal and informal, to forestall the future and solve existing problems. Central Asia is an excellent example of a regional outward approach. regions, in which powerful states name and shape regions according to their own goals and interests.[5]

ACTORS

In terms of actors, what distinguishes this work on CA from many previous ones is that we pay particular attention to the role of non-state actors, including the expert community, commercial structures and non-governmental organizations. Although states are the main, if not dominant, actors in regional processes, their actions largely depend on various factors, including the position of non-state actors. These actors influence regionalization in Central Asia through the creation of discourses, influencing public opinion and the policies of individual state bodies, as well as other available instruments. A distinction can be made between actors inside and outside the region. External actors, state and non-state, also contribute significantly to the dynamics of regionalization in CA. If we talk about the role of external actors, we can distinguish two main approaches to regionalization in Central Asia.

CENTRAL ASIAN CASE

The first approach is followed by Russia and China, who find it more advantageous to interact with individual Central Asian countries than with a regional organization that represents the common interests of these countries. An alternative to bilateral cooperation is the inclusion of Central Asian states in organizations dominated by Russia or China. The Shanghai Cooperation Organization (SCO) and the EAEU are examples of this approach. The situation when Russia joined the Central Asian Union in 2004, or the discourse generated by nationalists in Russia during the consultative meeting of Central Asian heads of state in March 2018, also confirms the distrust of the actors when trying to deepen regional integration in Central Asia.[6]

Drawing on the ASEAN experience and the trend towards the proliferation of integrated regional economic partnerships, We suggest that Central Asian states adopt a similar strategy⁷. Soft regionalism is an alternative to hard regionalism. Hard regionalism creates interstate or supranational institutions with clear and intrusive rules governing many aspects of member states' activities. Examples are EU or EAEU.

Promoting soft regionalism in Central Asia has many benefits. There is no need for countries to sacrifice their sovereignty and transfer decision-making power to the regional level. There is no need to revise the agreements with the already established organizations to which the countries of the region are a party. This is particularly important for Kazakhstan which has joined the EAEU⁸. There will no longer be a need to look for “leaders” from the region, which has a negative impact on the attitude of the so-called slave countries towards regionalization. Kazakhstan, as a major player, does not need to bear the responsibility and costs of promoting soft regionalism.[9]

Currently, Central Asia is not an economically and politically consolidated region. The political interaction between countries is very contradictory and unpredictable. Within the region, economic interaction is complicated by a range of factors, including countries' choice of different models of economic development, different approaches to state intervention in the economy, and political liberalization of the society. Countries also differ in the degree of ideological pluralism and human rights. Without prejudice, the authorities of Kazakhstan and Kyrgyzstan are more liberal in this respect than those of Uzbekistan, Turkmenistan, and Tajikistan. The national laws of the countries differ significantly.

CONCLUSION

Central Asia lacks a regional leader willing to become a full-fledged integrator. States focus more on maintaining their own national interests than developing holistic relationships within the region. There is a special situation in the region: only three of the five states (Kazakhstan, Kyrgyzstan, and Tajikistan) are interested in economic integration both within the region and in a broader format. But the fragmentation of Central Asia will not be overcome in the medium term. The countries of the region are not yet aiming for economic unity. The homogeneity of their economies and their multi-vector foreign policy only reinforces this state of affairs. And global and regional states that have economic and political interests in the region are also not determined to form a regional unity. The article also describes the methodology of comparative regionalism, which focuses on the mechanisms of change in the process of regionalization. By identifying the mechanisms at work, similar trends in regional governance can be identified. Although this approach needs to be developed in further comparative research, one of its main strengths is that it is suitable for a wide range of comparative studies.

REFERENCES

ASEAN- officially the Association of Southeast Asian Nations, is an economic union comprising member states in Southeast Asia, which promotes intergovernmental cooperation and facilitates economic, political, security, military, educational, and sociocultural integration between its members and other countries in Asia.

Bruce M. Russett, 'International Regimes and the Study of Regions', *International Studies Quarterly*, 13:4 (1969), pp. 361–80; William R. Thompson, 'The Regional Subsystem: A Conceptual Explication and a Propositional Inventory', *International Studies Quarterly*, 17:1 (1973), pp. 89– 117; Louis J. Cantori and Steven L. Spiegel (eds), *The International Politics of Regions: A Comparative Approach* (Englewood Cliffs: Prentice- Hall, 1970).

Edward D. Mansfield and Helen V. Milner, 'The New Wave of Regionalism', *International Organization*, 53:3 (1999), pp. 589–627, p. 590; Andrew Hurrell, 'Regionalism in Theoretical Perspective', in Louise Fawcett and Andrew Hurrell (eds), *Regionalism in World Politics: Regional Organization and International Order* (Oxford: Oxford University Press, 1995), pp. 37–73.

Hurrell, 'Regionalism in Theoretical Perspective', p. 38.

Mikhailenko E.B. "Old" and "new" regionalism: theoretical discourse / Ed. by M. M. Lebedeva. Yekaterinburg: Urals University Press, 2014. 115-118 pg.

Qoraboyev (2010a). For outside-in construction of regions, see Neumann (1994) and Katzenstein (2005).
6. Suhrob Rustami, "Central Asia – Not Established Integration? / Publ. ed. By Suhrob Rustami. Bishkek: 2020. <https://www.caanetwork.org/archives/19909>.

The Eurasian Economic Union (EAEU) is an economic union of post-soviet states located in Eastern Europe, Western Asia and Central Asia. The Treaty on the Eurasian Economic Union was signed on 29 May 2014 by the leaders of Belarus, Kazakhstan, and Russia, and came into force on 1 January 2015.

Voskresensky A.D. Concepts of regionalization, regional subsystems, regional complexes, and regional transformations in modern international relations // Comparative Politics. - No2. 2012. - pg. 48.

Estimating the Effectiveness of Tobacco Control Policies in Kazakhstan Using Synthetic Control Methods

Laura Ungarova

KIMEP University, College of Social Science

2 Abai Ave., Almaty, Kazakhstan

ungarovalaura@gmail.com

ABSTRACT

According to the World Health Organization smoking is a known cause of lung cancer and premature death worldwide, with tobacco-related deaths exceeding 8 million annually. The top ten countries with the highest smoking population are mostly low- and middle-income nations and smoking constitute a significant portion of household expenses in these countries. Kazakhstan also faces high rates of smoking, with about 21% of the population actively smoking. Governments worldwide have implemented various tobacco control policies to reduce consumption, including restrictions on smoking in public places, advertising bans, age restrictions on sales, price controls, and education initiatives. However, the effectiveness of these policies varies, and Kazakhstan implemented a tobacco control policy in 2003, which set the minimum retail price for cigarettes. This study aims to analyze the effects of Kazakhstan's tobacco control policy using the synthetic control method (SCM), which creates a synthetic control group based on multiple control units. The study found that Tobacco policies positively impacted smoking tendencies, and consumption significantly dropped relative to a synthetic control region. SCM is a promising alternative approach for estimating the effectiveness of tobacco control policies, and future research should further explore its use in evaluating tobacco control policies, particularly in low- and middle-income countries.

KEYWORDS: Tobacco control policies, Smoking – prevention and control – economics, Synthetic control method (SCM), Kazakhstani government policies

1 INTRODUCTION

It is a well-known fact that smoking is one of the main reasons for lung cancer and preventable premature death worldwide (Web-1). According to recent research done by the World Health Organization (WHO) the number of people killed yearly due to tobacco exceeded 8 million. The top 10 countries with the most smoking population are Turkey (28,0 %), Indonesia (27,6 %), Russia (26,8 %), Greece (24,9 %), Hungary (24,9 %), Chile (24,5 %), France (24,0 %), China (21,5 %), Latvia (22,6%), Slovak Republic (21,0 %) (OECD Health Statistics, 2021). Most of these countries are low- and middle-income countries, and spending on smoking is a significant part of household expenses.

Statistic for Kazakhstan is also not optimistic; 21% of the population are active smokers (Web-1), which is almost 4 million people. Based on WHO forecast 50 % of smokers are at risk of preventable premature death caused by tobacco.

Governments of both developed and developing countries put significant efforts into controlling the situation of increasing number of smokers and try to reduce tobacco consumption. Governments implement various tobacco control policies including smoking restriction in public places, prohibition or

limitation of advertising of tobacco products, age restriction on sales, price controls via taxes and excises and attempts to influence the population through education and healthy lifestyle promotion.

Regular reviews of studies demonstrate that some interventions in tobacco consumption may be more effective and cost-effective than others. However, there is a consensus that government intervention is essential to prevent the population's health problems and decrease smoking-caused death.

Back in 2003 Kazakhstan implemented a tobacco control policy (Tobacco policy) by introducing the Law of "Government regulations of production and turnover (circulation) of tobacco products." which implied the setting of minimal retail prices for filtered and non-filtered cigarettes (Web-2).

Based on the general understanding of tobacco control policies and researches done in other countries Kazakhstani government assumes that implemented Tobacco policies reduce smoking rates. However, it is crucial to attempt to measure the effect of Tobacco policies in order to provide direction to the government on the significance of Tobacco policies. The finding should assist government planners and advocates of Tobacco policies in lobbying policies further.

The objective of this study is to analyze the effect of Kazakhstan tobacco control policies using the synthetic control method (SCM). The method is applied to assess the effects of the impact (in this case, the tobacco control policy implementation in Kazakhstan) relative to a comparable synthetic control region. We demonstrate that present Tobacco policies positively impacted smoking tendencies, and consumption dropped significantly in Kazakhstan relative to a comparable synthetic control region. It is estimated that by the year 2022 annual per capita nicotine-containing product sales in Kazakhstan will be about 26 packs lower than what they would have been in the absence of 2003 Tobacco policy.

2 METHODS

This research uses Synthetic control methods are used to evaluate Kazakhstan's tobacco control policies from 2003 to 2020. The synthetic control method is a statistical technique that creates a synthetic control unit by combining data from donor countries that closely resemble the target country (Kazakhstan). The synthetic control unit is constructed by weighting the donor countries in a way that best matches the pre-policy characteristics of the target country (Abadie et al., 2010).

Synthetic control methods have been developed to create a synthetic control group that approximates the characteristics of the treatment group. These methods involve combining multiple control units that have similar characteristics to the treatment group and using statistical techniques to estimate the counterfactual outcome in the absence of the policy intervention.

We follow the four-step process described by Abadie and Gardeazabal (2003) and Abadie et al. (2010). Our analysis's outcome variable $Y_{(k,t)}$ is cigarette sales per capita, measured in packs per person per year. The variable is chosen as it is a widely used indicator of tobacco consumption, and data were available from the Global Health Data Exchange (GHDx) for Kazakhstan and potential donor countries. Treatment variables (K) or implementation of specific tobacco control policies in Kazakhstan include excise tax, the smoking-free legislation, and health warnings. (Chelwa et al., 2015). Also, covariates (X) are introduced in the analysis. Covariates are variables that may affect both the treatment and outcome variables (Abadie & Gardeazabal, 2003). Covariates that could affect cigarette sales include Gross Domestic Product per capita (GDP per capita), population, and unemployment rate.

So, pre-intervention outcome:

$$Y_{(K,t)} = \beta_0 + \beta_1 X_{(K,t)} + \varepsilon_{(K,t)}, \quad (1)$$

where $Y_{(K,t)}$ is the smoking prevalence or tobacco consumption in Kazakhstan at time t for the treated unit (K), $X_{(K,t)}$ are the relevant covariates for Kazakhstan at time t , β_0 and β_1 are unknown parameters to be estimated, and $\varepsilon_{(K,t)}$ is the error term.

Potential control units:

$$Y_{(j,t)} = \beta_0 + \beta_1 X_{(j,t)} + \varepsilon_{(j,t)}, \quad (2)$$

where $Y_{(j,t)}$ is the smoking prevalence or tobacco consumption in a potential control unit j at time t , $X_{(j,t)}$ are the relevant covariates for potential control unit j at time t , β_0 and β_1 are unknown parameters to be estimated, and $\varepsilon_{(j,t)}$ is the error term.

Constructing the synthetic control unit:

$$SC(t) = \sum [W(j) \times Y_{(j,t)}], \quad (3)$$

where $SC(t)$ is the synthetic control unit for smoking prevalence or tobacco consumption in Kazakhstan at time t , $W(j)$ are the weights assigned to each potential control unit j , and $Y_{(j,t)}$ is the smoking prevalence or tobacco consumption in potential control unit j at time t .

Treatment effect:

$$TE = Y_{(K,t)} - SC(t), \quad (4)$$

where TE is the treatment effect of tobacco control policies in Kazakhstan at time t . It represents the difference between the actual smoking prevalence or tobacco consumption in Kazakhstan (treated unit) and the predicted smoking prevalence or tobacco consumption in Kazakhstan in the absence of the tobacco control policies (synthetic control unit).

The control group, otherwise referred to as the donor pool, would be the population that is not exposed to the policy intervention but is similar to the treatment group in terms of relevant socioeconomic, demographic, and health-related characteristics. The purpose of the control group is to provide a counterfactual comparison for estimating the causal effect of the policy intervention on the outcome of interest, such as a reduction in smoking prevalence or improvement in health outcomes.

According to Robert McClelland and Livia Mucciolo (2022) abundance of donors could increase the possibility of selecting a donor unit because of idiosyncratic shocks that make their outcomes appear similar to those of the treated unit if pretreatment outcomes are employed as predictors. This type of overfitting can result in biased findings because the chosen donor units may not have outcomes that match those of the treated unit.

The study identifies potential donor countries using the WHO's Framework Convention on Tobacco Control (FCTC) implementation database. The FCTC implementation database includes data on the implementation of tobacco control policies across countries, allowing for the identification of donor countries that have implemented similar tobacco control policies to Kazakhstan. A set of control countries with similar pre-intervention cigarette sales and covariate values to Kazakhstan was selected. The control group included Armenia, Azerbaijan, Belarus, Georgia, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, and Ukraine.

3 RESULTS

Table 1 presents the results of the estimation of the weights for each donor country to construct a synthetic control unit that closely resembles the treatment unit (Kazakhstan) before the implementation of tobacco control policies. We use the R package 'synth' to estimate the weights, which minimizes the difference between the pre-intervention trends of the outcome variable and covariates in the treatment and synthetic control units. According to Table 1, synthetic Kazakhstan is a linear combination of 40.1% of Belarus, 19.5. % of Armenia, 18.4 % of Georgia, 11.9 % of Kyrgyzstan 7.8 % of Azerbaijan, and 0.23 % of Ukraine. Based on the analysis, it can be inferred that the synthetic control for Kazakhstan primarily consists of nations that are members of the Customs Union, namely Belarus, Armenia, Georgia and Kyrgyzstan.

Table 1 Synthetic weights

Country	Weight
Armenia	0.195
Azerbaijan	0.078
Belarus	0.401
Georgia	0.184
Kyrgyzstan	0.119
Ukraine	0.023

According to the results presented in Table 2 the synthetic version of Kazakhstan is similar to the real Kazakhstan in all pre-treatment characteristics. Based on this finding, synthetic Kazakhstan can be used to estimate the treatment effect of tobacco control policies.

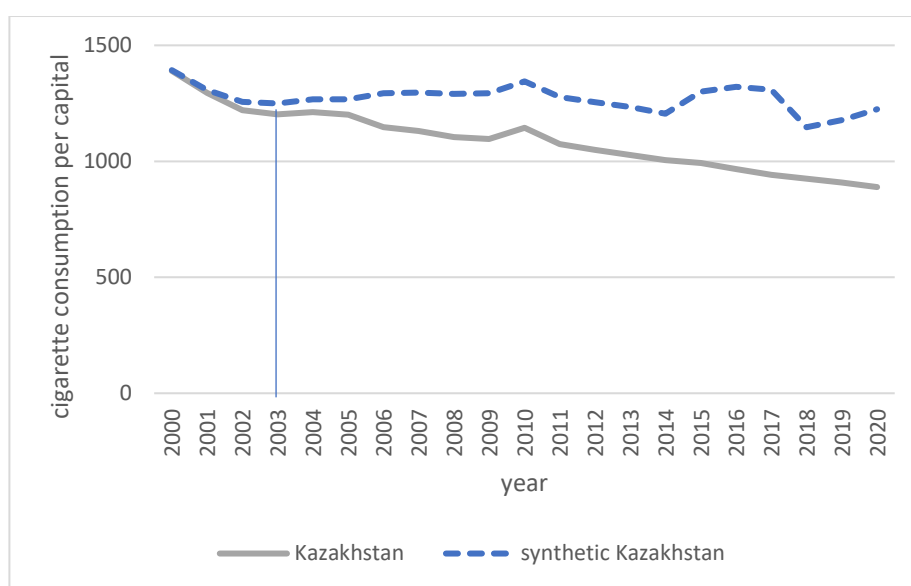
Table 2 Average pre-treatment characteristics for Kazakhstan and synthetic Kazakhstan

	Kazakhstan	synthetic Kazakhstan
Log of GDP per capita	13	13.056
Price per cigarette pack	0.78	1.04
Consumption	859	864
Proportion of adults in population	60.3	57.98
Unemployment	0.195	0.185

The SCM analysis showed that all three tobacco control policies implemented in Kazakhstan had a significant impact on reducing cigarette sales. The excise tax increase had the most substantial effect, leading to a 15.3% reduction in cigarette sales (Figure 1). The smoking-free legislation and health warnings also had a significant impact, leading to a 6.7% and 2.8% reduction in cigarette sales, respectively. The excise tax increase policy's effect was immediate, with a sharp decline in cigarette sales in the first year of implementation. The policy's effect persisted over time, with cigarette sales remaining lower than the in the pre-intervention period in all subsequent years. The smoking-free legislation and health warnings policies also had an immediate effect, with a decline in cigarette sales in the first year of implementation. However, the effect was less pronounced than the excise tax increase policy and tended to diminish over

time.

Figure 1 Treatment beginning in 2003



4 DISCUSSION

The research provides evidence that tobacco control policies, including excise tax increase, the smoking-free legislation, and health warnings, can effectively reduce cigarette consumption in Kazakhstan. The results suggest that policymakers should prioritize the implementation of these policies as part of comprehensive tobacco control efforts to reduce smoking prevalence and related health and economic costs.

The excise tax increase policy had the most substantial impact on cigarette sales, which is consistent with previous studies in other countries. Increasing the excise tax on tobacco products is an effective strategy to reduce tobacco use, as it raises the cost of smoking and makes it less affordable. The revenue generated from the tax increase can also be used to fund tobacco control programs or other public health initiatives. The smoking-free legislation and health warnings policies also had a significant impact on reducing cigarette sales, although the effect was less pronounced than the excise tax increase policy. The smoking-free legislation and health warnings can increase public awareness of the harmful effects of smoking and create a supportive environment for smokers who want to quit.

5 LIMITATIONS

This study has several limitations that should be considered when interpreting the results. First, the SCM method relies on the assumption that the control countries' outcomes and covariates are independent of the treatment unit's outcome. However, this assumption may not hold in practice, as some factors affecting cigarette sales may be correlated across countries.

Second, the study's findings may not generalize to other countries with different tobacco control policies or socio-economic contexts. The SCM method requires a suitable set of control countries, and the choice of the control group may affect the estimated treatment effect.

6 CONCLUSION

Despite these limitations, our study provides valuable insights into the effectiveness of tobacco control policies in Kazakhstan. The results suggest that increasing excise taxes, implementing smoking free legislation, and health warnings can effectively reduce cigarette consumption in the country. These findings may be helpful to policymakers in other countries with similar contexts who are interested in implementing evidence-based tobacco control policies.

REFERENCES

- World Health Organization. (2019). WHO report on the global tobacco epidemic, 2019: Offer help to quit tobacco use. World Health Organization.
- Abdujabarov, B. B., et al. (2016). Evaluating tobacco control policies in Central Asia: a review of the literature. *Tobacco Control*, 25(3), 344-352.
- Abadie, A., Diamond, A., & Hainmueller, J. (2010). Synthetic control methods for comparative case studies: Estimating the effect of California's tobacco control program. *Journal of the American Statistical Association*, 105(490), 493-505.
- Abadie, A., & Gardeazabal, J. (2003). The Economic Costs of Conflict: A Case Study of the Basque Country. *American Economic Review*, 93(1), 112-132.
- Bhattacharya, R., & Chakraborty, S. (2018). Can tobacco control policies be a win-win? A study of the simultaneous impact of tobacco control policies on smoking prevalence and tobacco tax revenue. *Social Science & Medicine*, pp. 211, 204-211.
- Chelwa, G., van Walbeek, C., & Blecher, E. (2019). Evaluating South Africa's Tobacco Control Initiative: A Synthetic Control Approach. *South African Journal of Economics*, 87(3), 292-310.
- Hahn, E., Hooper, M., Riker, C., Butler, K., Rademacher, K., Wiggins, A., & Rayens, M. (2017). Lung Cancer Worry and Home Screening for Radon and Secondhand Smoke in Renters. *Journal of Environmental Health*, 79(6), 8.
- McClelland, R., & Mucciolo, L. (2022). An Update on the Synthetic Control Method as a Tool to Understand State Policy. *Public Finance Review*, 50(1), 34-52.
- Vardavas, C. I., & Kondilis, B. K. (2014). A synthetic control analysis to evaluate the effect of a tobacco tax increase on smoking prevalence in Greece. *Tobacco Control*, 23(5), 470-476.
- Web sites:
- Web-1: <https://assets.tobaccocontrollaws.org/uploads/legislation/Serbia/Serbia-Tobacco-Control-Strategy.pdf>, consulted 17 January 2023.
- Web-2: <https://new.stat.gov.kz/ru/>, consulted 20 March 2023.
- Web-3: https://adilet.zan.kz/rus/docs/P070000260_, consulted 18 February 2023.

Urban community participation the case of Atyrau city

Bauyrzhan Zholguttiyev, MPMA 20123403

Aslan Tanekenov, Professor

CSS, KIMEP University, Almaty, Kazakhstan

Abstract:

In 2014 Atyrau city administration piloted first time ever the urban citizen's budget participatory project aimed to develop and improve local neighborhood infrastructure development as a model of urban citizens participation. Since then four projects has been implemented and author had a personal research interest how far these projects were successful from the scholarly perspective. Moreover, this initiated "participatory budget" of Atyrau city akimat was presented as best practice of citizen participation. However, there is a research gap which evaluates these piloted projects comprehensively by applying scholarly framework. This research focuses on assessment of Atyrau city "citizen's participatory budget" of local akimat as a model of urban citizen participation for neighborhood development.

In doing so, I argue that the Arnstein's model of 'ladder of participation' provides a robust means of operationalising the concept of 'citizen participation' in city development (Arnstein 1969; Roberts 2004).

Qualitative methods were selected as the most appropriate. 11 stakeholders were interviewed. The use of qualitative research provided a framework within which respondents could express their own understanding and views on the project "Participatory budget" of Atyrau city akimat.

My research showed that at first sight local akimat creates commission which ideally aims to involve all stakeholders such as NGO representatives, technical experts, deputies of local maslikhats, members of public councils, akimat representatives. However, in practice only Atyrau city akim decides in selection these all members. Thus, this is "cherry-peaking" as noted in Arnstein's model. Fieldwork research findings showed that people did not participate in monitoring of implementation of the projects and therefore most private companies selected to construct children playgrounds and other neighborhood developments are not responsible to local community residents and interviewed people are not satisfied with work qualities. Thus, there is no resident's participation at all.

Keywords: Participatory budget, citizens involvement, Arnstein's model

Main body

I. Introduction (and objective)

The researcher's interest in this topic began during author's work in Atyrau city Akimat between 2016-2019. Whilst in 2014 Atyrau city administration piloted first time ever the urban citizens budget participatory project aimed to develop and improve local neighborhood infrastructure development as a model of urban citizens participation. Since then four projects has been implemented and author had a personal research interest how far these projects were successful from the scholarly perspective. Moreover, this initiated "participatory budget" of Atyrau city akimat was presented as best practice of citizen participation. However, there is a research gap which evaluates these piloted projects comprehensively by applying scholarly framework. In doing so, I argue that the Arnstein's model of 'ladder of participation' provides a robust means of operationalizing the concept of 'citizen participation'

in city development (Arnstein 1969; Roberts 2004). This approach is thus central framework of the current study.

The aim of the work was to analyse the degree of Atyrau city citizens involvement in the pilot project "Participatory budget" of local akimat as a model of urban citizen participation for neighborhood development.

In order to accomplish the above noted purpose the following objectives were established:

1. To review the international and local practice of citizen participation in urban development;
2. To establish theoretical framework which may provide a comprehensive means of operationalizing the concept of 'citizen participation' in city neighborhood development projects analysis;
3. To analyse the "participatory budget" of Atyrau city akimat cases which is considered as an element of urban citizen participation in neighborhood development by local city authority;
4. To propose the main directions for improving the mechanism of interaction with the urban community in the city of Atyrau within the framework of participatory budget project;

II. Literature Review

In this section the dimensions citizen participation practice will be discussed both in international and local levels.

2.1. Communicative rationality

Organizing and exercising local power through local self-government ensures that citizens can independently resolve issues of local significance. Neighborhood self-government is practiced by the populace straightforwardly, as well as through chosen and different groups of nearby self-government, which are made in rustic and metropolitan networks of residents (Kuznetsov 2011, p.300). Local communities are groups of people who live close together within the boundaries of a village, town, street, or city block. Kazakhstan, like other post-communist nations, is going through a complicated process of systemic transformation. This involves moving away from a centralized totalitarian political system that was subordinate to the party communist ideology and into a system that is based on democracy and the free market and respects freedoms and civil rights. The state-political structure must be restructured deeply and on multiple levels as part of this process. Harlow (2012);

Among other things, the legal system must be changed, property and public life institutions must be rebuilt, and a market economy must be built for this process to be successful. The mindset shift of people who must resolutely abandon the communist legacy and adjust their views to the new conditions of a market economy is a very important part of this process. One of the stimuli for the improvement of the current political framework and social modernization of society in Kazakhstan ought to be the Idea for the Advancement of Neighborhood Self-Government in the Republic of Kazakhstan, endorsed on November 28, 2012.

In far off nations, critical experience has been aggregated in the activity of different models of neighborhood self-government. The order in which local self-government bodies are formed, the subjects of local self-government, the nature and characteristics of the relationship between local self-government bodies and state authorities, etc., differ between these models. The United Kingdom, the United States, Canada, Australia, and a number of other nations utilize the Anglo-Saxon municipal system. Traditionally, it is referred to as the first municipal system (Korolka 2011, p.270).

In the United States, there are three main types of urban government organizations.

"Mayor-council system," which is in use in more than half of all cities in the United States that are self-governing. We can discuss a "strong" and "weak" mayor in this instance. The method by which the mayor is elected (either directly by residents or by the municipal council) has an impact on the mayor's power and position within the municipal government system. The municipal councilor who receives the most votes in the advice elections is another option for electing the mayor. The Council-Mayor model is

currently used primarily in small communities, which include roughly two-thirds of US cities with populations between five and ten thousand (Grigoryeva 2013, p.250).

"Chamber chief framework" (or "city director"). Almost 40% of the time, this type of city government is used. The manager (city manager), who is employed by the mayor and the council, oversees both the city administration and the city as a private enterprise.

In small towns, the third type of city government in the United States, called "commission," is very uncommon. City government is run by a commission that is usually made up of five people who are elected by the people. The heads of the main divisions of the municipal government apparatus and the council are simultaneously carried out by members of the commission.

The French (Continental) system was the second major municipal system. The nature of the relationship between local governments and public authorities is the primary distinction between the French and Anglo-Saxon systems of local self-government. This kind of system is used in states that have a long history of putting a lot of power in the hands of the state rather than the local government. After the 1982 adoption of the Law "On the Rights and Freedoms of Local Collectives," the final contours of this system were established:

- The commune is the fundamental unit of local self-government; the commune's population elects the municipal council for a six-year term;
- All French citizens over the age of 18 are eligible to vote;
- with the exception of those issues that directly represent the mayor's powers, the municipal council's competence extends to the resolution of all issues of local significance;
- Decisions made by the council that fall under its purview become law if they are made public and sent to the department's state representative;
- the mayor, who serves as chairman of the commune, is elected by the municipal council during its first session; prepares and implements the municipal council's decisions during its sessions;
- has the authority to conduct civil legal transactions and manages the commune's property; represents the commune's interests in the judiciary;
- hires employees and decides on administrative rewards and punishments; directs managerial panels, and so on (Tulchinsky 2014, p.120).

The European Charter of Local Self-Government, which was launched on October 15, 1985, and came into effect on September 1, 1988, is Europe's most significant source of municipal law. It was developed and adopted by the Council of Europe on the initiative of the Permanent Conference of Local and Regional Authorities in Europe, which is now known as the Congress of Local and Regional Authorities of Europe. In addition to the general principles and provisions governing the implementation of local self-government in Europe, this document makes certain Charter provisions binding on signatory nations. These are things like the right of local self-government to choose their internal administrative structures and guarantees that local self-government will protect the territory. A provision on the conditions for the exercise of powers at the local level, funding sources for local governments, and administrative control over their activities are also included in the Charter. The right of local self-government bodies to associate and the right to judicial protection to ensure the free exercise of their powers are also enshrined in the Charter.

The second principle of the European Charter for Local Self-Government receives particular attention: the organizational isolation of local self-government within society's and the state's governance system. The following rules are set by law:

- 1) Local self-government bodies cannot be established, nor can local self-government officials be appointed by state officials;
- 2) It is against the law for public officials and authorities to implement local self-government;
- 3) Local self-government officials are not classified as civil servants;

4) The bodies and officials of local self-government that made decisions can either reverse them or declare them invalid by a court decision. This principle is not being applied at this point in the reform of Kazakhstan's local self-government (Black 2010, p.180).

In practice, there are two main models of local self-government that originated in Europe and have since spread to other parts of the world: the Anglo-Saxon model and the continental model.

Most countries with the same legal system use the Anglo-Saxon model: Incredible England, the USA, Canada, India, Australia, New Zealand, and so on. Features of it:

- a high level of autonomy when it comes to local self-government, elections, and primarily population control; absence of special state commissioners on the ground to oversee local self-government bodies;
- absence of local administrations (bodies of the local government).

"To act independently within the limits of the powers granted" is the guiding principle here (in the United Kingdom, powers are granted by the country's parliament, i.e. from the "center," whereas in the United States, powers are granted by the states, i.e. at the regional level). Within the confines of the law, custom, established practice, and judicial precedent, elected bodies of local self-government independently and under their own responsibility resolve issues that are outside the state's purview. State regulation can be carried out in an indirect way, for instance, by adopting model laws that local governments can modify to apply to their territory. Judicial control is how the state exercises control over the activities of local self-government bodies. Subsidies from the state are a means of influence.

The mainland model is far reaching in the nations of mainland Europe (France, Italy, Spain, Belgium) and in many nations of Latin America, the Center East, French-speaking Africa.

The characteristics that set it apart are as follows:

- combination of elective and appointed local administrations and local self-government (public authorities at the local level); a particular management system's hierarchy, with local self-government at the bottom and the state at the top;
- restricted local government autonomy; presence of special state commissioners on the ground to oversee local self-government bodies.

Local self-government is provided at the commune level in France, and the larger cantons and districts are local levels of government. Elements of self-government reappear at the departmental level, but state power completely replaces it at the regional level. The commune is the most important link in local self-government. Each commune has its own council and mayor, who are elected by the council's deputies. The municipality is made up of the mayor and permanent deputies of the municipal council. The mayor also works for the government. The mayor's activities are managed by the municipal council and the Commissioner of the Republic, who also has administrative control. The latter also keeps an eye on whether the commune's decisions are legitimate and, if necessary, applies to the court to have them overturned (meaning that the municipal council no longer has administrative control) Harlow (2012)

International experience demonstrates that even within the same nation, models of local self-government vary significantly based on economic, cultural, and other factors. The country's state structure affects how local self-government works. In contrast to unitary states, federal states decide how to regulate local self-government under the constitution.

Local and self-government are combined in Kazakhstan's mixed government structure. Experts from other countries say that the Kazakh model is in line with international practice because there are mixed models that combine aspects of the Anglo-Saxon and continental traditions in some post-socialist and developing nations, as well as in Germany, Austria, and Japan.

The Republic of Kazakhstan's 1995 Constitution serves as the legal basis for local self-government in our republic. The Republic recognizes local self-government, which ensures that the population can independently resolve issues of local significance (paragraph 1 of Article 89). Within the parameters stipulated by law (clause 3 of Article 89), the citizens themselves determine the procedure for organizing and operating local self-government bodies Korolka (2011, p.270). One type of LSG is maslikhats of all

levels. The designation of maslikhats as the foundation upon which local self-government was established is not an accident. Because they are elected by the local population and are tasked with directly resolving issues pertaining to their administrative-territorial units, local representative bodies and bodies of local communities share the same legal status. The Constitution established the fundamental guidelines for local self-government, which are based on the concept of convergence between self-government and local government systems.

In the democratic system, local self-government was recognized as a political institution. Local self-government is much more complicated than its formal modern constitutional and legal status because of its nature. Local self-government's internal nature can be seen in many forms, including its political component.

The Law of the Republic of Kazakhstan "On Local Public Administration" from 21 2001 Grigoryeva (2013, p.250) is another normative act that regulates local self-government.

As a result, Kazakhstan's current local representative bodies, known as maslikhats, were given the legal authority to establish a modern system of local self-government. Citizens were also given the authority to establish additional local self-government bodies. In any case, such a long time, because of holes in the regulation, they couldn't utilize the powers endorsed on paper.

As can be seen, the majority of Kazakhstan's reforms, including those pertaining to the budget, taxes, and pensions, were carried out fairly rapidly. This is typical of Kazakhstan's public administration style in general. The exception is the local self-government reform, which the state implements with extreme caution and graduality. Round tables and seminars on LSG issues have been held at various levels over the years, and the draft law on LSG has been discussed twice. However, the issue has not been adequately addressed.

2007 saw some shifts in the direction of expanding local self-government. Issues pertaining to local self-government in Kazakhstan have been conceptually resolved in accordance with the amendments and additions made to the country's Constitution by the Law of the Republic of Kazakhstan "On amendments and additions to the Constitution of the Republic of Kazakhstan" dated May 21, 2007 Tulchinsky (2014, p.120)

First, the prohibition against merging public and state institutions, which would have allowed local governments to carry out state functions, was removed.

Second, it has been established that the people directly exercise local self-government, as well as through maslikhats elected through free, secret, direct, and universal suffrage and other local self-government bodies in local communities that encompass territories with a high density of population groups.

Thirdly, the maslikhats' terms of office have been extended to five years.

In accordance with the law, certain state functions may be delegated to local self-government bodies.

The Law of the Republic of Kazakhstan, which was enacted in February 2009 and is titled "On amendments and additions to certain legislative acts of the Republic of Kazakhstan on issues of local government and self-government," serves as the foundation for the current state of local self-government in Kazakhstan Black (2010, p.180). Within the region, district, city, district within the city, aul (rural) district, township, and aul (village) that is not part of the aul (rural) district, local self-government will now be exercised. The executive body, akim of the region (city of republican significance, the capital), district (city of regional significance), district in the city, city of district meaning, aul (rural) district, settlement, and aul (village), and the representative body, maslikhats of the region (city of republican significance, the capital). In addition to carrying out official duties, rural akims are given the opportunity to legitimately resolve issues pertaining to local self-government.

Akims will simultaneously carry out the duties of local government and resolve issues of local importance while also being incorporated into the system of local self-government.

Appointments for akims at all levels will be made with the approval of maslikhats. Additionally, the maslikhat's method for denouncing the akim is being streamlined: Previously, it required two-thirds of the votes cast by maslikhat deputies to be approved; now, a simple majority of votes is sufficient.

However, a number of issues remained unaddressed after this law was passed:

- Maslikhats of all levels serve as the primary bodies of local self-government; however, the nature of LSG is not clearly defined.

Local self-government and local state administration are not clearly distinguished. Although local self-governments have the ability to delegate state functions, the powers of maslikhats are limited by Article 88 (paragraph 2) of the Republic of Kazakhstan's Constitution. According to this article, changes to one's income or expenses should only be made if the akimat yields a positive result.

We are able to reach the following conclusions following an examination of the Republic of Kazakhstan's documents and legislative acts pertaining to LSG issues:

- Local communities in aul (rural) districts are unable to exercise their rights through maslikhats; - regional akims' competence is unclear. Whether they are the community's leaders or the President's representatives on the ground.

- Maslikhat does not have the same rights as a legal entity and does not have a clear organizational status, which causes LSG to be financially and economically suspended.

For recommendations to be made, all of these points must be discussed on the ground. Naturally, in order for the LSG reform to be successful, legislative acts will need to be changed.

The main issue of LSG underdevelopment is the spending plan. More specifically, its absence from the maslikhats' structure. Normally, they need their own spending plan so as not to make sense of and demonstrate in the district the need to make buys, exchanges and not to sit tight for the following contest, delicate and move, at last, the actual assets.

It is possible to argue that local governments play a special role in addressing the issues of the country's transition to sustainable development, determining the importance of local governments in the political system of the Republic of Kazakhstan. Self-government that is logically organized enables the efficient use of local resources, lessens social unrest, and boosts public trust in the authorities. Utilizing the population's potential for self-organization and self-government to improve living conditions is the most important stabilization factor in light of globalization processes in the economy and politics, as well as the food and financial crises. The development of society can be accelerated by local self-government, which can do so by increasing the population's involvement in resolving important problems and providing additional internal incentives for self-promotion.

One of the most important parts of building a state should be improving local self-government. The state's involvement in the formation and growth of local self-government as a whole ought to grow.

Instead of directly participating in the resolution of issues of local significance, strengthening the state's role in coordinating all processes of state building that influence the development of municipalities should be the goal of strengthening the state's role in relation to municipalities.

Chapter 3. Theoretical framework: Arnstein's model of citizen participation

The purpose of this chapter is to propose the conceptual framework that is applied throughout the rest of this thesis. I will argue that the Arnstein's model provides a robust means of operationalizing the concept of 'citizen participation' in city development. The approach is thus central framework of the current study. Citizen participation has been defined by Arnstein (1969): citizen participation is defined as participation in the planning and administrative processes of government. It is the interaction between citizens and administrators that focuses on policy issues and service delivery. As such, it differs from political participation, which encompasses voting or contacting elected officials. It also differs from the broader concept of civic engagement where individuals support their community through volunteer efforts and civic activism. In this context, citizen participation is considered to have a direct impact on

neighborhood development, service delivery, policy formulation and implementation. Citizens are viewed as an integral part of the governance process and their active involvement is considered essential to the critical decisions facing a community (Arnstein 1969; Roberts 2004).

Arnstein's Ladder features eight "rungs" that describe three general forms of citizen power in democratic decision-making: Nonparticipation (no power), Degrees of Tokenism (counterfeit power), and Degrees of Citizen Power (actual power).

3.1. MANIPULATION

In the name of citizen participation, people are placed on rubberstamp advisory committees or advisory boards for the express purpose of "educating" them or engineering their support. Instead of genuine citizen participation, the bottom rung of the ladder signifies the distortion of participation into a public relations vehicle by powerholders. An "illusory" form of participation, manipulation occurs when public institutions, officials, or administrators mislead citizens into believing they are being given power in a process that has been intentionally manufactured to deny them power.

3.2. THERAPY

In some respects, group therapy, masked as citizen participation, should rung of the ladder because it is both dishonest and arrogant. Its administrator's mental health experts from social workers to psychiatrists assume that powerlessness is synonymous with mental illness. On this assumption, under a masquerade of involving citizens in planning, the experts subject the citizens to clinical group therapy. According to Arnstein: What makes this form of "participation" so invidious is that citizens are engaged in extensive activity, but the focus of it is on curing them of their "pathology" rather than changing the racism and victimization that create their "pathologies."

3.3. INFORMING

Informing citizens of their rights, responsibilities, and options can be the most important first step toward legitimate citizen participation. However, too frequently the emphasis is placed on a one-way flow of information from officials to citizens with no channel provided for feedback and no power for negotiation. Under these conditions, particularly when information is provided at a late stage in planning, people have little opportunity to influence the program designed "for their benefit." The most frequent tools used for such one-way communication are the news media, pamphlets, posters, and responses to inquiries.

3.4. CONSULTATION

Similarly, Arnstein notes that "Inviting citizens opinions, like informing them, can be a legitimate step toward their full participation". But if consulting them is not combined with other modes of participation, this rung of the ladder is still a sham since it offers no assurance that citizen concerns and ideas will be considered. The most frequent methods used for consulting people are attitude surveys, neighborhood meetings, and public hearings. When power holders restrict the input of citizens' ideas solely to this level, participation remains just a window-dressing ritual. People are primarily perceived as statistical abstractions, and participation is measured by how many come to meetings, take brochures home, or answer a questionnaire. What citizens achieve in all this activity is that they have 'participated in participation.' And what powerholders achieve is the evidence that they have gone through the required motions of involving those people.

3.5. PLACATION

It is at this level that citizens begin to have some degree of influence though tokenism is still apparent. An example of placation strategy is to place a few hand-picked "worthy" poor on boards of Community Action Agencies or on public bodies like the board of education, police commission, or housing authority. If they are not accountable to a constituency in the community and if the traditional power elite hold the majority of seats, the have-nots can be easily outvoted and outfoxed. Another example is the Model Cities advisory and planning committees. They allow citizens to advise or plan ad infinitum but retain for powerholders the right to judge the legitimacy or feasibility of the advice. The degree to which

citizens are actually placated, of course, depends largely on two factors: the quality of technical assistance they have in articulating their priorities; and the extent to which the community has been organized to press for those priorities.

3.6. PARTNERSHIP

Participation as partnership occurs when public institutions, officials, or administrators allow citizens to negotiate better deals, veto decisions, share funding, or put forward requests that are at least partially fulfilled. According to Arnstein: At this rung of the ladder, power is in fact redistributed through negotiation between citizens and powerholders. They agree to share planning and decision-making responsibilities through such structures as joint policy boards, planning committees and mechanisms for resolving impasses. After the ground rules have been established through some form of give-and-take, they are not subject to unilateral change.

Partnership can work most effectively when there is an organized power-base in the community to which the citizen leaders are accountable; when the citizens group has the financial resources to pay its leaders reasonable honoraria for their time-consuming efforts; and when the group has the resources to hire (and fire) its own technicians, lawyers, and community organizers. With these ingredients, citizens have some genuine bargaining influence over the outcome of the plan (as long as both parties find it useful to maintain the partnership). One community leader described it "like coming to city hall with hat on head instead of in hand."

3.7. DELEGATED POWER

Negotiations between citizens and public officials can also result in citizens achieving dominant decision-making authority over a particular plan or program. Model City policy boards or CAA delegate agencies on which citizens have a clear majority of seats and genuine specified powers are typical examples. At this level, the ladder has been scaled to the point where citizens hold the significant cards to assure accountability of the program to them. To resolve differences, powerholders need to start the bargaining process rather than respond to pressure from the other end.

3.8. CITIZEN CONTROL

Demands for community-controlled schools, and neighborhood control are on the increase. Though no one in the nation has absolute control, it is very important that the rhetoric not be confused with intent. People are simply demanding that degree of power (or control) which guarantees that participants or residents can govern a program or an institution, be in full charge of policy and managerial aspects, and be able to negotiate the conditions under which "outsiders" may change them.

III. Research methodology (and data collection tool)

The research is based on qualitative methods and the reasons this approach was chosen are discussed later.

The study was based on the project "Participatory budget" of Atyrau city akimat.

The research period of the works February 2022 to march 2023

Sampling

First, interviews were conducted with four Big Issue representatives of the administration of the city of Atyrau, who included:

- Interview with, Head of the City Construction Department on the project "Participatory budget" of Atyrau city akimat Mr. Batyrzhan Musakayev
- Interview with Head of the Department of Culture, Language Development, Physical Culture and Sports, on the project "Participatory budget" of Atyrau city akimat Mr.Nurbek Akhmediyarov
- Interview questions to Deputy Akim of Atyrau city, Chairman of the Commission on the project "Participatory Budget" to Mr. Zhumabek Karazhanov

- Interview with deputy of Atyrau city maslikhat, on the project "Participatory budget of Atyrau city akimat Mr. Nurbol Kurman

The reason for sampling both top management and front-line staff was to get both wider perspectives on their views, beliefs and also, more importantly, to get closer to practical experiences.

Second, three interviews were conducted with Residents of Atyrau city.

The third group of interviews was with external people to obtain independent views on the project "Participatory budget" of Atyrau city akimat

List of Interviewees

Name	Organization and Designation
Mr. Batyrzhan Musakayev	Head of the City Construction Department on the project "Participatory budget" of Atyrau city akimat
Mr. Nurbek Akhmediyarov	Head of the Department of Culture, Language Development, Physical Culture and Sports, on the project "Participatory budget" of Atyrau city akimat
Mr. Zhumabek Karazhanov	Deputy Akim of Atyrau city, Chairman of the Commission on the project "Participatory Budget"
Mr. Nurbol Kurman	deputy of Atyrau city maslikhat, on the project "Participatory budget" of Atyrau city akimat
The head of Individual Entrepreneur Grand Asia, Ms. Aiziya Shaizadinovna, The head of Business Stroy Limited Liability Partnership, Mr. Timur Tursungalieovich	External interviewees
Mr. Azamat	Residents of Atyrau city (Nursaya microdistrict, houses 25,26,27,28,29)
Mr. Makhambet	Residents of Atyrau city (territory of the house on Gaidar Street)
Ms. Gulzhamal	Residents of Atyrau (17 Abay Street)

Approach to research: rationale for the interview approach

Prior to undertaking the fieldwork, it was necessary to decide whether to pursue quantitative or qualitative research.

Qualitative methods were selected as the most appropriate. The reason for undertaking qualitative research was to assess the opinions of the respondents. The use of qualitative research provided a framework within which respondents could express their own understanding and views on the project "Participatory budget" of Atyrau city akimat. Qualitative data was considered the most appropriate way in which to illustrate these. Using this approach has many advantages:

The researcher is able to obtain greater depth of information and insight

It creates a rapport between the interviewer and interviewee

Face to face interaction between the researcher and the respondent enables points to be clarified if necessary

They can interpret information that written responses would not, in terms of facial expression and body language

On the other hand, the interview approach does have some potential disadvantages. For example, an interview method can induce bias, if the interviewer only follows up leads which he/she finds important.

Interviewing

In the introductory section to the interview the researcher thanked the interviewee for the time provided and introduced himself. He then explained the purpose of the interview, outlined the nature and length of the topic guide and assured that information gained would be used in this dissertation only and would not be available in the public domain. The researcher then requested permission to tape the interview and make notes.

Also, as the researcher conducted the fieldwork process, some further interview topic questions were added to get further in-depth insight and views.

IV. Results (Data analysis with critical thinking and discussion)

- Present key findings by using both text and illustrative materials (tables and figures)

V. General Discussion (Summary, conclusion and recommendations)

I propose the following important actions that need to be taken to increase the effectiveness of this project:

1. Work out the tactics of the information campaign. An effective information campaign implies not only an explanation of the purpose of the project, but also advisory support to citizens at each stage of the project.

The most understandable and precise instructions for working with documents will significantly expand the circle of participants, reduce consultation time and improve the quality of applications. To do this, you need to lay the maximum possible time and carefully consider the campaign itself.

2. Improve coordination. Establishing internal processes and training civil servants is an important part of the success of the participation budget. Often, it is the inconsistency of work processes that leads to a decrease in overall confidence in the participation budget, both among residents and among the administration staff themselves.

3. Simplify the path from idea to project implementation. A competition of ideas, rather than ready-made project proposals with sketches and estimates, would be more optimal and would not alienate citizens from the idea of a participation budget. Submitting projects on behalf of communities rather than individuals is very important. This will help avoid conflict situations in the future.

4. Citizen voting technical process for projects make user friendly. Logging in to the voting system should be developed based on the use of a combination of PIN and a one-time SMS password. The use of EDS for voting is a serious barrier to the participation of citizens.

5. Membership in selection committee of participatory budget projects of Atyrau city. To improve the participation budget mechanism, it is necessary to involve experts, NGOs and urban communities not selected by city akims rather self-nomination, involve community leaders or any members of project beneficiaries.

6. It is necessary to clearly formulate the task of implementing the participation budget. This is a way to give residents a practical tool to promote their own initiatives and control changes in their living environment, to truly involve them in decision-making processes about their neighborhood and city.

7. In order for this to happen, the most important task is to effectively communicate the goals and essence of the participation budget to residents, using feedback from residents at all stages of this project, starting with formulating its goal and developing its algorithm. The Akimat of the city of Atyrau preferred to develop the entire project on its own, behind closed doors, and present it to the public only on the eve of its launch.

8. In particular, the timeline of the project started immediately from the application stage and did not even involve a proper information campaign. It was important to provide enough time for it so that the townspeople could learn all the information and take part. Active communication - at least 2-3 months before the start of applications - should use the media, online, various NGOs and dialogue platforms.

The information campaign for the next participation budget should start one month after the approval of the budget for 2024.

9. Members of the public noted difficulties at the stage of filing applications by residents and barriers in the form of requirements for the availability of specific documentation, the provision of complex calculations in a short time. For many, this left the impression that the entire competition was held not for the projects of citizens, but for contractors in the field of improvement. This idea was prompted by the circle of categories outlined by the organizers for projects, and the excessive professionalism of the submitted applications.

10. The preparatory work had to be carried out in a comprehensive manner and include not only informing citizens, but also workshops, consultations on the formation of project applications. This activity is unusual for most citizens who have ideas for improving the living environment. A competition of ideas, rather than project proposals with sketches and estimates, would be more constructive and would not alienate too many citizens from the idea.

Further, the following variant of implementation of the participation budget is possible. After voting for the ideas, expert panels (to which, in my opinion, independent designers and architects should be invited, paying their working hours) help the applicants to finalize them, and they are included in the implementation plan. If the total of all winning projects' estimates exceeds the District's allocated Participation Budget for that year, all of these projects will be extended by two years and the District's Participation Budget will be reduced by the amount of the excess the following year.

11. It is very important that projects or ideas are submitted not by “loners”, but by communities. To do this, applications for participation in the participation budget should be supplemented with criteria that will help to establish that this idea is supported by the initiative group, and not by one resident. This will help to avoid conflict situations at the implementation stage in the future.

12. Voting should be more inclusive. Mandatory use of EDS for voting is a very serious barrier to the involvement of citizens. Logging into the system for voting should be worked out based on the use of a one-time SMS password.

In Atyrau, the participation budget has been developed and is being implemented with little or no participation from residents. This situation carries several risks. First of all, it is trust in the pilot project, selection, voting and in the applications themselves, which will be selected. If citizens do not trust the process, being effectively excluded from it, then the entire project will fail not only in the pilot version, but also in subsequent ones. Secondly, the complete absence of a communication campaign and too short a deadline for submitting applications will affect the number and quality of applications, and a small coverage of the population will turn all participation into a formality.

After the analysis, I noticed that the very essence of the participation budget is not clear - instead of the goals of the maximum possible involvement of citizens in decision-making processes, the whole project comes down to the implementation of improvement plans, which are already part of the tasks of local authorities. Citizens turned out to be limited in their ability to speak out about what they really care about, for example, social problems. Necessary preliminary work has not been carried out - for example, a needs assessment by district, or an analysis of how widely residents use the EDS, the presence of which is determined by the condition for voting for project proposals.

I would especially like to emphasize the following. The idea of a participatory budget offers a unique mechanism for improving budget literacy and citizen participation, as well as improving the efficiency of spending taxpayers' money. I am positive about this pilot project, but categorically against a hasty, half-hearted, imitation approach that can discredit the entire project in the eyes of society. I believe that the Akimat of the city of Atyrau should make much more efforts to improve the tools with the direct participation of active citizens, the expert community, and non-governmental organizations.

I propose the following amendments to the text of the Regulations

13. The composition of the Expert Councils should be limited to experts who will decide on the quality of applications. When residents are included in the councils, as well as representatives of housing cooperatives and public organizations of the corresponding district, there is a risk of a conflict of interest. In addition, residents of the district, as well as representatives of the CSC and community members of the district, will express their opinion about the projects at the voting stage. Finally, the procedure for the formation of Expert Councils raises questions - centrally, by the decision of the Akim of the city of Atyrau. By limiting ourselves to experts, whose opinion will be sufficient at the stage of technical screening of applications, people's confidence in the process will be increased, in contrast to the currently proposed behind the scenes, randomly assembled composition of Expert Councils.

14. Requirement to attach to the application an approximate or exact estimate for the project, I propose to develop a list of standard project proposals, including standard sketches and estimates, in order to facilitate the application process by citizens. I consider this an important and innovative initiative, but it would be important for experts and the public to assess the quality of these standard documents even before the start of the Participation Budget.

15. Voting on projects that have passed the screening in the Expert Commissions is proposed to be carried out using the EDS. This will seriously narrow the circle of participants in the process to only a part of the economically active population, leaving out both young people and older residents. I propose to consider alternative options for organizing voting in public, with experts in this field.

16. According to the draft Regulations, one resident of the district will have the right to vote for one project proposal. I believe that this may place an undue burden of choice on the citizens, which may lead to a loss of interest in the process. As world experience shows, successful models of the participation budget, which involve voting for residents' projects, use the principle of a "shopping basket" - that is, voters can choose not one, but several projects they like. This is especially true if the number of projects is large. I propose to allow citizens to vote for three projects if their total number in a given district exceeds 10 (ten). It will not be difficult for the information system to count the votes and determine the winners, and the citizens will be much less likely to perceive the process as stressful.

“Participatory budgeting can be a powerful mechanism to give city dwellers practical knowledge about the budget, involve them in making decisions about the distribution of a part of the funds generated from their taxes, give them a tool to promote their own initiatives, and maintain social control over changes in the living environment. All this together will help to increase social capital, i.e. relationships based on responsibility and trust in the city. When implementing a participatory budget, it is very important that it does not become a mere imitation of citizen engagement.

The participation budget is not only and so much online voting for certain city projects, even if they are proposed by the residents themselves. If participation is limited only to this, then the whole project risks not only being limited to a populist campaign, but also losing sight of many technical aspects and the specifics of the implementation of these projects. And, perhaps, the most important thing is not to become a tool for the active involvement of citizens and increase their budget literacy. It is important that activities within the participation budget include a component of an information campaign and a training program for interested citizens, mobilization and activation of local communities, and a comprehensive needs assessment by themselves on the ground.

Environmental Scarcity in the Post-Soviet Space: Lessons Learned from the Past

Eshel Rosen

University of Glasgow/KIMEP

Хаджимукана 39, Алматы, Казахстан

eshel.rosen@kimep.kz

ABSTRACT

Over the past three decades there have been several environmental disasters in the post-Soviet space. Many of these disasters are due to poor regulations during the Soviet Union and carried over to post-independence period. In this paper, the author analyzes environmental disasters in the post-Soviet space and the impact they have on the surrounding region. At the core of this paper is the concept of a regional security complex, or in a regional system environmental security must be approached as a regional, interconnected issue. Beyond Eastern Europe, most of the post-Soviet space has been overlooked for promoting environmental regulation, especially by the EU. The paper employs qualitative methods, applying a theoretical matrix to three environmental disasters. The question this research attempts to examine: what possible mechanisms can incentive regional cooperation to overcome the failures of environmental regulations in the post-Soviet space?

KEYWORDS: Environmental Disasters, Scarcity, Regionalism, Environmental Regulations

INTRODUCTION

In the aftermath of the Aral Sea disaster, Chernobyl, and the Semipalatinsk nuclear test site its evident that environmental regulation and the ramifications of ecological disasters is a pressing issue in the post-Soviet space. The Soviet Union was infamous for cutting corners and ignoring regulations, this led to terrible environmental crises and the reoccurring mistreatment of renewable resources. With COP26 and the Paris Agreement its evident that climate change is a pressing issue globally, yet there appears a major disconnect between the post-Soviet space and the rest of the international community. This analysis will briefly overview these three environmental disasters through the lens of environmental scarcity and regionalism, and then examine possible pathways of the post-Soviet region to create effective environmental regulation. At the core of this paper's argument is the necessity for the post-Soviet space to develop integrated regional cooperation. Since several countries in the post-Soviet space are non-EU members, they have little incentive to follow the European Union's environmental regulations and goals, thus the necessity of a regional system.

Relevance to post-Soviet Studies and Conceptual Background

This paper addresses the practices and institutions that developed in lieu of participating in the EU or international environmental agreements. It demonstrates a pressing issue that needs to be discussed and analyzed to prevent further exacerbated environmental damage. Current EU and international mechanisms fail to prevent excessive environmental damage or punish post-Soviet states for ecological disasters. The second half of this paper is largely speculative since there is no precise solution to implementing effective environmental regulation in the post-Soviet space. In fact, the EU has prioritized energy security over rigorous environmental regulation. Karina Shyrokykh argues that the EU promotes climate norms in Eastern Europe for three logics of external action: *self-interest*, *functional*, and *civilizing*. She demonstrates that the post-Soviet space is not a “one-size-fits-all” approach region; the post-Soviet space requires a mix of both bilateral and multilateral agreements to account for the diverse economic and environmental situations (Shyrokykh 2021, 8).

For this paper I drew upon the following sources: to develop my conceptual framework I employed the works of Kennedy and Buzon. These two authors raise the concepts of environmental scarcity, and regional security complex that explain the impact of environmental disasters on the surrounding ecosystems and the necessity of developing a strong regional system to create effective environmental regulation. For my discussion of cases I used several sources to examine the impact each disaster had on the surrounding ecosystem. Micklin is a core source to my analysis on the Aral Sea crisis and provided insight into both the political and ecological consequences of the disaster. For formulating my proposal for a future effective regulation Shyrokykh was crucial as she stirred my interest in climate governance, and the ideational standards in the EU and the post-Soviet space.

To examine the different pathways the post-Soviet region might undergo, this paper employs two concepts: environmental scarcity, and a ‘regional security complex.’ Environmental scarcity is a specific concept that refers to the “declining availability of renewable natural resources such as freshwater or soil” (Kennedy 2001). In the context of the Aral Sea disaster, freshwater used for irrigation and consumption was heavily diminished due to poor management and regulation. As a result of this disaster, Central Asia’s direct access to freshwater was limited, and shifted the regional dynamic. The second concept, regional security complex, is defined by Barry Buzan as a “set of units whose major processes of securitization, desecuritization, or both, are so interlinked that their security problems cannot reasonably be analyzed or resolved apart from one another” (Buzan 2003, 141). A regional security complex is an apt theory to understand the heavily integrated economies and systems that have developed in the post-Soviet space. This concept is particularly salient for the highly interconnected energy security network in Eastern Europe.

The Aral Sea, Chernobyl, and the Semipalatinsk Nuclear Test Site

Considered one of the worst ecological disasters of all time, the Aral Sea crisis that saw the world’s once 4th largest lake reduced to a fraction of its original size. Figure one demonstrates how the lake from 1960-2011 reduced in size and volume drastically, especially during three decades after 1989.⁵ Due to mismanagement and over-irrigation by Uzbekistan, Turkmenistan, and Kazakhstan during the Soviet and post-Soviet period, now these two river basins fail to provide enough freshwater for irrigating farmland. Specifically, in the early 1980s, the Aral Sea basin had the lowest average efficiency irrigation systems of any region in the Soviet Union—at around 60% (Micklin 1988, 1174).⁶ In addition to increasing the environmental scarcity for freshwater in the region, the Aral Sea disaster also complicated relationship

⁵ See Figure 1.

⁶ A ratio of water used productively at fields to the amount of headwork withdrawals.

between upstream and downstream states in Central Asia. The two main rivers that feed into the Aral Sea, the Amu Darya and Syr Darya are crucial parts of the regional agricultural system. Due to competing state interests for freshwater and energy, Central Asia developed a fractured regional subsystem around the Amu Darya and the Syr Darya river basins (Zakhirova 2013).

Chernobyl, a disaster that received broad international attention had extensive environmental consequences in Ukraine, Belarus, and Russia. The disaster affected food production systems throughout Europe and vast areas of agricultural land that are subsequently abandoned and unused. The disaster had both immediate and delayed impacts on the health and ecosystems of the affected regions. Promptly after the disaster there was radioactive fallout which led to a range of malignant health effects; those who experienced high levels of radiation were guaranteed to suffer from “nausea, skin burns, destruction of white blood cells and temporary or permanent sterility... or in serious cases even death” (Smith and Beresford 2005, 16). The disaster also had long-term impacts on terrestrial and aquatic ecosystems that increased the environmental scarcity of the region. In 1986, farming in the Soviet Union primarily took place in collectivized farms, radioactive particles absorbed into soil through the roots of crops, this led to scarcity of arable lands in the territory surrounding Chernobyl (Smith and Beresford 2005, 82). An immediate impact of the disaster was the pollution of the Pripyat River that feeds into the Dnieper River-Reservoir, a major source of water for Kyiv. Although the disaster led to protests for accountability, these issues were never resolved, today Lukashenko wants to “end” Chernobyl as an issue of debate to interfere with any conversations about Belarusian state complicity in the incident (Marples 2006, 64).

The Semipalatinsk nuclear test site was a region in northeastern Kazakhstan that was used as the Soviet Union’s primary nuclear test site. During the period from 1949 to 1989 there were a reported 450 to 500 nuclear tests, that resulted in three regions with significantly elevated levels of radioactive particles (Markabayeva 2018, Howard, B.J., Semioschkina, N., Voigt, G. et al, 2004). This nuclear test site is comparable to the Nevada nuclear test site but was closer to several sparsely populated towns whose residents suffered health issues and had their freshwater and soil contaminated with radioactive particles. The Semipalatinsk nuclear test site also increased the environmental scarcity of the surrounding areas. Studies examining the radioactive contents of the surrounding soil and freshwater found high levels of tritium flowing from the Degelen mountain, which was used as a site for underground nuclear tests (Burkitbayev M. et al 2011, 61). Although, tritium is a naturally occurring element it is also regularly found in nuclear test sites and indicates that river is being polluted by radioactive chemicals.

Pathways

As Shyrokykh discusses in her article on climate governance in Eastern Europe, there is not one simple solution to efficiently regulate the post-Soviet space. Considering the diverse interests in the post-Soviet space, the EU and the Kremlin have primarily used regional integration projects to “maintain neighbors’ long-term development on a favorable trajectory” (Shyrokykh 2021, 1). Although these projects have succeeded to a certain extent, they were always conditioned by the importance of protecting their energy security interests. The question is then raised: how to effectively promote equitable environmental regulation in the post-Soviet space? There have been numerous attempts to integrate the post-Soviet space, but they were mainly economic focused with little ideational basis. Most of the post-Soviet space feels distanced from their European neighbors culturally and economically. Purely economic integration processes fail to account for the ideational vacuum left with the loss of Soviet, Marxist-Leninist ideology. The EU and Russia’s failures to promote effective climate regulation in the post-Soviet space and the aforementioned cases of environmental disasters demonstrate the necessity of independent, grassroots environmental promotion.

At the end of the day states are the masters of their own destiny, and by failing to properly impose environmental regulations they will suffer greatly in the long term—as seen with the Aral Sea. Although ignoring the growing damage to the Aral Sea basin enabled short term economic growth, the now ruined sea has led to mass immigration and fisherman losing their jobs who have been working on the sea for generations (Rudenko, I., & Lamers, J. P. A 2010, 7).⁷ The Aral Sea disaster is a clear-cut case of increased environmental scarcity that led both extensive ecological and economic damages. The disaster didn't only affect one state either, rather it affected the entire Central Asia region. As seen in Figure 2, the Aral Sea basin is a shared water resource for the entire Central Asian region, and a key component in their regional security complex.⁸

After the dissolution of the Soviet Union, the International Foundation for Saving the Aral Sea (IFAS) formed to try to prevent the disaster from reaching a point of no return. IFAS is a regional organization with joint management between all Central Asian states. The IFAS is a perfect example of the desired regional organization that can develop to overcome the failures of international climate governance in the post-Soviet space. Yet, despite the IFAS strength in serving as a paradigm for the regional security complex concept, it has suffered several failures. Specifically, the IFAS' impact on solving the preexisting issues has been limited due to “regional power asymmetries” that bias its legitimacy and prevent it from being seen as an “impartial regional actor” (Sehring & Ibatullin 2020, 240). Despite the failures of IFAS, it serves as a blueprint for future regional environmental organizations that can develop throughout the post-Soviet space. Moving forward there needs to be a more proactive approach to environmental regulation, instead of the current trend of trying to put on a band aid on situations beyond disrepair.

Conclusion

Through analyzing the Aral Sea disaster, Chernobyl, and the Semipalatinsk nuclear test site and the ideational gap between the post-Soviet space and the EU/Russia its clear an alternative approach needs to be taken regarding environmental regulation. The three disasters are discussed in detail to demonstrate how destructive their consequences were on the surrounding aquatic and terrestrial ecosystems with little punitive or enforceable repercussions. With no sense of belonging to the ‘greater Europe’ or a desire to part of Russia's sphere of ideational influence there is a necessity for regional security complexes to develop. Although Central Asian states individually viewed the Aral Sea as not their responsibility, now all five countries suffer from lessened access to freshwater. Environmental scarcity will continue to increase throughout the post-Soviet space if there aren't more autonomous regionally driven initiatives like the IFAS. Moving forward, Eastern Europe, Russia, and Central Asia need to recognize their complicity in the environmental disasters and promote regional initiatives to prevent another ecological crisis from arising.

⁷ An estimated 5 million people were affected by the crisis with 70% of those living in rural areas (Rudenko, I., & Lamers, J. P. A 2010, 7).

⁸ See Figure 2.

FIGURES

Figure 1: The Changing Profile of the Aral Sea (Micklin 2006, 549)

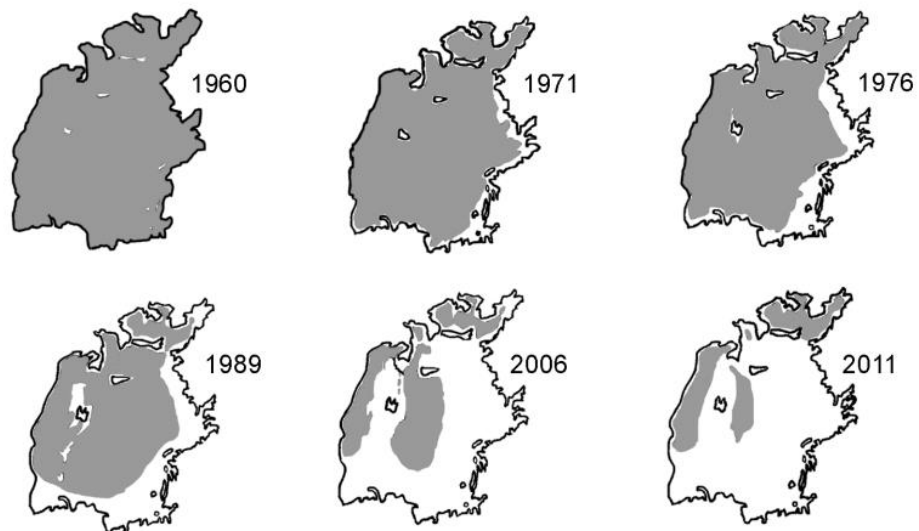


Figure 2: The Aral Sea Basin (Rudenko, I., & Lamers, J.P.A., 2010, 1)

REFERENCES

- Burkitbayev M. et al. (2011) Ecological Impacts of Large-Scale War Preparations: Semipalatinsk Test Site, Kazakhstan. In: Machlis G., Hanson T., Špirić Z., McKendry J. (eds) Warfare Ecology. NATO Science for Peace and Security Series C: Environmental Security. Springer, Dordrecht.
- Buzan, Barry. (2003) Regional Security Complex Theory in the Post-Cold War World. In: Söderbaum F., Shaw T.M. (eds) Theories of New Regionalism. International Political Economy Series. Palgrave Macmillan, London, 140-159.
- Howard, B.J., Semioschkina, N., Voigt, G. et al. (2004) Radiostrontium contamination of soil and vegetation within the Semipalatinsk test site. *Radiat Environ Biophys* 43, 285–292.
- Kennedy, Bingham. (2001) “Environmental Scarcity and the Outbreak of Conflict.” PRB. <https://www.prb.org/resources/environmental-scarcity-and-the-outbreak-of-conflict/>.
- Markabayeva, Akbayan, et al. (2018) “Increased prevalence of essential hypertension in areas previously exposed to fallout due to nuclear weapons testing at the Semipalatinsk Test Site, Kazakhstan.” *Environmental research* 167, 129-135.
- Marples, David R. (2006) "The Political Consequences of the Chernobyl Disaster in Belarus and Ukraine." *Chernobyl: The Event and its Aftermath*.
- Micklin, Philip. (1988) "Desiccation of the Aral Sea: a water management disaster in the Soviet Union." *Science* 241, no. 4870: 1170-1176.
- (2006) “The Aral Sea crisis and its future: An assessment in 2006.” *Eurasian Geography and Economics*, 47(5), 546-567.
- Karina, Shyrokykh. (2021) “Why Climate? The Drivers of the European Union’s Climate Governance in its Post-Soviet East European Neighbors, Problems of Post-Communism.”
- Rudenko, I., & Lamers, J. P. A. (2010) The Aral Sea: An Ecological Disaster.
- Sehring, Jenniver, and Saghit Ibatullin. (2020) “Prolonging or resolving water conflicts in Central Asia? The International Fund for Saving the Aral Sea.” In *River Basin Organizations in Water Diplomacy*, pp. 222-241. Routledge.
- Smith, J. T., & Beresford, N. A. (2005) *Chernobyl: catastrophe and consequences* (Vol. 310). Berlin: Springer.
- Zakhirova, Leila. (2013) The International Politics of Water Security in Central Asia, *Europe-Asia Studies*, 65:10, 1994-2013.

Islamic banking and the COVID-19

Iqbol Mirzomurodov

KIMEP University

Abay Ave 2, Almaty, Kazakhstan

Iqbol.mirzomurodov@kimep.kz

Abstract

The research examines the impact of the COVID-19 pandemic on Islamic banking, with a focus on comparing the performance of Islamic banks compared to traditional banks to the crisis caused by the pandemic. It examines the principles and practices of Islamic banking, as well as the problems faced by Islamic banks during the pandemic. This is followed by an analysis of the impact of the pandemic on the financial performance and stability of Islamic banks, and also assesses the effectiveness of Islamic banking instruments compared to traditional ones during the crisis. The study is based on a quantitative method, using a comparative method of analyzing the financial data of 30 observable Islamic and traditional banks using the random sampling method. The results of the study give an idea of the relatively small advantage and resilience of Islamic banking during the crisis, as well as possible solutions to the problems that Islamic banks face in adapting to changing market conditions. In general, the research contributes to the understanding of the role of Islamic banking in promoting financial stability and economic development, especially during these kinds of crises.

Key words: Islamic banking, COVID-19, pandemic, digitalization, Islamic finance principles, Shariah-compliant finance.

1 Introduction

Due to current events in the world, today it is not so common to see headlines related to the COVID as 2 years ago. Nevertheless, COVID had the same huge impact on the world community and the world economy as the war between Russia and Ukraine. According to a number of studies, the crisis that arose in connection with the pandemic caused damage to the global economy in the same way as the global financial crisis of 2008.

COVID-19, or the coronavirus infection, is a disease involving the upper respiratory tract. The first case of infection was recorded in the fall of 2019 in the city of Wuhan, in one of the provinces of China. By the beginning of 2020, the epidemic had spread to Europe, South Asia, and by the summer of that year, cases of infection were recorded in almost all countries of the world.

The government of all countries decided to close the borders in order to avoid the spread of the disease, but nevertheless, it was not always possible to reduce the spread rate. The negative result of this decision was the disruption of the supply chains of most industrial enterprises.

The next was a series of lockdowns, a ban on the provision of public events, the closure of places of public catering and a ban on all kinds of crowds and social distancing. Naturally, this decision had its impact on all aspects of the global economy.

This situation has not bypassed the Islamic financial world and Islamic banks. During the global financial crisis, due to the principle of risk aversion, Islamic banks were able to minimize their losses. But do these principles help again?

The purpose of this study is to identify the advantages and disadvantages of Islamic banking, and to consider the demand for products of Islamic banks during a pandemic. Have Islamic banks suffered big losses? Or has their unconventional approach increased their competitiveness during a pandemic? Have Islamic equity investments provided any benefits to investors during the COVID-19 pandemic relative to the Pre-COVID-19 period? Will the pandemic cause more investors to enter the Islamic financial world?

In this paper, statistical and quantitative research methods will be used and a comparative method of analysis will be applied in order to identify how much more effectively Islamic banks resist such crises compared to traditional banks (and are these principles of Islamic banking effective at all)?

The emergence of financial institutions and Islamic principles of doing business is attributed to the period of the emergence of the Koran or the 7th century. According to one of the scientific theories, the development of these financial institutions is divided into 3 periods: from Mecca to the period of the emergence of the Caliphate, from the Caliphate to the emergence of the Ottoman Empire, and from the collapse of the Ottoman Empire to the present day. It is in the third period that the process of formation of Islamic banking as a special socio-economic institution begins (Galiullina et al., 2018).

If to try to explain the essence of Islamic banking in one sentence, then Islamic banking is the opposite of traditional banking. Unlike traditional banks, Islamic banks do not charge a loan interest, but act as a financial intermediary (Tashtamirov et al., 2015).

Despite the opposite, the Islamic banking system is an integral part of the global financial world, and Islamic banking institutions, although they have their own differences and limitations in the mechanisms and objects of financing, nevertheless obey the same economic laws and principles as traditional ones (Galiullina et al., 2018).

Functioning through banking activities approved by Islamic Shariah, it nevertheless took root in the modern financial world. Among the reasons for the emergence and development of Islamic finance are the rise in oil prices, the steady influx of petrodollars in the Gulf Arab states, the surge of religious consciousness in Islamic society, and the growth in the Islamic population in Europe and the US. Nowadays, Islamic finance is the fastest-growing banking sector in the world, not only in Muslim countries, but also in such countries like the UK, Australia and Uganda.

Before the world faced COVID-19, there was a growing interest from investors in Islamic banking products, which, due to their subordination to Islamic Sharia, cannot bear excessive risks. After the outbreak of the COVID-19 pandemic, global market levels in mid-February 2020 reached a full-blown crisis that was as severe as the crisis observed during the 2008-09 GFC (Quinsee, 2020). However, there is a major difference between the GFC and the current crisis. According to Roy and Kemme (2020), the GFC was an endogenous shock resulting from the actions of market players, bankers, and speculators. These actions led to an excessive buildup of debt and risk-taking that created a credit bubble. But the crisis caused by the pandemic is exogenous and has a direct impact on the real economy. This will be discussed in more detail in the literature review.

The remainder of the paper is organized as follows: Chapter 2 includes the literature review and the chapter 3 describes the methodology.

2 Literature review

2.1 Islamic Banking and the global financial crisis

The first attempt to create an Islamic bank is considered to be the first Islamic bank founded in 1963 in Egypt by one of the local economists as an experiment. The Bank operated on the principle of sharing profit or loss. The experiment can be considered successful, since already in 1967 there were already 9 such banks in the country. All these banks did not accrue and did not pay interest. They were mainly engaged in investing in trade and industry, and their income was a share of the profits received if the project was successful (Tashtamirov et al., 2015).

And now this industry is one of the fastest growing in the global financial world. Although today Islamic banks are in demand mainly in Muslim countries, it should also be noted the growing demand for these services in Western markets. And the global financial crisis made it clear that Islamic banking is a competitive alternative to traditional banking. The crisis has drawn the attention of investors to Islamic banking products.

The financial crisis of 2008 began with the mortgage crisis in the United States. This was followed by the bankruptcy of large banks, the collapse of prices on the stock exchange, which led to a structural economic crisis. The first signs of problems in the US financial system appeared back in 2006, when the real estate market showed a sharp decline in the number of home purchases. Because of this, banks began to offer mortgage loans to unreliable borrowers, which led to a financial bubble.

In the spring of 2007, the US mortgage market began to experience difficulties. Quite quickly, even reliable borrowers began to need additional funds. The overseas loans they carried out led to the escalation of the financial crisis. This led to the bankruptcy of large banks. Due to the fact that banks could not fulfill their functions, enterprises began to experience problems in the field of investment. The decline in quotations (in quoted prices) made it unprofitable to place funds in securities, and the lack of money in the monetary system led to a shortage of borrowed funds for business development. By the end of 2008, the financial crisis turned into an economic one. It manifested itself in a decrease in demand and prices for raw materials, as well as an increase in unemployment.

But we can say that the crisis has become a kind of advertisement for this industry. Since during the crisis, none of the Islamic banks faced bankruptcy proceedings and did not need government subsidies, unlike traditional banks (Akhmedov and Bukoftan, 2014). According to the results of the IMF study, there was an increase in the assets of Islamic banks during the crisis and post-crisis period. It should also be noted that this indicator exceeded that of traditional banks by more than two times. Akhmedov and Bukoftan (2014) argue that it was small investment portfolios and adherence to Sharia principles that had a beneficial effect on the Islamic banking system during the crisis. Although, before the crisis, the above had a negative impact on the competitiveness of Islamic banks.

The main rule in an Islamic bank is fairness, which is achieved through shared risk. This means that both parties share both profits and losses. Hence, the bank is prohibited from charging interest. Usually, banks use a debt system in which the risk is carry-over. Islamic banks have core assets and a

risk redistribution center. The main asset here means that the investment is structured by exchange or ownership of assets (Akhmedov and Bukoftan, 2014). Thus, Islamic banks are closer to the real economy than conventional banks.

After the 2008 financial crisis, Islamic banking has grown in importance as an alternative financial zone. According to Mabid Ali Al-Jarhi (2017), several non-Muslim countries have changed their laws to allow financial activities under Sharia law and give the green light to Islamic banking. These countries include the United Kingdom, Hong Kong, Luxembourg and South Africa. For example, in the UK, there has been more than just the creation of branches of a number of Islamic banks: some British banks, such as Citi and Barclays, have opened so-called Islamic windows.

The Islamic financial system has become attractive to investors because its fundamental principle is to invest money in tangible, tangible products, rather than in financial instruments based on speculation. Islamic banks are tolerant of customers with late payments and generally do not impose financial penalties as this is considered illegal under Sharia law. In the work of Eugenia Danchenko (2015) it is said that during the crisis, the greatest demand was for such products of Islamic banking as: sukuk -Islamic bonds (a bond is a contractual promissory note under which the issuer, under the terms of the agreement, is obliged to pay the bondholder, within a certain predetermined time frame, the interest and par value of the bond, while the sukuk holders have indivisible beneficial ownership of the share in the underlying assets. Consequently, the holders of the sukuk are entitled to a share of the profits generated by the assets that provide these sukuk. A distinctive feature of sukuk is that in cases where the certificate is a promissory note to its owner, it cannot be sold on the secondary market before the due date, or it can be sold at face value), musharaka - joint ownership of a bank and a client of an asset (In the context of business and trade, this term refers to a "joint investment" where all partners share the profits or losses received) and murabaha (an operation in which the bank buys what - either an asset for a client, and he pays its basic price with an agreed premium).

Although the global crisis gave Islamic banks an opportunity to show their resilience, it also revealed a number of important issues that need to be addressed. According to Kabir Hassan and Rasem Kayed (2011), Islamic banks most often place bets on retail deposits, therefore, they have more stable sources of funding, but in managing liquidity, they face fundamental difficulties: a small number of participants, a small money market, as well as a lack of instruments that can be used as collateral for loans or discounts. In response, some Islamic banks have had to sacrifice profitability.

2.2 Islamic banking and the COVID-19

Since the 1970s, when the Islamic finance industry was born, there has been a steady increase in demand for Sharia-compliant products and services. And in 2019, the total assets of the industry reached \$ 2.5 trillion worldwide. But the COVID-19 pandemic has impacted the volatility of oil prices and introduced uncertainty to the macroeconomic environment, putting the Islamic finance industry on track for development. The 2008 financial crisis had minimal impact on Islamic banks due to the ban on speculation and risky asset classes in the industry. According to The Jakarta Post (Web – 1), the COVID-19 pandemic will have a more serious impact on Islamic banks, as this crisis will affect small and medium-sized businesses, because compared to traditional banks, small and medium-sized enterprises, retail lending and microfinance have a greater impact on Islamic banks. However, the virus and the associated crisis can also cause a change in dynamics in the industry and open up new opportunities and create a trend towards sustainability and digitalization of the Islamic finance market (Web – 1). Although, according to the same newspaper, even before the start of the epidemic, Islamic banks tried to catch up

with their partners from traditional banks in digitalization, which would reduce their operating costs and help automate internal processes.

Abdul-Rahman and Gholami (2020) suggest Islamic banks to resort more to Profit-Loss Share contracts, since this product will be most in demand during the crisis. This type of contract shares business risks between the participants (in fact, these are murabaha and musharaka, which were described above). The authors argue that financing through this type of contracts will be one of the best approaches to creating a sustainable financial system that will help to get out of the crisis caused by COVID-19. Moreover, the authors suggest that typical banks also abandon their traditional goal of pursuing personal interests by maximizing profits and aim at achieving social and economic sustainability (Abdul-Rahman and Gholami, 2020).

How can Islamic banks minimize their losses during the crisis? Is there an opportunity to adapt to new conditions? As Sihotang and Hasanah (2021) note, this is quite possible, provided that some strategies are applied. The authors propose a number of strategies to help Islamic banks weather the current crisis more easily:

- Minimizing risks. This will help increase the solvency of the debtors of Islamic banks;
 - Next, Islamic banks should focus on the industries that the pandemic has had the least negative impact. For example, Islamic banks should start financing businesses in the pharmaceutical, electronics and medical device industries;
 - Also, Islamic banks should switch to online banking, as the mass regime is observed and restrictions on the gathering of people in the premises have been introduced.

As you can see, many authors point out that in the current crisis, the absence of a normally developed online banking system had a bad effect on the ability of Islamic banks to withstand the crisis. Consequently, the issue of digitalization of processes is the most important for Islamic banks at the moment. After all, the ability to perform banking operations without leaving your home and without having to visit the bank is the most necessary during a pandemic.

2.3 Summary of the literature review

Avoiding overly risky projects helped Islamic banks during the Financial crisis in 2008. But did it help them during the pandemic? In the period of lockdowns enterprises were the first to suffer. Factories, shops and restaurants have been closed due to quarantine measures. Islamic banks should pay attention to projects in the field of pharmaceuticals, electronic and medical devices, as these industries were least affected during the pandemic. They also need to resolve the issue of providing their services in a remote format, as this is urgently needed today due to known circumstances. After all, it is not yet known how much more measures will need to be taken to combat the coronavirus.

3 Methodology

As already noted, this study will use the method of comparative analysis. Data will be collected from 30 Islamic and traditional banks for the pre-COVID (2018-2019), COVID (2020) and post-COVID (2021) periods. The selection of the observables will be carried out randomly, that is, both the most popular and largest, and smaller banks will have equal chances to be included in the sample.

Based on the analysis of annual net profit for these periods, it will be revealed whether Islamic banks were more efficient than traditional banks during the lockdown and pandemic, or, on the

contrary, they suffered more losses. The factors that influenced one or another outcome will also be considered.

4 Results

It should be noted that not all banks (both traditional and Islamic) had the same indicators and trend in their net profit during the pandemic. For example, if we consider in this case one of the top traditional banks in the world (Figure №1), Industrial and Commercial Bank of China, then during the pandemic, the bank has an increase in net profit by 13.7% compared to the pre-COVID period (this despite the fact that China was the center of the spread of COVID-19).

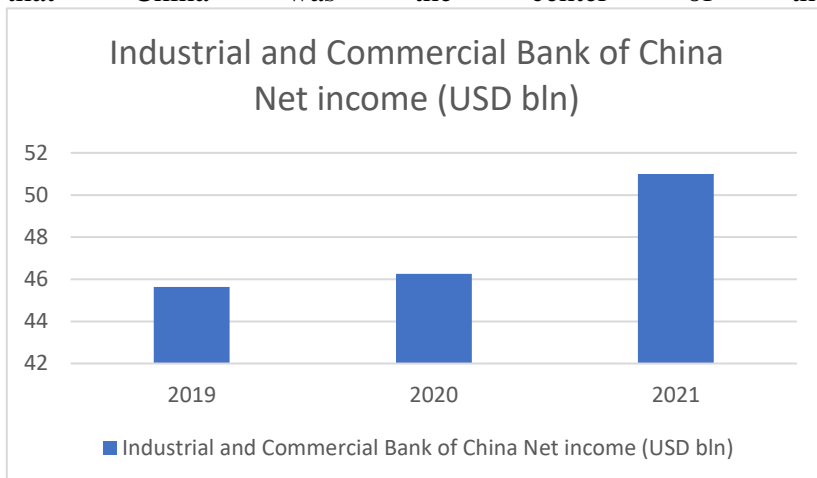


Figure №1

At the same time, despite the principle of avoiding investment in risky projects, one of the top Islamic banks - Bank Rakyat (Figure №2) has a net profit lower by 14.6% compared to the pre-COVID period.

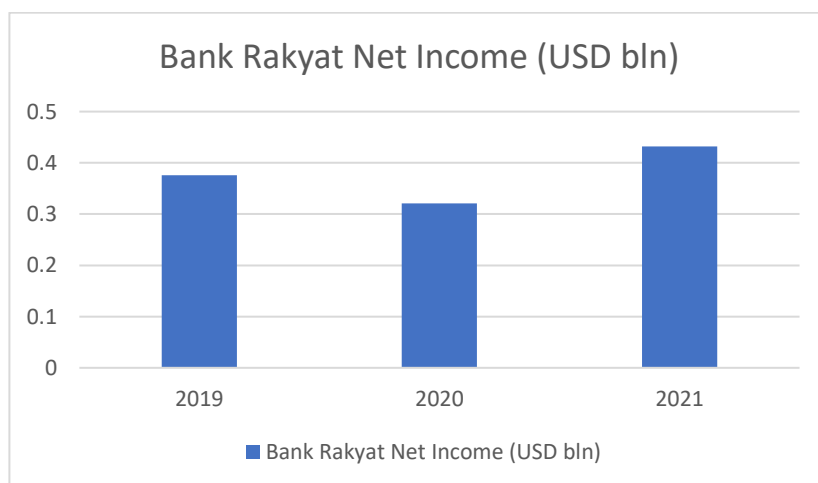


Figure №2

One of the factors behind this outcome, according to a number of experts and the annual report of Bank Rakyat for 2020, is the insufficient level of development of the bank's infrastructure for working

with clients online. For example, the Financial House of Kuwait, due to the absence of problems associated with this factor, has an increase in net profit for 2020 by 15.84%.

In general, 4 out of 15 observed Islamic banks have an increase in profit for 2020 compared to the pre-COVID period. Among the traditional ones, 3 out of 15 have the same outcome.

On average, the profit of traditional banks for this period is lower by 23.4% compared to the pre-Covid period. For Islamic banks, this figure is 14.2%. And as you can see, Islamic banks' losses are 9.2% lower than traditional ones. And if we take into account the fact that not all Islamic banks had a well-developed infrastructure to provide their services online during the pandemic and lockdowns, then we can assume that otherwise these losses would have been minimal.

There are also other factors that have so strongly influenced the losses of Islamic banks. One of them is that Islamic banks are mainly focused on the commercial and industrial sectors, which have been hit the hardest and most of all. As noted earlier, according to Sikhotang and Hasanah (2021), during the pandemic, Islamic banks should have focused on industries such as pharmaceuticals, electronics and IT. And as practice has shown, the pandemic has had a positive impact on the growth of these industries during the lockdown period.

Nevertheless, in the post-COVID period, the net profit of observed Islamic banks increased by an average of 205% compared to the COVID period and by 156% compared to the pre-COVID period. For traditional banks, growth is 102.9% in 2021 compared to the COVID period and lower by 17.3% compared to the pre-COVID period. That is, even after the lockdowns, among the observed traditional banks, they failed to reach the level of pre-COVID annual profits. And how easy it is to notice the profit for 2021 from Islamic banks is 102.1% more than traditional ones from among the observed ones.

One of the reasons for this outcome is a sharp increase in demand for products (services) of Islamic banking. As noted by Abdul-Rahman and Gulami (2020), during the pandemic, profit and loss sharing contracts between the bank and the client were the most in demand. It was this Islamic banking product that attracted quite a lot of customers during the pandemic and post-COVID period. First of all, this is due not to the possibility of obtaining an interest-free loan in exchange for sharing a part from profits, but to the possibility of sharing losses.

5 Summary

Based on the results of 30 observables, it can be argued that, on average, Islamic banks performed slightly better than traditional banks during the pandemic and far outperformed in the post-COVID period, despite the fact that this crisis was exogenous in nature. However, on the example of individual observables, it was noticeable that the situation is not so unambiguous. Weaknesses and vulnerabilities of Islamic banks to such crises and situations were also identified. For example, according to Banna et al. (2021), the underdevelopment of the availability of Islamic finance increases their risk of default, and therefore digitalization is an urgent need for the entire Islamic banking sector. Also, as already noted, Islamic banks should pay more attention to other industries besides the commercial and industrial sectors. Thus, in the event of another crisis of this kind, it will be easier for Islamic banks to minimize their losses or not incur losses at all.

In the future, it is also possible to conduct a more detailed study by increasing the number of observables and also conduct a series of surveys and interviews with bank representatives to find out what problems their bank faced most during the crisis.

References

1. Abdul-Rahman Aisyah and Gholami Reza, “Islamic Finance and COVID-19 Recovery: The Role Profit-Loss Sharing Contract” – 2020. *Jurnal Pengurusan* 59, 2020 (<https://doi.org/10.17576/pengurusan-2020-59-02>)
2. Akhmedov F. H. and Bukoftan L. F., “Development of Islamic banking in the context of the global financial crisis” – 2014. *Journal Finance and credit*. № 38, 2014, 48 – 54.
3. Danchenko Eugeniya A., “Expansion of Islamic banking products in the global financial market” – 2015, *Journal Finance and credit*. № 25, 2015, 32 – 40; “Paradigms of modern forming of Islamic banking” – 2015. *Bulletin of the Rostov State University of Economics*. № 3, 2015, 115 – 118.
4. Galiullina S.D., Suleimanov A.R., Bresler M.G. and Galiullina V.V., “Islamic financial Institutions and historical features of their origin” – 2018. *Bulletin USPTU. Science, education, economy. Series economy*. № 3 (25), 2018, 50 – 57 (<https://cyberleninka.ru/article/n/islamskie-finansovye-instituty-i-istoricheskie-osobennosti-ih-zarozhdeniya/viewer>)
5. Hasanul Banna, Kabir Hassan and Rubi Ahmad, “Islamic banking stability amidst the COVID-19 pandemic: the role of digital financial inclusion” – 2021. *International Journal of Islamic and Middle Eastern Finance and Management*, Vol.15, №2, 310 – 330.
6. Kabir Hassan M. and Rasem Kayed, “The Global Financial Crisis and Islamic Finance” – 2011, (<https://onlinelibrary.wiley.com/doi/abs/10.1002/tie.20434>)
7. Mabid Ali Al-Jarhi, “An economic theory of Islamic finance” – 2017. *ISRA International Journal of Islamic finance*, Vol.9, № 2, 2017, 117 – 132.
8. Quinsee P., “Global Equity Views 2Q 2020” – 2020. *J.P.Morgan, Global Equity Views for 2Q 2020* (<https://am.jpmorgan.com/us/en/asset-management/gim/adv/insights/portfolio-insights/global-equity-views>).
9. Saktinil Roy and David M. Kemme, “The run-up to the global financial crisis: A longer historical view of financial liberalization, capital inflows and asset bubbles” – 2020. (<https://www.sciencedirect.com/science/article/pii/S1057521918303880>)
10. Sihotang Mutiah Khaira and Hasanah Uswah, “Islamic Banking Strategy in Facing the New era During the COVID-19” – 2021. (<http://download.garuda.kemdikbud.go.id/article.php?article=2448087&val=23378&title=ISLAMIC%20BANKING%20STRATEGY%20IN%20FACING%20THE%20NEW%20NORMAL%20ERA%20DURING%20THE%20COVID%2019>)
11. Tashtamirov M.R., Saraliev E.R. and Okueva A.A., “The experience of the CIS in the development of Islamic banking and its development prospects in Russia” – 2015. *Journal Ekonomika I predprinimatelstvo*, №12, 2015, 109 -113.

Web sites:

Web – 1: <https://www.thejakartapost.com/academia/2020/06/05/how-covid-19-will-reshape-islamic-finance-markets.html>

Is There A Paradigm Shift In Urban Planning In Almaty?

Kassiyet Omarova

Department of Public and Municipal Administration, KIMEP University

4 Abai Avenue, Almaty, Republic of Kazakhstan

kassiyet.omarova@kimep.kz

ABSTRACT

Over the past few years, new trends towards pedestrianization and the organization of more comfortable public spaces for people have become noticeable in Almaty. It is a growing discourse of people-centredness, strongly promoted at all levels of government and among experts. At the same time, there is much criticism about another manipulation over the population because the situation is not really changing, and the interests of developers and automobilists will continue to prevail in the city. In order to understand how radical the changes in the urban planning of Almaty are, the paper uses the theoretical framework of the policy paradigm shift. The paper contains a literature review of paradigms in urban planning and an analysis of materials collected from the mass media and official documents over the past ten years, with additions from interviews with experts.

KEYWORDS: urban planning, policy paradigm shift, neoliberal, human scale, case of Almaty

INTRODUCTION

In recent years, almost all mass media claim that radical changes are taking place in Almaty city in the direction of humanization or pedestrianization and improvement of social infrastructure. It is the appearance of pedestrian roads, decontamination, bicycle paths, reconstruction of parks and squares, etc. The beginning of this process is associated with the visit of the world-famous Danish architect Jan Gehl in 2016⁹, who has brought the idea of "human scale" to cities worldwide in recent decades. According to Jan Gehl, cities need to prioritize the needs and experiences of people in order to become more livable. It means designing urban spaces encouraging users' sense of belonging, comfort, and well-being. Gehl argues that the 21st-century urban paradigm should not only focus on the physical form of cities but also on how that form enhances people's quality of life (Gomes, 2018). The recommendations of his company, "Gehl Architects," were immediately incorporated into the development plans of Almaty and began to be implemented in the city center. At the same time, in a city multiplying due to migration and joining territory, there are increasing problems associated with the neoliberal approach to governance. The construction of many multi-story residential housing, so-called "human hills (by analogy with ant hills)" infill development without appropriate social and transport infrastructure, endless traffic jams, and lack of public transport are consequences of prioritizing economic interests of investors.

⁹ <https://kazpravda.kz/n/izvestnyy-datskiy-arhitekt-izmenit-oblik-almaty/>

Almaty is not an exception. The neoliberal paradigm in urban planning has been criticized for a number of negative consequences worldwide. One major critique is that it often leads to social and economic inequality, as policies prioritizing private investment and economic growth can result in the displacement of vulnerable populations and the gentrification of low-income neighborhoods. Additionally, neoliberal policies can contribute to environmental degradation, as development and growth take precedence over sustainability and ecological concerns. Another issue is that the privatization of public services and infrastructure can lead to reduced access to essential services, such as transportation, particularly for marginalized communities.

It is evident that urban management within the framework of the neoliberal paradigm cannot cope with solving problems and is trying to find new approaches by switching the focus to more humanistic ideas to ensure an acceptable quality of life for the population and maintain social stability. In this regard, this paper attempts to answer whether the paradigm in urban planning in Almaty is really changing.

WHAT IS THE PUBLIC POLICY PARADIGM?

In 1970, Thomas Kuhn introduced the concept of a paradigm to science, which he defined as a shared set of assumptions, values, and beliefs that guide a particular scientific community's approach to understanding the natural world. This framework guides research, hypothesis formulation, and experimentation. Kuhn argued that scientific research is a series of revolutions that occur when the dominant paradigm is challenged and replaced by a new one, driven by anomalies or inconsistencies that accumulate over time. This shift involves a fundamental change in how scientists view the world and is a social and cultural process (Kuhn, 1970). In policy-making, paradigm shifts follow a specific trajectory and are initiated by anomalous events leading to policy failures, requiring a shift in authority over policy. Policy paradigms are most common in areas requiring specialized knowledge and technical expertise. However, even in cases where fully developed policy paradigms are absent, an overarching set of ideas can still influence policy-making. These ideas influence how policies are discussed and debated, ultimately affecting decision-making (Hall, 1993).

Daigneault (2014) notes two approaches to conceptualizing the policy paradigm developed by Greener (2001) and Kern et al. (2014). Even though these concepts remain not completely precise, they already make it possible to operationalize a paradigm shift and analyze whether such a shift occurs in our case. We use the conceptualization of Kern et al. (2014), which includes the following interrelated levels: 1) ideas about the subject and how it should be governed (interpretive framework); 2) policy goals; 3) policy instruments; and 4) governance institutions (Kern et al., 2014, p.45).

URBAN PLANNING PARADIGMS

Urban planning paradigms have evolved as cities have grown and transformed. Early urban planning was focused on creating spaces that were efficient, clean, and healthy as a response to industrialization, such as the Garden City movement that appeared at the end of the 19th century. (Tizot, 2018) During the mid-20th century, modernist urban planning emerged, emphasizing functional zoning, separation of uses, and the creation of open spaces. (Kim, 2021). In the 1960s and 1970s, urban planning shifted towards social justice and community empowerment. It led to a focus on creating mixed-income neighborhoods and promoting community involvement in planning processes. (Connolly, 2019). In the 1980s and 1990s, neoliberal urban planning emerged, emphasizing private investment and market-driven development. It led to the privatization of public space, the promotion of gentrification, and a focus on creating spaces that attract investment rather than serve the community's needs (Fransen, 2021). In recent years, urban

planning paradigms have shifted again towards sustainability and humanization. It has led to a focus on creating walkable, bikeable, and transit-oriented neighborhoods that promote sustainability and reduce car dependence. There is also a focus on creating spaces that can withstand natural disasters and adapt to changing environmental conditions (Motlaq, 2019).

The change in the Soviet paradigm in urban planning, in general, repeats the cyclical nature of world trends but was adjusted considering the Marxist-Leninist ideology and had a massive impact on the development of cities in Kazakhstan. It aimed to create functional and efficient cities that served the state and its citizens through centralized and top-down decision-making. Collective ownership of land and property allowed the government to direct the development of cities and create a standardized urban landscape with separate residential, industrial, and transportation areas. Green spaces were prioritized, and ample public transportation, wide sidewalks, and pedestrian zones gave citizens access to nature and recreation. However, this approach resulted in monotonous housing developments lacking community and identity, and neglect of local needs and preferences led to a lack of innovation and responsiveness to local conditions (Adrianova, 2015).

In table 1, all of the listed main paradigms in urban planning have influenced the development of the city of Almaty according to the four levels of paradigm shift conceptualized by Kern et al. (2014).

Table 1

Urban planning paradigms	Soviet	Modernist	Neoliberal	Humanistic
Ideas about the subject and how it should be governed (interpretive framework)	Emphasis on the role of the state in guiding and controlling urban development, use of scientific and technical knowledge to address urban problems, focus on large-scale planning redevelopment projects	Emphasis on rationality, efficiency scientific knowledge in addressing urban problems, separation of land uses, large-scale planning and redevelopment projects, focus on automobile-oriented planning	Market-driven solutions and private sector involvement in urban development. Deregulation and privatization. Priority of economic growth and efficiency over social and environmental concerns Cities as economic engines and consumers of public services. Private sector involvement in urban development	Community participation social and cultural values in urban planning Human-scale development, needs of people Mixed-use development(residential, commercial, and industrial areas in one neighborhood) Alternative modes of transportation for sustainability (walking, biking, and public transportation)
policy goals	Creation of a socialist urban environment, promotion of equality and social justice	Creation of a functional and efficient urban environment, modernization of cities through	Tax incentives and subsidies to attract private investment reduction in public services and social	Happiness maximizing Investment in public services and social welfare programs to

	through urban planning, provision of basic services amenities to all residents	large-scale infrastructure projects, promotion of economic growth through urban renewal and development	welfare programs to reduce costs promotion of economic growth and job creation attracting high-income residents and businesses to the city	promote social equity inclusive zoning policies that protect affordable housing and preserve cultural heritage.
Policy instruments	Centralized planning and control of urban development, public ownership of land and housing, large-scale infrastructure projects, design standards and guidelines, use of prefabricated construction techniques	Zoning laws, eminent domain, large-scale infrastructure projects, design standards, modernist architecture urban design principles	Public-private partnerships for urban development projects Zoning regulations that allow for maximum flexibility and profitability for developers. Reduction in public services and social welfare programs to reduce costs large-scale infrastructure projects Tax incentives and subsidies to attract private investment eminent domain.	community participation, small-scale development incentives, sustainable development policies. Investment in public services and social welfare programs to promote social equity. Inclusive zoning policies that protect affordable housing and preserve cultural heritage.
governance institutions	Centralized planning agencies, government-controlled housing and construction sectors, local planning commissions and regulatory bodies, design review committees, other regulatory agencies	Comprehensive planning (master plan for the entire city), a top-down approach to planning, zoning regulations, design review committees, regulatory agencies, urban planning departments in government agencies	Market-oriented planning Public-private partnerships (PPPs) Developer-led planning emphasis on the role of the private sector in urban development weakening of regulatory agencies reduction of government intervention in the market	Community-based planning Social justice planning Participatory budgeting empowerment of marginalized communities in the planning process human rights-based planning

Source: (ChatGPT, personal communication, March 24, 2023)

Thus, the question arises whether in Kazakhstan, specifically in Almaty, a paradigm shift in urban planning from rationalistic ones, such as modernism, post-modernism, and neo-liberalism, to a humanistic or human-scale paradigm is obtained.

CASE OF ALMATY

To find out how ideas, policy goals, policy instruments, and governance institutions have changed, I have made a media discourse analysis in popular mass media, both state and independent, over the past ten years (i.e., Tengrinews, zakon.kz, kazpravda, informburo, nur.kz, vlast.kz, etc). And also, the publicly available strategic plans for the development of the city, which have been developed over the past 20 years, were analyzed. In addition, two interviews were done with a civil activist and a construction company representative. I also reviewed materials from two recent events that best reveal the current situation. They are a discussion of the general plan of the city of Almaty¹⁰, which took place at the end of January 2023, and a presentation of the manual "Standard for the integrated development of the territories of the Republic of Kazakhstan"¹¹ which took place in the middle of March 2023.

1) Ideas about the subject and how it should be governed (interpretive framework).

Daigneault (2015) is questioning whether ideas of "policy paradigms" which are sets of ideas that guide the way governments make policies are held by a small group of influential people or whether they are more widespread among people in academia, media, business, and civil society. He claims that both options are possible as long as a significant number of people in the policy community share the same ideas about what the government should do, how, and why.

All recent strategic documents, and speeches of officials and experts, both pro-government and independent, contain the prevailing rhetoric of the humanistic paradigm. Representatives of urban NGOs also note that the number of publications on the city's development has increased, the term urban studies have come into use, and governmental and non-governmental organizations dealing with urban studies have appeared. "...Changes have taken place in the civic field, there are more city initiatives, there are more platforms for speaking out..." appeared urban experts "...urban experts are not just guys who post on Facebook, these are our mature, competent specialists..."¹². Moreover, the idea has spread to the broader community as local residences demand more and more walkable safe spaces. Property buyers choose a house if the developer promises to build walkable infrastructure around it. Unlike cheap, so-called social housing, the buyers cannot afford to demand anything more than the housing itself. One can see that at the level of the idea, a shift has occurred.

2) Policy goals.

It is best to look for official policy goals in strategic documents and in the tasks of the president of the country to the head of the city. Thus, after the January events in 2022, the task of the city authorities to maintain social stability becomes a priority. Already in February 2022, President Tokayev instructed the new akim Dossayev to "Restore good mood to the residents of Almaty."¹³.

¹⁰ <https://vlast.kz/kz/gorod/53732-nevidimyj-genplan.html>

¹¹ <https://fb.watch/jhnDVAzoJ5/?mibextid=irwG9G>

¹² <https://vlast.kz/gorod/36267-imitacia-dialoga.html>

¹³ <https://informburo.kz/novosti/tokaev-nam-nuzhno-ozhivit-almatinskij-duh-i-vernut-horoshee-nastroenie-zhitelyam-etogo-goroda>

Residents' comfort is necessarily mentioned as one of the objects in each strategic plan. Interestingly, the understanding of comfort is changing. If, in the beginning, it meant comfort for automobilists, then recent strategies are full of statements about comfort for pedestrians. However, in reality, only parts of the plans within the framework of the neo-liberal paradigm are being executed, that is, what is convenient and profitable for developers who are considered investors in the city. For example, the issue of the development of public transportation, including LRT, which has been raised since 2003, has not yet been resolved, although it is included in every strategic plan¹⁴. In fact, all these years, first of all, highways and road junctions were built, which do not solve the problem of traffic jams, but exacerbate the problems of environment and safety for people¹⁵. From plan to plan, the functional division of the city into economic clusters and the declaration of priorities for the city's economic development are preserved. It is planned to divide the city into five sub-centers unconnected with the existing districts. They are planned to be formed on the model of the historical center of Almaty - with a dense grid of streets and buildings of a human scale. At the same time, it is planned to endow different parts of the city with specific functions, as was customary in the era of modernism.

3) Policy instruments.

In the last 5-6 years, the akimat has been widely informing about various events to which citizens are invited to discuss city projects and plans. Moreover, akims more and more often hold meetings with the public. If in 2015, it could have been one meeting for the entire city, then over the past year, the current akim has already met with the population more than 32 times, with four meetings in each district. The inclusion of social surveys and public hearings in specifications for contractors, as well as the participatory budget projects - all this shows that the authorities are trying to introduce some instruments that relate to the humanistic paradigm. However, the public is only partially informed and not allowed to speak up and participate in decision-making. For example, the discussion about the draft of the city's general plan until 2040 was organized by Akimat from January 25 to 27 in Almaty. It has never been published anywhere in advance. The experts noted that studying the report and giving it any assessment in such a short time was challenging.

4) Governance institutions.

There was not enough open-source data to measure the paradigm shift at this level, so information was gathered from interviews with experts. According to the civil activist, the city is divided into two parts: those in municipal ownership, which the akimat can influence, and other privately owned territories. Many public spaces, such as squares, parks, and sidewalks, have improved and become more comfortable for people in recent years. However, the areas developers build-up to maximize profits have become uncomfortable multi-story buildings without social infrastructure and public places for pedestrians. For example, the area between Gagarin and Rozybakiev streets below Al Farabi Avenue or above the Talgar highway with new residential complexes. "It is just awful! That is, these are boxes, a minimum of yards, a minimum of entertainment, parking, or even no parking. That is, boxes, boxes, boxes, creepy, just towers... These new houses are worse than in Soviet times because, in Soviet times, there were at least some standards." So it turns out that only the akimat is responsible for social infrastructure. However, little land is left to build this infrastructure because the same akimat sold all the land to construction companies. "The most interesting thing is that the state should control the construction, it should coordinate all these projects. But in fact, business comes and says: "I will do this," and no one influences it in any way". Another example is that pedestrians cannot cross the road through Al-Farabi Avenue safely. You must walk almost a kilometer to the pedestrian crossing. "When this route was made, they did not

¹⁴ <https://vlast.kz/novosti/52106-dosaev-obesaet-vesnoj-opredelitsa-so-stoimostu-proekta-lrt.html>

¹⁵ <https://vlast.kz/gorod/35455-teba-ne-zdut-doma.html>

think about pedestrians at all... For more than ten years, we have been raising these issues, and still nothing has been done". "It means, either this is corruption or just indifference, or this legislation already does not allow something to be done ..."

According to the construction company representative, the relations between the akimat and developers have changed slightly over the past two years. Now the akimat requires construction companies to decompress, i.e., instead of 12 - 14 stories, build a maximum of 9-story residential buildings. Moreover, the akimat buys back some plots from developers to construct schools and other social infrastructure. From a business point of view, developers were lucky to build high-rise residential complexes before the new requirements of the akimat, i.e., received more profit per unit area of land. This change took place under the previous akim Sagintaev. Restrictions were introduced on the building density of the number of stories of houses, depending on the location - the closer to the mountains, the fewer stories "to form a better city, that is, convenient and comfortable for the population."¹⁶ However, according to the expert, this approach is selective, and new requirements are not imposed on all developers. "There are certain privileged companies that can do more than others ..."

Another sign of the humanistic approach is that the last akim Dosaev restored the work of the City Council (gradsovet). However, it still includes the same representatives of developers (and bought architects), which leads to lobbying developers' interests and ignoring citizens' interests. One or two civil activists in the council can only do little. The expert concludes that definitely, one can consider a shift to more humanistic principles. Nevertheless, it appears only in some high-profile demonstrative cases, while in general, the situation has not changed much.

CONCLUSION

As Peter Hall (1993) argued, finding a paradigm policy in its purest form in practice is not easy. The ideas and tools of different paradigms are often mixed, and the transition periods are prolonged. It happens because, in the beginning, policymakers try to solve new problems with old instruments. They do not always change wholly and unambiguously, and it is difficult to determine whether a paradigm shift has occurred. Keeping this in mind, some preliminary conclusions can be drawn about a possible paradigm shift in urban planning in Almaty over the past decade. Obviously, there has been a shift from the rationalist to the humanistic paradigm as minimum in rhetoric: in the speeches of government officials, in the official strategic plans for the development of the city, in interviews, speeches, and demands of civic activists and independent experts. Over the past seven years, the city center and some central parts of the city districts have become pedestrian friendly. Every year more and more ordinary residents are involved in the participatory budget project and vote for small but essential for their comfort improvements in their neighborhood.

Changes at the levels of instruments and governance institutions are not so apparent. More than data from the mass media and official documents is needed to draw an unambiguous conclusion of a paradigm shift at these levels. So far, the situation can be understood only from interviews with experts with a rather negative opinion about any changes.

Therefore, at this research stage, two preliminary conclusions can be drawn. 1) A paradigm shift is happening now and will continue; 2) There is no paradigm shift, and all the rhetoric about humanistic values and human scale is just a front for government and business to use the old instruments and institutions and keep the status quo.

¹⁶ <https://www.nur.kz/society/1953384-eksperty-ogranichenie-etazhnosti-v-almaty-mozhet-privesti-k-rostu-tsen-na-zhile/>

REFERENCES:

- Andrianova, G. (2015). *ARCHITECTURE OF SOVIET HOUSING AND MAIN SOVIET URBAN PLANNING CONCEPTS*. researchgate. Retrieved March 27, 2023, from <https://www.researchgate.net/profile/Ganna-Andrianova>
- Akbari Motlaq, M. (2019). From Rationalism Toward Humanity: Review of Notions Evolution in Urban Planning. *Space Ontology International Journal*, 8(4), 27-36.
- Bunkse, E. V. (1979). The role of a humane environment in Soviet urban planning. *Geographical Review*, 69(4), 379–394. <https://doi.org/10.2307/214802>
- Connolly, J. J. T. (2019). From Jacobs to the just city: A foundation for challenging the Green Planning Orthodoxy. *Cities*, 91, 64–70. <https://doi.org/10.1016/j.cities.2018.05.011>
- Daigneault, P.-M. (2014). Puzzling about policy paradigms: Precision and progress. *Journal of European Public Policy*, 21(3), 481–484. <https://doi.org/10.1080/13501763.2014.893080>
- Daigneault, P.-M. (2015). Policy paradigms in theory and Practice. *Studies in the Political Economy in Public Policy*, 43–58. <https://doi.org/10.1057/9781137434043>
- Fransen, J., van Dijk, M. P., & Edelenbos, J. (2021). Urban paradigm shifts in emerging economies. *Urban Planning, Management and Governance in Emerging Economies*, 1–19. <https://doi.org/10.4337/9781800883840.00007>
- GREENER, I. A. N. (2001). Social Learning and macroeconomic policy in Britain. *Journal of Public Policy*, 21(2), 133–152. <https://doi.org/10.1017/s0143814x01001076>
- Gomes, C. C., & de Almeida, C. D. (2018). Urban Design: Colour impact in the human sense of comfort and well-being.
- Hall, P. A. (1993). Policy Paradigms, Social Learning, and the State: The Case of Economic Policy-making in Britain. *Comparative Politics*, 25(3), 275–296. <https://doi.org/10.2307/422246>
- Kern, F. et al. (2014). Measuring and explaining policy paradigm change: The case of UK energy policy. *Policy & Politics*, 42(4), 513–530. <https://doi.org/10.1332/030557312x655765>
- Kuhn, T. S. (1970). *The structure of Scientific Revolutions*. Chicago University press.
- Oh, C.-S., & Kim, K.-H. (2021). Characteristics of high modernism in the path of policy for Urban parks and greenbelts under the kim hyeon-OK's mayoralty (1966-1970), Seoul. *Journal of the Korean Institute of Landscape Architecture*, 49(5), 27–45. <https://doi.org/10.9715/kila.2021.49.5.027>
- Tizot, J.-Y. (2018). Ebenezer Howard's Garden City idea and the ideology of industrialism. *Cahiers Victoriens Et Édouardiens*, (87 Printemps). <https://doi.org/10.4000/cve.3605>

Russian Digital Public Diplomacy in Indonesia and Malaysia

Talitha Dian Palupi

KIMEP University

Abay Ave. 2, Almaty, Kazakhstan

Talitha.Palupi@kimep.kz

ABSTRACT

The article aims to explain the strategy and practices of Russian digital public diplomacy in Indonesia and Malaysia. The research will focus on the official use of Russian digital public diplomacy via Twitter by analysing tweets from Russian Embassies in Jakarta and Kuala Lumpur from August 2021 until August 2022. The article will build on the literature on Russian digital public diplomacy in the Southeast Asian region, which is still understudied. The research uses the framework of tailored strategy built upon Manor (2019) to operationalise digital public diplomacy.

KEYWORDS: digital public diplomacy, twitter diplomacy, Russian diplomacy, Indonesia, Malaysia

1 INTRODUCTION

Digital diplomacy has emerged as a field of study due to the impact of digital technologies on diplomatic institutions. It broadly covers using digital platforms, tools, and channels to conduct diplomatic activities and achieve foreign policy goals. According to Ilan Manor, digital diplomacy is a broad term that includes “the overall impacts of ICTs (information and communication technologies) have on the practices of diplomacy, including the use of email, smartphone and social media” (2016). This study will specifically focus on digital public diplomacy, a predominant component of digital diplomacy.

Moreover, the development of the study on digital public diplomacy has been primarily influenced by the experience of Russia. Russian digital public diplomacy has been a topic of interest for scholars recently. According to Manor (2019), the wave of digitalisation within diplomatic actors worldwide has been significantly shaped by Russia’s use of digital diplomacy surrounding the annexation of Crimea in 2014, where the excessively circulated misinformation created widespread confusion in the international communication arena.

However, the literature on Russian digital public diplomacy mainly focused on using Russian state media as the main actor. It explained Russian digital public diplomacy practices mostly in its neighbouring countries or the US. Russian official use of digital public diplomacy in far abroad countries needs to be studied more. Therefore, this research will build on the literature by exploring and evaluating

Russian official use of digital public diplomacy in its far abroad, more specifically in Indonesia and Malaysia. The research focuses on Indonesia and Malaysia as recent studies showed that the digital publics in the countries have relatively positive and supportive views towards Russia in response to the war on Ukraine that broke out in February 2022. Russian Embassies in Jakarta (Indonesia) and Kuala Lumpur (Malaysia) are the main diplomatic actors.

Furthermore, Twitter is a chosen social media platform to be analysed, as both embassies are the most active. Examining Russian digital public diplomacy strategies in the two countries might explain the factor that led to the positive attitudes from Indonesian and Malaysian digital publics towards Russia. This article also aims to build on the literature on digital public diplomacy, in which the scope, objectives, and practices still need to be clearly defined.

The article will try to answer the following questions:

1. How did Russia employ digital public diplomacy strategies via Twitter in Indonesia and Malaysia?
 - a. What were the main types of contents and narratives used in both countries?
 - b. How has it been tailored to target the local audience?
 - c. What explains the similar/different contents/narratives used?
2. How has it changed since the Russian invasion of Ukraine began in February 2022?

2 LITERATURE REVIEWS

Digital public diplomacy refers to the use of digital platforms and tools to engage with the foreign public and promote a country's positive image or its policies abroad (Hocking & Melissen, 2015). Advancements in technology have led to increased connectivity and digitalisation, which in turn has paved the way for the emergence of various forms of public diplomacy that are becoming increasingly sophisticated. These include virtual diplomacy, cyber-diplomacy, e-diplomacy, SNS diplomacy (Huang, 2020), Twitter diplomacy (Yepsen, 2012), and Facebook diplomacy (Spry, 2018).

Manor (2019) argues that digital public diplomacy is a “diplomacy of contested narratives” that seeks to influence different audiences’ stories about a country or its policies. In this sense, digital public diplomacy is about creating a favourable narrative that resonates with the foreign public and promotes a positive image of a country or its policies.

Therefore, Manor argues that digital public diplomacy requires a shift from a one-size-fits-all approach to a more targeted and personalised approach that tailors communication to specific audiences. Tailoring strategy is the way in which diplomatic actors “tailoring social media campaigns to the unique attributes of specific digital publics, be in terms of values, culture, language, history, or political views” (Ibid., p.88). Tailoring strategy also includes more visual content in its messages (Manor & Crilley, 2019), such as online videos and images, to construct more attractive narrative-based campaigns. Lastly, tailoring strategy necessitates public diplomacy actors to converse continuously with the digital public (Mazumdar, 2021) by asking questions and responding to comments.

According to Manor (Manor, 2021), Russia has been using narratives and visual content to convey its messages to foreign audiences. Tsvetkova (2020) also notes the importance of narratives in Russian digital public diplomacy, particularly in shaping the country's image and identity.

In addition to narratives, Russia has also employed visual content to engage with audiences. Crilley and Manor (2019) notes that Russia has used visual content, such as memes, to convey its messages on social media platforms. Moreover, scholars have also pointed to disinformation and propaganda in Russian digital public diplomacy efforts.

3 METHODOLOGY

The research will use thematic content analysis to compare the Twitter activities of Russian Embassies in Jakarta and Malaysia from August 2021 until August 2022. The research compared tweets posted six months before and six months after February 2022 to trace the changes in digital public diplomacy strategy influenced by the significant event in Russian and global politics. A total of 1212 tweets were collected via the website AllMyTweets.net and analysed as the primary data. The framework of tailored strategy built upon Manor's (2019) works will be used to operationalise digital public diplomacy. The languages, visual and interactive contents, and certain narratives used in the tweets were analysed.

4 PRELIMINARY RESULTS

The preliminary results show that Russia employed tailored digital public diplomacy in Indonesia rather than Malaysia. Although, both embassies showed an increase in Twitter activities after February 2022. The results found characteristics of messages tailored to meet the interests of the local digital public in tweets of the Russian Embassy in Jakarta Twitter account, such as the use of local language (Indonesian) and the use of video and image content to accompany narrative and story about the friendly relationship between Russian and Indonesian people. Meanwhile, the Russian Embassy in Kuala Lumpur mainly posted tweets in English instead of Malay, and the use of visual content and narrative-based messages was less identified. Moreover, both Embassies failed to converse with the foreign digital public actively and continuously via Twitter, although some limited reactive activities were found in the tweets of the Russian Embassy in Jakarta.

REFERENCES

8. Hocking, B., & Melissen, J. (2015). *Diplomacy in the Digital Age*. Netherlands Institute of International Relations. https://www.clingendael.org/sites/default/files/2016-02/Digital_Diplomacy_in_the_Digital%20Age_Clingendael_July2015.pdf
9. Huang, Q. E. (2020). *Facebook Not Statebook: Defining SNS Diplomacy with Four Modes of Online Diplomatic Participation*. 14. <https://ijoc.org/index.php/ijoc/article/view/12953>
10. Manor, I. (2016). Are We There Yet: Have MFAs Realized the Potential of Digital Diplomacy?: Results from a Cross-National Comparison. *Brill Research Perspectives in Diplomacy and Foreign Policy*, 1(2), 1–110. <https://doi.org/10.1163/24056006-12340002>
11. Manor, I. (2019). *The Digitalization of Public Diplomacy*. Springer International Publishing. <https://doi.org/10.1007/978-3-030-04405-3>
12. Manor, I. (2021). Russia's Digital Diplomacy: The good, the bad and the satirical. *Russland-Analysen*, 389. <https://doi.org/10.31205/RA.398.01>

13. Manor, I., & Crilley, R. (2019). The Mediatisation of MFAS: Diplomacy in the New Media Ecology. *The Hague Journal of Diplomacy*, 15(1–2), 66–92. <https://doi.org/10.1163/1871191X-15101051>
14. Mazumdar, B. T. (2021). Digital diplomacy: Internet-based public diplomacy activities or novel forms of public engagement? *Place Branding and Public Diplomacy*. <https://doi.org/10.1057/s41254-021-00208-4>
15. Spry, D. (2018). *Facebook diplomacy: A data-driven, user-focused approach to Facebook use by diplomatic missions*. 168(1), 62–80. <https://doi.org/doi/10.1177/1329878X18783029>
16. Tsvetskova, N. (2020). Russian Digital Diplomacy: A Rising Cyber Soft Power? In *Russia's Public Diplomacy* (pp. 103–116). Springer Nature. https://link.springer.com/chapter/10.1007/978-3-030-12874-6_6
17. Yepsen, E. (2012). Practicing successful twitter public diplomacy: A model and case study of US efforts in Venezuela. *Figueroa Press*. <https://uscpublicdiplomacy.org/sites/uscpublicdiplomacy.org/files/useruploads/u35361/2012%20Paper%206.pdf>

Web sites:

Web-1: <https://twitter.com/RusEmbJakarta?s=20>, consulted February 2023

Web-2: https://twitter.com/RusEmb_Malaysia?s=20, consulted February 2023.

Eurasianism as a foreign policy tool: Kazakhstan and the Belt and Road Initiative

Lucie Tafforin

KIMEP University

Abay Avenue, Almaty, Kazakhstan

lucie.tafforin@kimep.kz

Abstract

This research paper explores the well-established but still contested concept in Central Asian studies of Eurasianism. It does so by moving away from a Russo-centric vision of Eurasianism and paying attention to Kazakhstan's conceptualisation and instrumentalization of the concept. Indeed, this paper, addressing a gap in literature regarding the foreign policies of secondary powers, questions how the conflicting interpretations of Eurasianism impact contemporary geopolitics between Central Asia and its neighbours, and more specifically, how Kazakhstan uses the concept of Eurasianism as a foreign policy tool. To answer these questions, this research uses the method of a case study, that of Kazakhstan's engagement in China's Belt and Road Initiative (BRI). The analysis of this case study reveals how foreign policy tools can be used by secondary powers to their advantage in the global order.

Keywords: Eurasianism, Kazakhstan, foreign policy, Belt and Road Initiative, secondary powers

Eurasia remains a highly debated and contested term not only in academia but also in the physical world of international relations. The meaning and perception of Eurasia differs in time and space. Indeed, it holds both geographical and a politico-philosophical-ideological dimensions. In geographical terms, Eurasia covers the space which is located both in Europe and in Asia. In politico-philosophical-ideological terms, Eurasia is a much more complex concept with conflicting interpretations, from which emerges the notion of 'Eurasianism'. The latter, and there exists a relative consensus on this in the literature, was first developed and evolved during the Russian imperial era (Mostafa, 2013: 160). The Russian concept of Eurasianism emerged as a philosophical and political movement in the early twentieth century and was developed by intellectuals who emigrated after the 1917 Bolshevik Revolution. In essence the movement promotes a pan-Eurasian identity that unites all peoples in Russia and its periphery, an element that would soon become central, in a single entity (Idem: 161). Moreover, in the Russian understanding of Eurasianism, Russia is more closely associated with its eastern neighbours, and it is posited that it was part of the Mongol Empire before 'Europeanisation'. Occupying a special position in the Eurasian geopolitical space, Russia deems it holds central role in the regional power equilibrium and has as a mission to balance interests between Europe and Asia. Finally, another important element of Russian Eurasinism, especially today, is that it is about balancing against the West and sharing a "common economic, geographic and cultural space with other former Soviet states" (Ibid.). As such, Eurasianism remains a very strong and powerful tool in national political and ideological discourses in contemporary Russia.

However, it is important to note that Eurasianism, as elaborated above, is most often focused on Russia and the Russian school of thought. In this sense, it is interesting, as well as important, to look at

this concept from the perspective of other Eurasian actors, in the case of this paper the Central Asian and post-Soviet country of Kazakhstan. As such, this research paper will question how the conflicting interpretations of Eurasianism impact contemporary geopolitics between Central Asia and its neighbours, and more specifically, how Kazakhstan uses the concept of Eurasianism as a foreign policy tool? This second question in fact emerges from a broader gap in literature regarding the foreign policy strategies of secondary powers (Vanderhill, Joireman and Tulepbayeva, 2020: 976).

The first section of this paper will focus on Kazakhstan's interpretation of Eurasianism and the context in which it specifically emerged. It will here be argued that Kazakhstan's conflicting interpretation to Russian Eurasianism is at the foundation of Astana's multivector foreign policy. The second section will look at how Kazakhstan's uses multivectorism as a foreign policy tool in global politics, through the case of China's Belt and Road Initiative (BRI).

Firstly, Kazakhstan, the only Central Asian state sharing a border with Russia and whose history and demography are tightly intertwined with that of its northern neighbour and former coloniser, considers itself as a 'Eurasian bridge', a country straddling East and West (Cummings, 2003: 139). To the knowledge of few, it should be noted that a small part of Kazakhstan, to the West of the country representing approximately 10% of its territory, geographically belongs to Eastern Europe (Mostafa: 164). Nevertheless, its historical and cultural roots are far more intertwined with those of its Central Asian neighbours (Ismailov and Papava, 2010: 71). Geographically, Kazakhstan is surrounded by some of the most prominent emerging powers, most notably Russia and China but also Iran and India. On a global and regional scale, the post-Soviet state can be considered a secondary power, that is "a state with moderate regional influence and moderate international recognition that has negotiated relationships with its Great Powers neighbours without becoming a client state (Vanderhill et al.: 975). As a secondary, as well as post-colonial, power, Kazakhstan has allowed itself to hold a different interpretation of Eurasianism and use it to fulfil its foreign policy objectives.

According to the existing literature, the content of Astana-conceived Eurasianism has little resemblance to its Russian counterpart. Indeed, the Kazakhstani government advocates a different understanding of Eurasianism, and therefore of its identity as a Eurasian state, that asserts its sovereignty vis-à-vis Russia, most notably by advocating a separate historical narrative that is not dependent on Moscow. As mentioned above, Russian Eurasianism underscores the place of the Mongol Empire in the concept of Eurasia. Importantly, Russia also considers itself the successor state of the Golden Horde (Idem: 980). This historical narrative allows Russia to claim that the Soviet Union 'created' Kazakhstan through the establishment of the Kazakh Soviet Socialist Republic in 1936. In opposition to this narrative, Kazakhstani Eurasianism finds its roots in the First Turkic khanate, which preceded both the Mongol Empire and the Soviet Union. This interpretation, in turn, allows Kazakhstan to claim a different civilisation from Russia. Against the idea that Eurasia comprises a monolithic history of one people, dominated by the Soviet Union era, Kazakhstani Eurasianism encompasses different cultures. Moreover, on top of moving away from Russia, this interpretation stresses cultural ties with Europe and the West.

The Kazakhstani conceptualisation of Eurasianism emerged in the context of the 1990s and country's unexpected transition to independence. First President of Kazakhstan, Nursultan Nazarbayev, presented this revised conceptualisation of Eurasianism in 1994 for the first time. In his speech, given in Moscow, he emphasised a series of projects, including the establishment of a Eurasian Union, that demonstrated his interpretations. Some have since argued that Astana used, and continues to, Eurasianism as a response against Russian influence and that it serves as a policy strategy comprising post-Soviet Kazakhstan's geopolitical ambitions and foreign policy objectives. It is important to note that

Kazakhstan in the 1990s was facing the necessity to mould itself a new identity, as a recently independent state, and a foreign policy strategy at the same time. In other words, identity-making, in part through a conflicting understanding of Eurasianism to Russia, became a key driver for foreign policy in Kazakhstan (Anceschi, 2014: 734). The most important element of Kazakhstan's conceptualisation of Eurasianism and the foreign policy strategy that emerged from it is pragmatism. Indeed, what President Nazarbayev also introduced in the 1990s and that since come to represent Kazakhstan on global politics in the concept of 'multivectorism'. According to Rachel Vanderhill, Sandra Joireman and Roza Tulepbayeva, a multivector foreign policy is "a policy that develops foreign relations through a framework based on a pragmatic (...) and a non-ideological foundation" (2020: 976-77). This paper thus argues that this foundation is Eurasianism, an argument supported by the above-described Russian interpretation of Eurasianism and demonstrated by this conflicting narrative in Kazakhstan, most notably in the opposition of ideological and pragmatic interpretations of Eurasianism. In other words, multivectorism was born out of the pragmatic understanding of Kazakh Eurasianism to serve Astana's foreign policy objectives, as the following section will outline.

Secondly, since independence Kazakhstan has used multivectorism to deal with its challenging geopolitics. To add to the definition of multivectorism, it has become "a form of relational power allowing a weaker state to mitigate the dilemmas of dependence while engaging in an asymmetrical relationship" (Ibid.). One of the central elements of Kazakhstani Eurasianism, supporting multivector policy, is economic pragmatism. Indeed, Kazakhstan has emphasised the need to develop economic ties all actors, allowing it to diversify and remove dependency, both politically and economically, on Russia. An interesting case study of Kazakhstan's multivector path is through China's Belt and Road Initiative. Launched in 2013 by Chinese President Xi Jinping in Astana, interestingly, the BRI can be defined as the sum of projects revolving around the idea of connecting China to the rest of the world through new continental and maritime infrastructure and investment (Laruelle, 2018: 10). As China emerged as a major regional and global power there was much debate as to whether this shift in balance in Central Asia would impact Astana's strategy (Vanderhill et al., 2020: 992). This paper argues that Kazakhstan has used multivectorism to its advantage and to fulfil its objectives. In regard to the BRI, it can be argued that Kazakhstan used it for two main policy objectives, namely economic and political diversification.

In terms of economic diversification, this objective emerged already in the 1990s with the Central Asian country's entrance into the global economy and the need to develop economically. Kazakhstan most importantly had to diversify away from dependency on export of natural resources (energy and raw materials). In this context, China's BRI, which places Kazakhstan as a central player in the goal of connecting Beijing to European markets, allows Astana to develop its transport infrastructure and benefit from the transit fees and overall inflow of Chinese investment into the country, and as such develop its non-extractive sectors (Bizhanova, 2018: 51). In 2015, soon after the launch of the BRI, Kazakhstan and China signed over 50 investment deals valued at more than 20\$ billion, signposting their rapprochement. By 2022, almost half of the projects had already been completed. Moreover, through investment in infrastructure, Kazakhstan can be argued to successfully use the BRI to go from land-locked country to land-linked country, especially to European market, which can be said to inform its rapprochement to its European roots and openness to Europe developed in its vision of Eurasianism.

Regarding political diversification, as mentioned already in this paper, post-Soviet Kazakhstan in order to form its new identity as an independent state saw it as necessary to move away from Russia to establish and protect its sovereignty and supported this through its confliction conceptualisation of Eurasianism. Interestingly, political dependency was also visible in economic ties, such as through the fact that the transport network that Kazakhstan inherited from the Soviet Union was almost entirely

connected to Russia (Contessi, 2018: 762). In this context, the BRI provides Kazakhstan the opportunity to modernise and grow its infrastructure away from its northern neighbour and former imperial centre. In a way, economic diversification can be deemed an important first step for political diversification. Although it is still early to assess China's BRI's impact on Kazakhstan, economically and politically, in 2020 the World Bank claimed that the BRI's "support for cross-border infrastructure has benefited Kazakhstan's connectivity" (World Bank, 2020: 1).

The use of the BRI for these objectives, as Kazakhstan is aware of the power asymmetries at play between it as a secondary power and China as a major power but is nevertheless willing to participate, demonstrates that Astana's foreign policy is overall pragmatic, and not as ideological as Russia's for example. Multivectorism is aimed at cooperation from all directions and the BRI is a fitting example of this. Other examples of Kazakhstan using its Eurasian state strategy to balance its neighbours and interest is its membership to a cluster of international organisations such as the Organisation of Security and Cooperation in Europe (OSCE), the Shanghai Cooperation Organisation (SCO), the Eurasian Economic Union, and so on. Nevertheless, the scope of the assignment does not allow to go into detail of this.

To conclude, this research paper argued that Eurasianism, a conflicting interpretation to that of Russia, is the cornerstone to Kazakhstan's multivector policy strategy and that Kazakhstan is able to use this tool to its advantage in the global order, as demonstrated through the case study of the BRI. This diverging conceptualisation would be interesting to further analyse through a post-colonial lens. Indeed, the current events of Russia's war in Ukraine and Kazakhstan's further moving away from Russia seem to indicate that a political rapprochement will not be happening any time soon. As such, the different narratives of Eurasianism remain as relevant in 2022 as they were in the early 1990s.

References

Aneschi, L. (2014). Regime-building, identity-making and foreign policy: neo-Eurasianist rhetoric in post-Soviet Kazakhstan. *Nationalities Papers*, 42(5), 733-749.

Bank, W. (2020, June 1). *South Caucasus and Central Asia - the belt and road initiative*. Open Knowledge Repository. Retrieved December 5, 2022, from <https://openknowledge.worldbank.org/handle/10986/34117>.

Bizhanova, M. (2018). Can the Silk Road Revive Agriculture? Kazakhstan's Challenges in Attaining Economic Diversification . In *China's belt and road initiative and its impact in Central Asia* (pp. 51–66). Chapter, The George Washington University, Central Asia Program.

Contessi, N. P. (2018). Foreign Policy Diversification and Intercontinental Transport Corridors: The Case of Kazakhstan's Railways Diplomacy. *Europe-Asia Studies*, 70(5), 759–790. <https://doi.org/10.1080/09668136.2018.1473342>.

Cummings, S. N. (2003). Eurasian bridge or murky waters between east and west? Ideas, identity and output in Kazakhstan's foreign policy. *Journal of Communist Studies and Transition Politics*, 19(3), 139-155.

Ismailov, E., & Papava, V. (2010). Eurasianism and the Concept of Central Caucaso-Asia. *Rethinking Central Asia. Central Asia-Caucasus Institute & Silk Road Studies Program—A Joint Transatlantic Research and Policy Publication*. Singapore: Central Asia-Caucasus & Silk Road Studies Institute.

Laruelle Marlène. (2018). *China's belt and road initiative and its impact in Central Asia*. The George Washington University, Central Asia Program.

Mostafa, G. (2013). The concept of 'Eurasia': Kazakhstan's Eurasian policy and its implications. *Journal of Eurasian Studies*, 4(2), 160-170.

Vanderhill, R., Joireman, S. F., & Tulepbayeva, R. (2020). Between the bear and the dragon: multivectorism in Kazakhstan as a model strategy for secondary powers. *International Affairs*, 96(4), 975–993. <https://doi.org/10.1093/ia/iaa061>.

Issues of Rights Violation of Children with Psycho-Neurological Disorders in Kazakhstan in International Context

Sabina Kossymbayeva

Department of International Relations and Regional Studies
College of Social Sciences, KIMEP

Almaty city, Kazakhstan

Sabina.Belonio@kimep.kz

ABSTRACT

People with disabilities are viewed as moral patients across the world that have rights but are unable to stand up for their rights and speak for themselves. Each nation is creating its own policies and legal frameworks to safeguard these individuals, and there are several UN treaties and WHO classifications of these people. This thesis is about Kazakhstan's current circumstances and its adherence to ratified international agreements about the children with psycho neurological disorders. In Kazakhstan do they have rights to obtain status of disability, but since the determination of their disability is having issues due to old style of texts in the local laws after ratification of the UN Convention on the Rights of Persons with Disabilities in 2015 and using the ICD-10 obtained in 2019. The level of responsibility of the moral agent in this issue is not adequate. Methodology of this study was document analysis, participant observation, survey and interview.

KEYWORDS

Children with special needs (CWSN), people with disability (PWD), children with disability (CWD), psycho neurological disorder, developmental delay, rights violation, Kazakhstan legislation, medical care.

1. INTRODUCTION

Internationally people with disabilities are treated as moral patients who have rights but are not able to defend them and represent themselves independently. There are quite a few treaties and WHO classifications of such people and each country is developing its own practices and legal acts to protect these people. According to the statistics provided by Minister of Health as of January 1, 2022 there are 742,000 persons with disabilities are registered in Kazakhstan, of whom more than 175,000 children with disabilities and special educational needs (CWSN), 98,200 children with disabilities (CWD), 76,000 children with no status (Giniyat, 2022). Those are total of over 350,000 children and only those who were officially diagnosed. The purpose of the study is to show that Kazakhstan children with psycho-neurological disorders such as delay of psycho-speech development are moral patients who still face discrimination of their rights and excluded by the government bodies of Kazakhstan. As per the complaints of the parents, these government actors do not permit children with such disorders to obtain the official status of disability that provides a wide range of social benefits that children and their parents

urgently needs in a right moment when the disorder was discovered, which is usually at the first year of life.

There are issues of protection of the rights of parents and children with special needs of the mental disorders due to the violation of the rights of children as they cannot be identified as disabled because of the determination of the mental illness as disability, as disability of neurological disorders. The UN has a treaty that describe who is a person with disabilities, including mental disabilities, but there is no official international terminology on who is the child with disability. The issue is – the Kazakhstan legislation does not include mental disabilities as a notion for determination of children as disabled if they have mental illness. The WHO has a medical classification list called the International Statistical Classification of Diseases and Related Health Problems (ICD); the latest version was adopted in May 2019 called ICD-11, which came into effect in January 2022. As per Kazakhstan legislation, the MSE guided by previous version of ICD-10 (2019) which has Chapter V “Mental and behavioral disorders” with paragraph F80 “Specific developmental disorders of speech and language”. Yet, parents complain that MSE does never give a disability status for children with psycho-neurological speech delay diagnosis when passing the process of obtaining the official status of disability. The reason MSE stay on is that the psycho-neurological speech delay is not permanent but temporary condition that could be fixed with professional help of tutors, neurologists, psychologists, linguistic specialists and difectologists. While this statement is arguable, since not all cases are temporary, some children with ASD could be diagnosed at 3 years old, some at 5, depending on symptoms. Additionally, specialists’ fees are expensive, also therapy must be provided constantly and in coordination with each other. Lots of families, especially solo mothers are unable to pay such therapy. In the issue the urgent help of government is extremely necessary, time counts against the health of children, thus, parents are seeking for disability status for their children with such diagnosis. It is important to note, that delay in therapy might cause severe problems in future.

To address the concerns outlined above, I determine the existing puzzles in research as measurement puzzle specific for Kazakhstan and conscious politically loaded conceptual omission seems like good matching ones. Hence, I want to fill the gap in existing knowledge and current practice in Kazakhstan, because in Kazakh legal practice people and children with disabilities are treated not according to international accepted norms and even adopted legal acts. Kazakhstan has signed several treaties where the conceptual formulation is clearly defined. So I believe that theoretical puzzle’s conceptual omission type, based on conscious effort, better describes research design. Taking into consideration the problem statement, this study will consider the following list of research questions:

1) Why in Kazakhstan, despite of international commitments, children with psycho neurological disorders such as delay of psycho-speech development, are not defined as children with disabilities? It is important to figure out why after the ratification of the Convention on the Rights of Persons with Disabilities in 2015 and using the ICD-10 obtained in 2019 still not defining psycho neurological disorders of children as disability. Maybe this happens because the local laws were not changed on interpretation of who a child with disability is after the ratification of the Convention on the Rights of PWD. Kazakhstan’s doctors and MSE still use the old style of determination of disability when see the children with psycho-speech development delays.

2) Do authorities conceal the real numbers of CWD in Kazakhstan? That will definitely lead to increase in the level of children disability figures, and this undesirable statistics might belittle country’s image in the International Organizations’ ratings. For example, a situation when the COVID-19 happened in the World; and Kazakhstan state authorities of the Healthcare did not follow the advice of WHO to merge the statistical data of death from COVID and pneumonia. Instead the Ministry of Health kept the tendency of not admitting that pneumonias is the result of coronavirus and kept publishing own separate statistics, which led to appear in world media as “deadly unknown pneumonia”. Consequently, this issue

brings me to think that it is common practice to hide real statistics from the world society for not dropping Kazakhstan health image.

3) Is budget limitation a reason why state bodies does not grant children with psycho neurological disorders the disability status in Kazakhstan? Although, in one of the speeches Kazakhstan's ex-President, Nursultan Nazarbayev emphasized that creating conditions would assist individuals to rediscover the trust in themselves, in their prospects for socially valuable labor, it is the key approach to socially vulnerable population, but not state care. Government knows how hard it is for parent(s) to raise a CWD, but simultaneously, authorities do not want to cultivate parasite type of society who only wants to get allowance without paying taxes.

As per own investigation, this research is useful to society, relevant, topical, and raises issues that not everyone is willing or able to talk about in Kazakhstan, but parents of CWSN wants to know.

2. LITERATURE REVIEW

In the study "Disability and Moral Responsibility" the author inspected the analysis of the philosophical and empirical issues surrounding the moral responsibility of people with psychopathy, intellectual disabilities, and ADHD (Vehmas, 2011). The assessments of an individual's moral responsibility are based on beliefs about their capabilities to consider important justifications for behaving, their freedom to act, and any potential mitigating circumstances (Eshleman 2009, Fischer and Ravizza 1998). The author explained that the impact of a particular diagnosis and the underlying neuro-cognitive disability on a person's moral, emotional, and cognitive behavior also depends on social and relational circumstances. Aristotle, as the first philosopher who formulated the general conditions of moral responsibility stayed that moral responsibility requires two conditions: ignorance and force (Aristotle, 1998). Ignorance is when a person's responsibility will be undermined because he/she does not know who he/she is, what he/she does, how it will end up everything, and whether it will be kind or fierce. Force is when a person's responsibility will be failed because of hypnosis, brainwashing, uncontrollable psychological urges, or direct brain manipulation. Therefore, moral agent can bear responsibility only in two cases: 1) being aware of the specific circumstances surrounding him/her and acts with the correct kind of thoughts and intentions - this 'no-ignorance' condition is known as a 'epistemic condition'; and 2) being free person, who acts without force, restrictions and who can control own deeds – this is the 'freedom-relevant condition' or the 'control condition' (Fischer and Ravizza, 1998). Author made critical conclusion towards Shoemaker (2009) that individuals with intellectual disabilities are not that humble, they can be expected to express their views reasonably, they are not overly simplistic, they are capable of responding appropriately to the emotional and moral urges of strangers, surely they have to overcome cognitive limitations that can affect their moral behaviour, and author cannot make any clear standing about their moral agency and responsibility, because their developmental abilities were limited to the stage of specific operations (Vehmas, 2011). So, can we define children with cognitive disabilities as moral patient? Even the author did not say that they are moral patients clearly and yet still had some arguments that moral responsibility is unclear concept in there, but I think yes. Because Aristotle, as the first philosopher who formulated the rational freedom notion stayed that moral responsibility requires two conditions: ignorance and force, therefore, children with intellectual disabilities does not know who they are, what they do, what will happen, they trust their own parents or very close people, they are ignorant. Secondly, they are not free and rational in their free choice to bear responsibility, they are forced to live the life by so-called normal people, thus, and they act under force, restrictions and someone's control of their deeds.

2.1. UN CONVENTION ON THE RIGHTS OF PERSONS WITH DISABILITIES

The question of this section is: *How did intergovernmental organizations (such as UN, WHO, UNICEF) developed international legal base for CWD?* First of all, the United Nations (UN) is an intergovernmental organization whose goals are to maintain world peace and security, foster friendly relations between countries, advance international collaboration, and act as a focal point for organizing national initiatives. It is the largest, most recognizable, most well-represented, and most potent intergovernmental organization in the whole globe. Secondly, the UN's World Health Organization (WHO) is a specialized agency in charge of global public health. Thirdly, the United Nations International Children's Emergency Fund, also known as UNICEF, is a UN agency that offers help to children all over the globe in the areas of development and humanitarianism, is one of the most well-known social welfare organizations in the world, efforts is the prevention of sickness through immunization.

Connected and reinforced with each other following international treaties:

1) ***Universal Declaration of Human Rights (UDHR, 1948)*** was the outcome of the Second World War's trauma. The world community promised never again to let atrocities like those of that conflict once that war ended and the United Nations was established. World leaders made the decision to add a roadmap to the UN Charter to ensure the rights of every person worldwide. At the General Assembly's first session in 1946, the paper they were debating, later to become the UDHR, was discussed. According to the History of the Universal Declaration of Human Rights, it was made up of representatives from the United States, the United Kingdom, Australia, China, Chile, France, Lebanon, the Commission on Human Rights, and the Union of Soviet Socialist Republics. The Commission on Human Rights, which was meeting in Geneva, received Cassin's final text. The Geneva draft was the declaration that was circulated to all UN members for feedback. Over 50 Member States contributed to the final preparation of the Declaration after the initial draft was offered in September 1948. The General Assembly, gathered in Paris, approved the Universal Declaration of Human Rights by resolution 217 A (III) on December 10, 1948, with eight countries abstaining but no one objecting. In fewer than two years, the UDHR's whole text was written. Finding a consensus on what should constitute the document's core at a time when the globe was divided into Eastern and Western blocks proved an enormous challenge (OHCHR, 1959).

2) ***Convention on the Rights of the Child (CRC or UNCRC)*** is the most universally accepted human rights convention ever and has improved children's lives all throughout the world; USA is still to ratify CRC, while 196 nations have signed it up. CRC acknowledges the social, economic, political, civic, and cultural agents that are children. The Convention guarantees and establishes minimum requirements for safeguarding children's rights in all respects. In the text, UNICEF is identified as a source of knowledge, which contributed to the Convention's drafting. Eglantyne Jebb, the creator of the Save the Children Fund, produced the Geneva Declaration on the Rights of the Child, which was adopted by the League of Nations in 1924 (History of child rights of the Convention on the Rights of the Children, UNICEF, 2015). According to the Declaration, everyone owes children the right to economic independence, protection from exploitation, means for their growth, particular assistance in times of need, and an upbringing that fosters social responsibility. The International Children's Emergency Fund, or UNICEF, was founded in 1946 by the UN General Assembly with a focus on children all around the globe. The Universal Declaration of Human Rights, which grants women and children the right to "particular care and support" and "social protection", is adopted by the UN General Assembly two years later. The Declaration on the Rights of the Child, adopted by the UN General Assembly in 1959, includes, among other rights, children's rights to education, play, a safe environment, and health care. Seven years later, the UN Member States affirm their commitment to upholding equal rights for all children, including their right to education and protection, in the International Covenants on Civil and Political Rights and

on Economic, Social, and Cultural Rights. The International Labour Organization (ILO) adopts Convention 138 in 1973, establishing the age of 18 as the minimum requirement for employment in jobs that might be harmful to a person's health, safety, or morality. There are three optional protocols to the CRC. The first Optional Protocol on the Involvement of Children in Armed Conflict calls on governments to take all reasonable measures to prevent members of their armed forces who are younger than 18 from participating in hostilities and obliges parties to ensure that children under the age of 18 are not compulsorily recruited into their armed forces. On January 18, 2002, the second Optional Protocol on the Sale of Children, Child Prostitution, and Child Pornography, which compels countries to prohibit these activities, went into effect. In December 2011, a third Optional Protocol on a Communications Procedure was approved, allowing children or their representatives to submit individual complaints for violations of their rights. The Committee on the Rights of the Child can receive reports of violations of children's rights and conduct investigations in accordance with this Optional Protocol on a communications mechanism (UNICEF, 2015).

In the book of Zdunek et al. (2019) "Child Centricity and Children's Rights" authors speak about the elements of children's primary care systems that respect a kid's rights to maximum health thanks to child centricity and the role of agents working on behalf of the child, that it goes against the nations of the European Union and the European Economic Area's legislative pledges to uphold children's rights. They stay that designing child health system it is risky to devalue the status of the child as it is easy to focus of the population level and on the needs of adults' majority. Book is focused on Models of Child Health Appraised (MOCHA) research that puts a child at the centre of mission and emphasizes that children are the future of the society, an important member of it, stressing obvious statement that healthy children are seen as 'good thing', which is fundamental approach for healthy adult population at any nation, that will boost the economy and society strength (Zdunek et al., 2019).

History demonstrates how attitudes regarding children have evolved over time. These modifications are the result of sociocultural alterations in the importance placed on children as intrinsic rather than extrinsic. Social and cultural settings have changed how people view kids and given them worth in society, especially in terms of their health. Culture is thought of as the outcomes of human action in terms of material and ideal notions, values, and acceptable methods of doing things. Collectives objectify and accept culture, which is then passed on to new collectives and future generations (Szczepanski, 1963). In terms of time, location, and space, the idea of a kid and childhood has been evolving (Garbula and Kowalik-Olubinska, 2012). The child had to submit to his or her father's wishes in ancient Greece. In a system known as 'agoge' (Kulesza, 2003), Spartan children were thought to be the property of the state, which was tasked with caring for their physical and military development (Rosa and Matysiuk, 2013). Aristotle recognized the importance of promoting children's intellectual, physical, and mental growth as well as their health because it was usual for children with disabilities, as well as those born out of wedlock or orphans, to be doomed to a life of rejection and destitution (Rosa and Matysiuk, 2013). In ancient Rome, the father was granted legal authority to make decisions regarding a child's life and death (Rosa and Matysiuk, 2013). In the middle ages, attitudes regarding children changed. In contrast to other medievalists' studies, Aries (1962) asserts that children were only ever seen as small adults during the Middle Ages (Brzezinski, 2012). The portrayal of the child in the Christian Bible at that time had a significant impact on how children were perceived in Europe, as evidenced, for instance, by their special access to God's Kingdom (Brzezinski, 2012). As a result, the family took on responsibility for the development of the child's morals and social skills (Rosa and Matysiuk, 2013). In the tenth century, Ibrahim ibn Yaqub said that soldiers in Slavic nations were even paid on the day of the birth of their kid, regardless of whether it was a boy or a girl. During the Renaissance (1350–1700), children's personalities were more valued. Poor kids who benefited from public schooling received special attention. Furthermore, "education was viewed of as a technique for growing human potential and dignity to the highest possible extent" according to the Erasmian humanism theory (Parrish, 2013).

The institutionalization of care for excluded and marginalized children was of major relevance throughout the eighteenth century's enlightenment (1685–1815). Significant contributions were made by John Locke (1632–1704), who stated that “the child has needs and interests which should be recognized for what they are and that the child should be reasoned with, not only beaten or bullied into conformity with the rules of compulsory behaviour” (Archard, 2004). Children's rights and parental obligations to protect the child were first established during the French Revolution towards the end of the eighteenth century. The concepts of the French Revolution and the views of the Christian Church, which claimed that the child has its own rights and that disrespecting them is regarded a sin, were reflective of social growth as well as the development of humanism and respect for the individual (Jarosz, 2010). However, children in Europe faced new difficulties throughout the industrial era of the nineteenth century. Children were utilized as cheap labour, suffered from high mortality rates, and had subpar living and working conditions (Balcerek, 1986). As a result of this neglect, the rate of juvenile criminality rose. In the nineteenth and twentieth centuries in Europe, philanthropic activities underwent a fundamental shift that was essentially the birth of children's rights thanks to initiatives that sought to care for the homeless and abandoned children, discussions on juvenile courts, and moral education of children (Balcerek, 1986). Initiatives for child safety and education began to take off at the turn of the 20th century. To safeguard and educate children, organizations like Save the Children in England, Radda Barnen in Sweden, and the International Save the Children Union (UISE) were founded. In order to safeguard defenceless children and war victims, the League of Nations modified the Geneva Declaration of the Rights of the Child in 1924, with inspiration from UISE. In fact, from this time onwards, it might be argued that the child started to be viewed as a value in itself, rather than only as the property of the parents or the state. We could see it as the first step toward empowering the child as an actor in society. This was a significant turning point in the acceptance of children's rights (Zdunek et al., 2019). Growing legal recognition of a child's status in society in the second half of the 20th century is evidence of increased acknowledgement of a child's rights. All MOCHA countries have ratified the 1989 Convention on the Rights of the Child (UNICEF, 1989), which concludes with the Geneva Declaration of the Rights of the Child and should guide all facets of children's health care going forward (Zdunek et al., 2019).

The Geneva Declaration of the Rights of the Child, commonly known as “Declaration of Geneva” (UN, 1924) states that all nations adults despite of gender recognizes that mankind owes to the child the best that it has given, declare and accept it as their duty, that beyond all considerations of race, nationality or creed must guarantee and provide: the child must be given the means requisite for its normal development, both materially and spiritually, the child that is hungry must be fed, the child that is sick must be nursed, the child that is backward must be helped, the delinquent child must be reclaimed, and the orphan and the waif must be sheltered and succoured, the child must be the first to receive relief in times of distress, the child must be put in a position to earn a livelihood, and must be protected against every form of exploitation, the child must be brought up in the consciousness that its talents must be devoted to the service of fellow men.

3) *World Declaration on the Survival, Protection and Development of Children (WDSPDC, 1990)*. Although discussions over children's rights started in the nineteenth century, they really took off in the twentieth century following the world wars. During the agrarian capitalism era before to the Industrial Revolution, children were also utilized as domestic labourers since they were seen as belonging to their fathers. With the advent of the Industrial Revolution, children started to leave their families after a protracted period of virtually no rights. Child labour has grown to be a significant component of production throughout this time since it is less expensive than adult labour and is viewed as the tool of capitalist accumulation. The “child rescue age” from the second half of the nineteenth century to the 1920s saw the rise of compulsory schooling as a method of child discipline. It is clear that there is a need to regulate children's working circumstances and to uphold their rights when children are seen as a group

that has to be protected as a different category rather than as property (Dirikoc, 2022). In this regard, WDSPDC stand that the children are innocent, vulnerable and dependent, 40 thousands of children die from malnutrition and diseases and from the effects of the drug problem. The World Summit for Children brought together the biggest group of world leaders in history on September 29–30, 1990, at the United Nations. The World Summit approved a Declaration on the Survival, Protection, and Development of Children and a Plan of Action for implementing the Declaration in the 1990s under the leadership of 71 presidents of state and government and 88 other high officials, most of whom were ministers. In paragraph 20 the World Declaration on the Survival, Protection and Development of Children has determined that the world leaders will work together in both domestic and international cooperation on reaffirm their commitment to the ten-point program to safeguard children's rights and enhance their quality of life. In the 10-sub paragraph it was stated that the priority should be given to the vulnerability and special needs of the children of the developing nations, particularly those in the least developed ones.

The influence on a child's right to health is addressed in a number of pertinent treaties or agreement declarations, each of which has one or more applicable clauses. All of the materials chosen are legally binding agreements or potentially trustworthy declarations of policy that can be used to assess various facets of children's basic healthcare. The hierarchy of conventions, treaties, and agreements is acknowledged. The strongest international agreements are those that have legal force because states agree to ratify them as a state and are then required to abide by them (Zdunek et al., 2019). Also Ministerial convention declaration of Alma-Ata, International Conference on Primary Health Care (WHO, 1978) as one of the instrument that can give detailed expression of the Rights of the Child to Health with in primary care (Zdunek et al., 2019).

4) *Convention on the Rights of Persons with Disabilities (CRPD)* and its Optional Protocol (A/RES/61/106) was adopted on 13 December 2006 at the UN Headquarters in New York is literally the first UN human rights treaty adopted in the 21 century. As of January 2023, it has 186 parties, whereas 185 states and the European Union (UN treaty collection, 2016). The Convention is monitored by the Committee on the Rights of Persons with Disabilities and establishes a comprehensive definition of PWD and reiterates that people with all different kinds of impairments shall be granted access to all basic freedoms and human rights. It defines and characterizes how all categories of rights pertain to PWD and points out areas that require modification so that they may successfully enjoy their rights as well as those where those rights have been infringed and where stronger protection of rights is needed (Secretariat for the Convention on the Rights of Persons with Disabilities, 2018).

The UN General Assembly approved the Declaration on the Rights of Mentally Retarded Persons in 1971, and on December 9, 1975, it was followed by the Declaration on the Rights of Disabled Persons. The World Programme of Action Concerning Disabled Persons was one of the year's outcomes, which was designated as the International Year of Disabled Persons in 1982. The Decade of Disabled Persons, 1983-1992, came after the Year (Barnes and Mercer, 2003). A worldwide agreement on the abolition of discrimination against people with disabilities should be written, the UN General Assembly was advised in 1987 by a gathering of experts from around the world reviewing progress. Italy and Sweden both put out draft convention outlines, but no agreement could be achieved. Many government leaders contended that the current human rights laws were enough. In 1992 the General Assembly established December 3 as International Day of PWD (Barnes and Mercer, 2003). The non-obligatory Standard Rules on the Equalization of Opportunities for Persons with Disabilities were established by the UN General Assembly on December 20, 1993 (resolution 48/96 appendix) (UN Department of Economic and Social Affairs, 2020). The pre-CRPD papers were seen by many commentators as being 'soft' in comparison to the 'strict' treaty responsibilities of the CRPD (Heyer, 2015). The Beijing Declaration on the Rights of Persons with Disabilities in the New Millennium adopted in March 2000 by the heads of six worldwide disability NGOs and around 20 regional and national disability associations, urged all governments to endorse a Convention (Secretariat for the CRPD, 2018). An Ad Hoc Committee on a Comprehensive and

Integral International Convention on the Protection and Promotion of the Rights and Dignity of Persons with Disabilities was established by the General Assembly in 2001 at Mexico's request so that it could consider proposals for a comprehensive and integral convention to promote and protect the rights and dignity of people with disabilities, based on a whole-person perspective (O'Reilly, 2003). The International Disability Alliance, the World Network of Users and Survivors of Psychiatry, the Landmine Survivors Network (now Survivor Corps), and other disability rights organizations had an impact on the writing process. The International Disability Alliance participated actively in the writing process, acted as organizer of an ad hoc International Disability Caucus, and sought to include disabled people and their organizations in the implementation and oversight of the Convention.

Mexico began discussions in 2001 at the 56th session of the UN General Assembly with the active assistance of GRULAC (the Latin American regional group). In 2002, when support for a Convention was stalling because of WEOG resistance, New Zealand was crucial in generating cross-regional momentum. Working together with other Committee members Jordan, Costa Rica, the Czech Republic, South Africa, as well as Korea and Mexico, New Zealand led discussions to a consensual accord in August 2006 after serving as facilitator 2002-2003. The 'esteem-seeking behaviour' of governments, national human rights groups, and non-profit organizations has drawn criticism from a number of commentators (Herro, 2019). With growing support from all regional groupings, the Convention soon rose to become one of the most widely endorsed human rights agreements in history (Melish, 2007). 126 states ratified the Convention in the first five years after it was established in 2007, while 160 states signed it. Governor-General Anand Satyanand gave the 2008 World Disability Award to New Zealand in honour of the country's contribution to the convention and the excellence of its historic National Disability Strategy. The Committee on the Rights of Persons with Disabilities initiated an inquiry against a signatory state for violating the convention's requirements in 2015, marking the first time in its brief history. Article 6 of the optional protocol, which states that an inquiry would be conducted whenever the committee receives "reliable information suggesting grave and systematic violation" of the human rights of individuals with disabilities, served as the catalyst for the investigation. The investigation of the British government was completed, and the final report was made public in 2016 (Committee on the Rights of Persons with Disabilities, 2020).

However, there is a key principle that children have right to health, which is preserved in the UN Declaration on the Rights of the Child (UN OHCHR, 1959). But according to Zdunek et al. (2019) there is a complex of paradox: firstly, the definition problem that lacks any meaningful explanation – "States Parties recognize the right of the child to the enjoyment of the highest attainable standard of health and to facilities for the treatment of illness and rehabilitation of health" since each nation has its own approach to healthcare provision and level; secondly, it is challenging to measure the health as a definition provided by WHO (1946) – "Health is a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity" since it is problematic to measure the health of children through the life course (Zdunek et al., 2019). In the Convention on the Rights of Persons with Disabilities there is same issue of definition – it has clear identification on who PWS is, but only for adult people, excluding children with special needs.

In "The Journal of Adult Protection" (2020) was published an article written by Joana Taveira Neto called "UN Convention on the Rights of Persons with Disabilities in Practice: A Comparative Analysis of the Role of Courts", where author stresses that according to the Convention of Rights of PWD people with all human rights and fundamental freedoms must be available to PWD of all kinds. These rights and freedoms include respect for inherent dignity, individual autonomy, including the right to make one's own decisions, and independence of people. They also include non-discrimination based on disability, reasonable accommodations, and universal design. They also include full and effective participation in society and acceptance of PWD as members of the human diversity and respect for the rights of CWD to uphold their rights in practice, as well as respect for their developing skills (Neto, 2020). In order to

properly comprehend the impact of the CRPD at the domestic level, the book compares the Convention's interpretation with that of the court's application across various jurisdictions. The long list of court rulings, the sizeable number of nations and jurisdictions examined the in-depth analysis of the CRPD's domestic legal status and the many judicial interpretations of the CRPD all demonstrate the importance of human rights and the application of international law. This paper is a significant tool for altering society attitudes on human rights, namely the protection of the rights of people with disabilities. Author stays that different nations interpreted CRPD in different topics, even the concept of disability itself. Academic scholars from 11 nations (Argentina, Australia, Germany, India, Ireland, Italy, Kenya, Mexico, Russia, Spain, and the UK) as well as 2 regional jurisdictions contributed to the book (The Council of Europe – European Court of Human Rights and European Committee of Social Rights and The European Union). Also, it contains the Anna Lawson and Lisa Waddington book interpreting of the CRPD in Domestic Courts, which describes domestic interpretations of particular CRPDs and offers the interpretive strategies applied by courts in this study. According to the conclusion, the Convention “has been determinative of the Court developing a new definition of disability for the Employment Equality Directive”. According to the court's position “the Court has found that the Convention does not meet the standards needed for it to have direct effect in EU law”. According to the document, Convention occasionally made reference to ‘reasonable accommodation,’ and the Court's interpretation of ‘reasonable accommodation’ reflects the wording of the Convention. There is no assurance that the Court's decisions will always be in accordance with the CRPD, as the Court's approach to the definition of disability may suggest. In terms of interpretation, advocate generals “are more inclined to engage in it” (Neto, 2020).

5) *International Statistical Classification of Diseases and Related Health Problems (ICD, 2019)* have served as a global standard for coding essential knowledge about the causes and effects of human disease and death for more than a century. It also provides comparable data on the causes of mortality and morbidity across locations and time. The most recent version, ICD-11, which dates back to the 19th century and was approved by the 72nd World Health Assembly in 2019, went into effect on January 1, 2022, however the transition period is extended until 2027. The WHO serves as the UN System is leading and coordinating body for health, is responsible for maintaining the ICD. All Member States are dedicated to utilizing the most recent ICD version (WHO, 2022).

The International Statistical Classification of Diseases, Injuries, and Causes of Death and accompanying recommendations were given to the World Health Assembly for consideration and action during the First World Health Assembly Convention on April 30, 1948. The Delegates gave WHO the responsibility of creating and updating the necessary international nomenclatures of diseases and causes of death (WHO, 2022).

Florence Nightingale made a suggestion at the London International Statistical Congress in 1860 that led to the creation of the first system for compiling hospital data. The Bertillon Classification of Causes of Death was first presented in 1893 in Chicago at a meeting of the International Statistical Institute by a French doctor named Jacques Bertillon (Raminani, 2023).

Many nations adopted Bertillon's system, which distinguished between general diseases and those that were localized to a specific organ or anatomical site and was used by the City of Paris to categorize fatalities. The original 44 titles were increased to 161 titles in later revisions, which combined the classifications from English, German, and Swiss sources. The American Public Health Association (APHA) suggested in 1898 that the United States, Canada, and Mexico's registrars likewise adopt it (Raminani, 2023). The APHA also suggested updating the system every ten years to make sure it kept up with changes in medical practice. Due to this, the International Classification of Causes of Death underwent its first revision in 1900, followed by updates every ten years after that. Minor changes were made in the revisions that came after, up until the sixth iteration of the classification system. The

classification scheme was expanded to two volumes with the sixth version. International Statistical Classification of Diseases, Injuries, and Causes of Death were changed to reflect the addition of morbidity and mortality conditions in the sixth version. Prior to the sixth revision, the Mixed Commission, which was made up of delegates from the International Statistical Institute and the League of Nations' Health Organization, was in charge of ICD changes. The WHO took over the task of creating and disseminating the ICD modifications every ten years in 1948 (Zhavoronkov and Bhullar, 2015). It was eventually discovered that the set ten-year gap between revisions was insufficient (Raminani, 2023).

The difference of ICD 10 from 11 are many, but the main is that ICD-10 contains 14,400 code names, while ICD-11 has 55,000 names, because now it includes circumstances affecting the health, for example, dissatisfaction with the school situation and low levels of personal hygiene. Increasing of the ICD's item count is thought to be very helpful because it gives researchers and healthcare administrators a better understanding of the state of a nation or the entire world. ICD-11, for instance, describes all forms of diabetes, illnesses that develop in the context of HIV infection have a unique code, and rare genetic illnesses have their own codes. Additionally, there is a section called "Involved Injuries" that lists items such as marsupials, wristwatches, combs, and other items in addition to weapons or other similarly hazardous objects. In other words, clinicians can literally record any life event that has had an impact on patients' health using ICD-11. Those who are not involved in medicine may not notice the difference right away after the new ICD is introduced, but practicing doctors will see it right away. The creation of ICD-11 involved 300 specialists and scientists from more than 55 countries divided into 30 working groups (Pickett and Anderson, 2018), with an additional 10,000 suggestions from people all over the world (Badr, 2019). The official version of ICD-11 exists so far only in English, Spanish, Chinese, and Arabic languages.

2.2. KAZAKHSTAN LEGISLATION

According to UNICEF analysis of 2014, the disability in the CIS countries during the communist regime was largely treated using old models of disability. PWD were seen as an aberration from the 'norm' to be treated and hidden from official statistics. Statements such as "There are no disabled people in the USSR!" were very common (Fefelov, 1986). In fact, this statement is an example of how persons with physical and mental disabilities were stigmatised and made essentially 'invisible' to society in the former Soviet Union. Nevertheless, even after independence obtaining, PWD remain an 'unknown population' in most CIS countries (Polozhiuk, 2005). Kazakhstan signed or ratified the Convention on the Rights of Persons with Disabilities on February 20, 2015. This agreement allows people with disabilities to become 'visible', not just to be an 'objects' of charity, needing only medical and social protection, but as 'subjects' with rights and dignity (UNICEF, 2014). In Kazakhstan, the Ministry of Labour and Social Protection is the coordinating body for disability issues.

However, there is still the differences in how disability is defined by different state agencies. Thus, Law of the Republic of Kazakhstan dated April 13, 2005 № 39 "On Social Protection of Persons with Disabilities in the Republic of Kazakhstan" defines a CWD as:

"a child with a disability is a person under the age of eighteen years, who has a health disorder with an enduring disorder of the functions of the organism, caused by diseases, injuries (wounds, traumas, contusions), their consequences, defects, which leads to restriction of the vital activity and the need for his social protection"

Moreover, other laws have other definitions, for example the Law on Social and Medical-Pedagogical Corrective Support for Children with Disabilities (№ 343-II of 11 July 2002) defines CWD as:

“a child (children) under eighteen years of age with physical and/or mental disabilities, who has a disability resulting from congenital, hereditary, acquired diseases or the consequences of trauma, as duly certified”

Such definitions are outdated, especially in light of the social model of disability. The term ‘disabled person’ or ‘disabled child’ refers to the medical model of disability. In fact, Chapter 2 of the Law on Social Protection of Disabled Persons of Kazakhstan states that state policy on the social protection of ‘persons with disabilities’ focuses on: 1) prevention of disability; 2) social protection, including rehabilitation of persons with disabilities; and 3) integration of persons with disabilities into society. While this is a positive development in defining the responsibilities of the state in relation to PWD/CWD, it also raises a number of issues that still exist in the use of terminology relating to the stigmatisation and exclusion of PWD/CWD. More specifically, such language still emphasises the ‘correction’ of disability, which itself suggests a medical model. Kazakhstan, along with other CIS countries, has committed to moving away from a medical model to a human rights-based approach to disability in line with the social model set out in Article 1 of the Convention on the Rights of Persons with Disabilities (UNICEF, 2013).

In terms of local legislation, there has therefore been a shift in terminology avoiding the words ‘persons with disabilities’, or ‘children with disabilities’. Kazakhstan legislation is a subject to frequent change. Officials can change laws and even the Constitution any convenient for them time. Sometimes citizens are notified by NGOs or activists through social media about the process of admission of the new law or about the implementation of changes in the existing laws. NGOs and activists approach to population to vote against the new law or show any activity at governmental website. Thus, I have made screen shots of the laws, in order to record or attest the text itself as it was, before I start the participant observation. I think it would be clearly shown if I do so before I will send the letters to state bodies together with the Republican Public Association “Union of Parents of Special Children”. As a best example of frequent legislation change is non-effective change of the determination of the ‘disabled child’ to term to the ‘child with disability’ which is defacto does not change the easiness of getting the status of disability by children with neurological disorders is the Article 32, paragraph 38 subparagraph 2) of the Law of the Republic of Kazakhstan of June 27, 2022, № 129-VII “On amendments and additions to some legislative acts of the Republic of Kazakhstan on improving the quality of life of persons with disabilities”.

Official statistics are not reflecting the real picture of disability in Kazakhstan. Government (as a whole system between Ministry of Health, State Statistic Authority and Ministry of Ministry of Labor and Social Protection) work on drawing minimal statistics instead of showing the real figures, thus they decrease the possibility and any opportunity for children to get the status of disability.

The main list if social benefits are still the same for all the CWD and PWD, as of 2023 are (Law of Kazakhstan “On special social services”, 2008):

- monthly allowance (see below amount),
- controversial benefits for medical care and sanatorium and health resort services for CWD, such as: two types of wheelchairs, orthopaedic winter and summer footwear, foot restraints, diapers, walkers, hygiene products, crutches, bio-toilet chairs, list of free medicines, free MRI, ultrasound, EEG and ECG, blood and urine tests,
 - retirement benefits,
 - controversial employment benefits,
 - controversial housing benefits (‘baqytty otbasy’ loans),
 - controversial transportation benefits (‘inva-taxi’ service),

- benefits and rights related to the upbringing and education of CWD,
- tax benefits,
- benefits for notary and registry office services,
- there are covered rehabilitation centres with free:
 - body massage,
 - physical therapy,
 - speech therapist,
 - simulators and stimulators,
 - ABA therapy,
 - hippo therapy,
 - dolphin therapy,
 - and much more.

According to the Law of Kazakhstan “On amendments and additions to the Law of the Republic of Kazakhstan “On the republican budget for 2022-2024” recalculated pensions and benefits paid from the national budget started from April 1, 2022 (Law of Kazakhstan On the republican budget, 2022). Therefore the amount of monthly allowance for CWD and their parents is based on minimum subsistence level or minimum cost of living (MCL) which is equal to 37 389 Tenge. Consequently, the allowance for disabled children and parents are following:

- ✓ child under seven years of age - 52,345 Tenge (1.40 MCL);
- ✓ child from seven to 18 years of age group I - 71,787 Tenge (1.92 MCL);
- ✓ child from seven to 18 years of age group II - 59,449 Tenge (1.59 MCL);
- ✓ child from seven to 18 years old of group III - 52 345 Tenge (1.40 MCL);
- ✓ parent or person raising a disabled child - 52 345 Tenge (1.40 MCL).

As it could be seen, the monthly allowance plus social benefits consist of huge amount of money that not every middle-class family with CWD can earn and spend.

Human rights in Kazakhstan are enshrined in the Constitution, mainly in Section II “Man and Citizen”. Since 2002 an Ombudsman for Human Rights is established in Kazakhstan. Since 1997 there was a Commission on Human Rights under the First President, which was repealed by Decree of the President of RK on March 19, 2003 № 1042. Nevertheless, the human rights situation in Kazakhstan has been a problem for many government and non-government observers. According to the Freedom House reports, the country is ranked 6 for political rights and 5 for civil liberties (on a scale of 1-7, with 1 being the highest score), thus Kazakhstan’s society is considered ‘not free’. The U.S. Embassy on Kazakhstan notes that in 2004-2005 the “government continued to commit numerous and flagrant violations” of human rights (US State Department, 2004). Kazakhstan was chosen to join the United Nations Human Rights Council in 2012.

In 1995 was an idea of creation of a new institution. At that time, a delegation of Kazakhstani officials, led by Yerlan Idrissov, head of the RK President’s Administration’s international department, K. Kolpakov, head of the RK Supreme Council Chairman’s secretariat, and B. Baikadamov, secretary of the President of Kazakhstan Commission for Human Rights, attended a seminar in Geneva alongside the Coordinator of the UN system and the Permanent Representative of the UNDP. For the first time, this group of people brought up the issue of Kazakhstan Ombudsman institution. The UN Development Program, the UN Office of the High Commissioner for Human Rights, the Organization for Security and Cooperation in Europe, and other international organizations played an important role in preparing Kazakhstan’s Ombudsman legislation to meet international standards, primarily the Parisian Principles on the status of national institutions (Commissioner of Human Rights, 2007). President of Kazakhstan Kassym-Jomart Tokayev in his Address to the People of Kazakhstan spoke about the creation of an

ombudsman institution for the rights of people with special needs: “First of all the state will ensure equality of opportunities and justice for all. The high level of public goods and support for socially vulnerable categories of population, including citizens with special needs, will be guaranteed. An appropriate institute of ombudsman under the President will be established” (Tokayev, 2022). 16 January 2023 a document on establishment of the ombudsman for people with special needs was posted on the portal of Open National Legal Acts (Open NPA, 2023). The text of the decree states that the main objectives of the Ombudsman are to guarantee the rights and legal interests of the socially vulnerable groups as well as to restore their rights and freedoms in cooperation with the government and public institutions. The list of categories of the population whose basic rights and legitimate interests are protected by the Commissioner for the Rights of Socially Vulnerable Categories of the Population includes:

- Veterans of the Great Patriotic War; Veterans considered equivalent in benefits to veterans of the Great Patriotic War
- Veterans of combat operations on the territory of other states;
- PWDs;
- Families who have or are raising children with disabilities;
- recipients of targeted social assistance (ASP);
- recipients of survivor’s benefits;
- Pensioners;
- ‘Qandas’;
- Mothers with many children who have been awarded the pendants Altyn alqa, Kumis alqa or who previously received the title of Mother Heroine, as well as those who have been awarded the Orders of Maternal Glory of I and II degree, families with many children.

An ombudsman for children’s rights is a person or department that actively promotes the rights of children, whether it be in the context of child abuse, disabilities, unaccompanied asylum seekers, or the rights of CWD (Zdunek et al., 2017).

Since 2010 (Order of the Minister of Health of RK № 543, 2009) until the present time (Order of the Minister of Health of RK № ҚР ДСМ-250/2020, 2020), Kazakhstan uses the ICD-10 in its health system.

According to Order № 44 of the Minister of Health and Social Development of Kazakhstan dated 30 January 2015 “On Approval of the Rules for Medical and Social Expert Assessment”, registered with the Ministry of Justice of Kazakhstan on 31 March 2015 № 10589, at the paragraph 14 it states, that resulting the MSE, disability and (or) the degree of disability is not established in the absence of persistent disorders of the functions of the body that lead to limitation of one category of vital activity (ability to self-care, movement, labour activity (ability to work), training, orientation, communication, behaviour control, play and learning activity, motor activity). Paragraph 43 states that the following conditions or criteria must be met in order for a person to be recognised as disabled:

- 1) health impairment with persistent disorders of body functions;
- 2) limitation of vital activity (complete or partial loss of ability or possibility to perform self-service, independently move, orientate, communicate, control his behaviour, study or engage in labour activity);
- 3) the need for social protection measures.

As per UNICEF, the criteria may fail in specific cases: as the term ‘disability’ is permanent, not temporary and medical, not social, then Kazakhstan authorities had been already awarded that legislation

is not perfect for social protection of CWSN (UNICEF, 2014). These criteria are not precise enough or do not fully comply with international norms and standards, so often some children cannot receive a disability group. In this respect, the level of impairment that a child must have in order to be considered disabled is much higher than in the World Health Organization standards. Where possible, national standards should be aligned with international standards (UNICEF, 2014).

3. METHODOLOGY

The methods for this research will be:

1. Data collection
2. Interview
3. Participant observation
4. Survey

The NGO, which related to the field of study, is the best platform that I could use for material collection in all three research methodologies. NGO as legal entity is producing official letters to state authorities; I am going to take part in the writing the letters, I will have access for its database, and will make participant observation, with following observation of the result and interview someone from the NGO who is a person in charge. Thus, in purpose, I have chosen the Republican Public Association “Union of Parents of Special Children” (here and after – the Union). Thus, I expect that Union is the best platform for research paper, as they are financially independent without state grants and contributions, it does not discriminate diagnosis and age. And what is important for research, the Union does not require the presence of official disability status of children whose parents are members of the Union. It is republican public union that covers whole Kazakhstan, not only Almaty as usual NGOs do; they have wide outreach of citizens.

I have an access to: Union’s files, internal documents, such as Statute of the Union, list of regional branches and their Directors’ personal data, profiles of the members of the Union, collection of members’ proposals for authorities, samples of letters with letter heads, authorized electronic signature for letters, list of chats created by the Union around Kazakhstan per each diagnosis, and a range of video interviews and publications of the Union.

3.1. DATA COLLECTION

In order to respond to the main topic question of research on **“why children with delay of psycho-speech development in Kazakhstan are not defined as children with disabilities?”** I will conduct a data collection from statistics on CWD, and data among the members of the Union who does not have official status of disability. For this purpose I am going to use a Voluntary Response Sampling, because the answers of the population are based on easiness of access. Instead of me choosing participants and directly contacting them, parents volunteer themselves on the Union’s survey to collect their database.

I have to figure out how many children with delay of psycho-speech development that do not have official status of children with disabilities are available in Union’s database. For this purpose I have to segregate population on those who has and do not have delay of psycho-speech development. For this aim I will use Stratified Sampling method, because I need to select subpopulations that differ in important way. Subsequently, I will get a number of such families where children with delay of psycho-speech development that do not have official status of CWD. If I discover that this population exists based on the Union’s database, I could have a reason or basement for the letters I am going to send to authorities. I expect that I will be able to get the list of chats with their e-links, created by the Union on the base of

Telegram and WhatsApp applications. Since Union welcomes openness and inclusion parents freely share their opinions, information, data, proposals and claims to Union.

3.2. INTERVIEW

In order to respond to one of research question on **“why authorities do not want to reflect the real numbers of statistics? Might this undesirable statistics decrease country’s image in the International Organizations’ eyes? Does state does not want to spend more budgets for the allowances and other social benefits?”** I want to use a method of interview for research. The Chairwoman of the Board of the Union is main interview giver; also I will seek for another person for interview if possible. Since Union takes part in round tables, meets authorities, participates at the discussions with state actors Union has access to behind the scenes of the state apparatus. I will ask Chairwoman questions, such as: does she think that state authorities deliberately underreport disability statistics by not giving statuses to children, does they do it because they do not want to drop the image of Kazakhstan medical system or simply want to save state budget, also I will ask her if she heard blaming of parents from state authorities that parents are happy that they have CWD and they receive allowance instead of working and paying taxes. Since the Union is not bounded and not financed by state budget, I expect that replies will be without stress or hidden motives.

3.3. PARTICIPANT OBSERVATION

In order to respond to main and final research questions on **“why children with delay of psycho-speech development in Kazakhstan are not defined as children with disabilities? Can the text of Kazakhstan laws and official web sites be changed now by authorities to stop this misread and misunderstanding of who is CWSN determination?”** I want to use a method of participant observation. There is no need to simulate the situation, as it is real live issue.

I plan that I will take part in writing official letters to Government bodies as a worker of the Union. It will be written for the attention of the President of Kazakhstan, Prime Minister, Minister of Foreign Affairs (and Deputy Prime Minister), Minister of Healthcare, Minister of Labor and Social Protection of the Population and Minister of Justice. In the letters we will ask each agency about why in the current interpretations of the laws and in all state websites, the definition of a person with a disability and a child with a disability is still based on the old concepts of the Law “On Social Protection of Disabled People in the Republic of Kazakhstan” (2005), and not on the UN Convention on the Rights of Disabled People (2006), which was ratified by Kazakhstan in 2015. I think I should add the screenshots from the officially publicized laws of Kazakhstan and websites of the state bodies. Also I plan that I will put three main questions in letters:

- 1) Why children with delay of psycho-speech development in Kazakhstan are not able to obtain the status of children with disabilities?
- 2) Is that because the local laws were not changed on interpretation of who a child with disability is after the ratification of the Convention on the Rights of Persons with Disabilities in 2015?
- 3) Can the texts be changed now by authorities to stop this misread and misunderstanding of who is CWSN determination?

This is a participant hat we, along with the Parents Union, will be observing. We will wait for an official response, and we will also see if the government agencies will change the text of the laws after our letters. We will observe if the President or Prime Minister Offices will direct our letters down by the

hierarchy to interdepartmental agencies to respond to our letter. It will be sad to see how a low-ranking executive specialist from the ministry will receive same letter with a similar request from the governing agency that supervises ministry and from the Union itself, because I want to see a pure experiment when each authority answers independently. Ideally the resolution of the governing agency should not be a “reply to the request” as the usual reply, but the order for the execution in resolution “change the text in the law and on the websites”. The answer to our letters in the positive outcome I expect that the ministries will change the texts of laws and official websites, and in the negative outcome I will get a formal reply from one ministry instead of all the other ministries without correcting the texts of laws and government websites. It would be especially interesting to observe the level of government interest in the potential electorate in the run-up to the upcoming presidential election and on the eve of 2022, which has been declared the Year of Children.

Finally, after time pass we will see if experiment had given positive outcome, did it change the issue or not, will the state authorities give official status to children with psycho-speech development delay or will they find explanations of why they will not give them the status in the answer-letter.

4. FINDINGS

When I arrived to the office of the Union, I was able to get an access to: 20 Excel files with personal data of the members of the Union, questionnaire answers of parents of CWD, Statute of the Union, list of regional branches and their Directors’ personal data, samples of letters to government bodies, list of 150 social chats, and a range of video interviews and publications of the Union. Then, my Internship Instructor advised me to read an article at Liter.kz e-newspaper dated from October 7, 2022 on topic “Not a ‘tarbiesiz’ but a special child: how children with ‘invisible’ disabilities survive in Kazakhstan” (Sagadiyeva and Bakiyeva, 2022). Although, I was given an advice to read the following list of Legal Framework of the UN and Kazakhstan in this field of study, which I reflect at the literature review.

The Union has already launched surveys since May 2022 on the base of Google Docs that they shared among parents via links in chats. At the moment I got an access it had passed 6 months already. Surveys aimed to collect data overall Kazakhstan by diagnosis, presence or absence of the official status of disability and suggestions. As Union welcomes openness parents freely shared their opinions, data and proposals. I merged 20 survey files filled by each region into one big Excel table. It was necessary to do so since the filling up was made in different styles in 2 languages. The purpose was to make it easy to view and filter the data by cities, diagnosis and status obtained or not. Though, at the first survey attempt, I have figured out that there were 10 families who could not get disability status with the children diagnosis of with delay of psycho-speech development, 8 families who did not want to receive disability status because of their own decision, and 15 families who were in a process of gaining the status of disability which means that probability to get the status was unsure. Now, based on the Union’s database, I had a proof data for the letter I was going to send to authorities.

I took an interview from the Chairwoman of the Union Rauan Sagadiyeva. As she takes part in lots of government meetings with NGOs, I asked her does she think that state authorities deliberately underreport disability statistics by not giving statuses to children, does they do it because they do not want to drop the international image of Kazakhstan’s medical system or simply want to save state budget. I also asked her if she witnessed hate speech from state authorities on parents of CWD. She replied that she thinks that the state authorities deliberately underreport disability statistics by not giving statuses to children, because they both do not want to drop the image of Kazakhstan and simply want to save state budget. Nevertheless, she replied that in October 14, 2022 the Union was taking part in the Round Table on the discussion of the issues of inclusion and early rehabilitation of CWD in Akimat of Almaty city.

During the meeting the authorities' representatives openly spoke an opinion that parents of CWD are happy to have CWD, since they are able to be unemployed, receive allowance, request free social benefits and complain a lot. As per Mrs. Sagadiyeva's opinion, such hate speech reflected the general attitude of state actors defining their unwillingness to spend state budget more for vulnerable population as parents of CWD. Video record of this Round Table was published at the Union's official page.

In 21 November, 2022 I have prepared a letter on behalf of the Union, edited and signed by Chairwoman, under the outgoing registration number № 37, and incoming registration number at eOtinish № 3T-2022-02719106 addressed to the President of Kazakhstan, regarding the issue of the identification of CWD in the local legislation. The website eOtinish.kz is a platform for direct interaction of experts from various fields, as well as central state and local executive bodies with the residents and citizens of Kazakhstan in a question and answer, served to strengthen the rights of citizens in disputes with the authorities, based on the Administrative Procedure Code.

The letter text is following: *"In our Union there are parents of children with neuropsychiatric disorders, such as delayed psycho-speech development, delayed speech development and mental retardation, who complain that they often face refusals to obtain disability status when they apply to the MSE commission. We believe that this is due to the fact that in our laws and on the official pages of state agencies, the definition of "person with a disability" and "child with a disability" is still published in the old form. Thus, it does not correspond to the definition stated in the Convention on the Rights of Disabled Persons, adopted by resolution 61/106 of the General Assembly of the United Nations of 13 December 2006, ratified by the Law of Kazakhstan № 288-V 3PK dated 20 February 2015.*

In the Law "About social protection of disabled people in the Republic of Kazakhstan" № 39 dated 13 April 2005, paragraph 7, article 1 defines the concept of "Disabled person – a person who has a health disorder with a disability, caused by illnesses, or injuries (wounds, trauma, concussions), resulting in limitations to daily life that require his/her social protection". While in the UN Convention on the Rights of Persons with Disabilities, the definition is set forth in the following wording: "Persons with disabilities include those who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others".

Paragraph 8, Article 1 of the same Law "On Social Protection of Disabled Persons in the Republic of Kazakhstan" defines "a child with a disability as a person under 18 years of age, who has a health disorder with a disability, caused by illnesses or injuries (wounds, trauma, concussions), resulting in limitations to daily life that require his/her social protection". In our legislation, a child with a disability has essentially the same definition as a person with a disability, only the age of "under 18 years" is indicated, in this connection we suggest that the definition be brought to the international standard and stated as follows: "A Child with Disability is a person under the age of 18 years old, who have long-term physical, mental, intellectual or sensory impairments, which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others".

Obviously, the concept of a person with a disability having an impairment caused by illnesses, injuries (wounds, traumas, contusions), their consequences, defects, does not provide an accurate and complete definition of mentally disabled persons who have sustained physical, mental, intellectual or sensory disorders that prevent his full and effective participation in society on an equal basis with others, which is a condition for limiting the rights and equal opportunities of persons with disabilities.

In this connection, we ask you to instruct the relevant state bodies to amend the laws to bring the definition of a Child with a Disability into conformity with international standards in order to avoid

discrimination and artificial stigmatization of our children and protection of their rights in terms of recognizing their status as a child with a disability.”

A letter was also sent to:

1. Prime Minister of Kazakhstan Alikhan Smailov
2. Chairman of the Senate of the Parliament of Kazakhstan Maulen Ashimbayev
3. Chairman of the Majilis of the Parliament of Kazakhstan Yerlan Koshanov
4. Minister of Foreign Affairs of Kazakhstan Mukhtar Tileuberdi
5. Minister of Health of Kazakhstan Azhar Giniyat
6. Minister of Labor and Social Protection of Kazakhstan Tamara Duisenova
7. Minister of Justice of Kazakhstan Kanat Musin

Via eOtinish I saw the process of registration of the letter, then President Administration forwarded it on 24 November with following resolution text *“Administration of the President of the Republic of Kazakhstan has been reviewed and completely redirected to the State Institution Office of the Prime Minister of the Republic of Kazakhstan for review as per Article 65 of the Administrative Procedural Code of the Republic of Kazakhstan.”* Then Office of the Prime Minister redirected the letter to the Ministry of Labor and Social Protection, to the Secondary Education Committee of the Ministry of Education and to the Ministry of Education with due date 20 December 2022.

The Ministry of Foreign Affairs under the outgoing number № 3T-2022-02719116 dated 21 November 2022 answered that it terminates consideration of Union’s request on the basis of subparagraph 3 of paragraph 1 of Article 88 of the Administrative Procedural Code of the Republic of Kazakhstan in connection with the lack of the essence of the issue.

The Vice-Minister of the Ministry of Labor and Social Protection Yerbol Ospanov under the outgoing number № 3T-2022-02719127 dated 9 December 2022 answered that they have considered the Union’s proposal to change the concepts of ‘a person with a disability’ and ‘a child with a disability’, hence he replied following *“Kazakhstan, by ratifying the Convention on the Rights of Persons with Disabilities and its Optional Protocol (hereinafter - the Convention), has thus confirmed its readiness to join international standards in the sphere of human rights, creating equal conditions for people with disabilities to participate in society. The concepts ‘person with disabilities’ and ‘child with disabilities’ that are in effect in the country correspond to the procedure for defining disability on the basis of the degree of restriction of vital activity, taking into account international experience, and do not contradict the provisions of the Convention. For example, the words ‘stable’ and ‘persistent’ are synonyms, while a disability, according to the law, is understood to mean the complete or partial loss of a person’s ability or ability to perform self-care, move around independently, navigate, communicate, control their behavior, learn and engage in labor activity. This definition, being a more complete, generalizing concept, does not limit the rights and opportunities of persons with disabilities. At the same time, Union’s proposals are taken into consideration and will be considered as part of the work to improve the legislation in the sphere of social protection of the population.”*

M. Embergenova the Director of the Department of Maternal and Child Health of the Ministry of Health of Kazakhstan under the outgoing number № 3T-2022-02719121 dated 13 December 2022 answered that they have considered the Union’s appeal, hence replied following *“inform you that the authorized body in the field of healthcare is not the developer of the Law “On Social Protection of*

Disabled Persons in the Republic of Kazakhstan”. In this regard, Union should contact the authorized body for competence which is Ministry of Labor and Social Protection of the Population of the Republic of Kazakhstan. At the same time, we inform you that your proposals, within the limits of our competence, have been accepted for consideration for subsequent amendments and additions to regulatory legal acts.”

Secondary Education Committee of the Ministry of Education replied under the outgoing number of letter № 3T-2022-02719110/1 dated November 22, 2022 that have considered Union’s appeal, and informed following *“In accordance with the Law of the Republic of Kazakhstan “On the social protection of persons with disabilities in the Republic of Kazakhstan”, the regulatory legal acts of the Republic of Kazakhstan in the field of social protection of persons with disabilities and medical and social expertise develop and approve, as well as the general principles of organization and implementation of medical and social expertise and rehabilitation of persons with disabilities is established by the authorized body in the field of social protection of the population.”*

Minister of Justice under the outgoing number of letter № 3T-2022-02719130 dated November 23, 2022 replied that has considered and redirected Union’s appeal to the Ministry of Labor and Social Protection of the Population of Kazakhstan for consideration in accordance with Article 65 of the APC RK.

Second part of participant observation as a real participant was from November 14-21, 2022 when I and my daughter were sent to the hospital for inpatient observation. There my daughter, with my accompany, was passing urine and two types of blood analysis testing, EEG, CT, ECG, abdomen ultrasound, she also passed through consultation of ophthalmologist, defectologist, speech therapist, orthopedist, epileptologist, neurologist and pediatrician. An epileptologist proposed to add more anti-epilepsy drug (“Sabril”, “Frisium”, “Epidiolex”, etc.) which are not officially registered in Kazakhstan and usually brought by parents illegally from European countries, it is unsafe (no official certification from authorities for the quality of the medical drugs), unstable (no assurance that next dosage will be provided in time) and has lots of risks to be caught as smuggling (have issues with law).

Third part of participant observation was on December 1, 2022 when I and my daughter were passing MSE for the second time since 2020. We arrived with list of prepared documents but we faced unexpected requirement to provide a certificate from psychiatrist in order to prove that my child has mental delay and cannot control defecation and needs psychiatrist approval on rehabilitation centres admission, for which I asked to provide a link on legal regulation. MSE linked me to Order № 26 of the Minister of Health and Social Development of the Republic of Kazakhstan dated January 22, 2015 “On Certain Issues of Habilitation and Rehabilitation of Persons with Disabilities”, where I did not find any clarification on which specialist is responsible to provide certificate with conclusion for individual plan of rehabilitation compilation. There is no legal document that clearly regulated the requirements of the MSE. Then I insisted and asked again where I can see the requirements of the MSE as doctors’ instructions in governmental clinics in order for them and to parents to know the procedure of preparation for MSE. For this question I have got an answer that I am interfering from taking other patients, that was unwillingness to answer my question. The paper documents and voice records are available for demonstration.

Previously I brought up statistical data as of January 1, 2022 in Kazakhstan as 98,200 CWD given by Minister of Health of Kazakhstan Azhar Giniyat. However, here in this table 2 I use number 104,260 quantity of CWD in 2022 in Kazakhstan. Because while writing this thesis, statistical data for the beginning of 2022 on CWD in Kazakhstan have become irrelevant. Therefore, with help of the Union, as another experiment, I have requested data for the end of 2022 from three government agencies:

Ministry of Health, Ministry of Labor and Social Protection, and Bureau of National Statistics of the Agency for Strategic Planning and Reforms. It was a letter № 55 dated January 27, 2023 (№ 3T-2023-00142432 dated January 27, 2023), where we stated that *the Union keeps statistic records on the number of its members, thus Union needs to understand and clarify how its figures correspond to the official statistics. The Union requested to provide statistics on social protection for children (<https://bala.stat.gov.kz/category/sotsialnaya-zaschita-detej/>) for the end of 2022, in particular by section and age category regarding children with disabilities (0-18 years) and adults with disabilities.* Only Ministry of Labour and Social Protection of the Population has provided statistical data as of January 1, 2023 with quantity of CWD in Kazakhstan per each region and total number, which is 104,260 CWD at their letter № 3T-2023-00142448 dated February 10, 2023. Also Vice-Minister of Labour Mr. Ospanov has expressed his gratitude for Union's active civic position in taking measures to improve the situation of parents raising children with disabilities. Other two state bodies replied following. Bureau of statistics replied that according to the plan of statistical work, Bureau annually compiles and publishes the statistical compendium "Children of Kazakhstan", which includes information on the number of children with disabilities under the age of 18 according to the Ministry of Labour and Social Protection. The publication deadline is December 2023. In addition, Bureau has informed that on the official site in section "Statistics of social security" according to data of the Ministry of Labour and Social Protection the statistical data "Number of registered persons with disabilities by regions" and "Number of registered children under 18 years old with disabilities by regions" for 2022 will be published in 2 quarter of 2023, thus the page is empty as of now. Ministry of Health replied it is not under their competency to provide such information, but it is within the competence of the Ministry of Labour and Social Protection of the Population. Thus, due to help of the Union and Ministry of Labour and Social Protection I have update statistical data on the end of 2022 for CWD.

Now I want to explain why I put 175,000 in parentheses and 23.58% and 0.88% respectfully. It is 76,000 children in Kazakhstan that still has no status on disability, who definitely have mental health issues but they still cannot be identified. What are the reasons for this? Again, I asked the Union for help: if I can do survey on their chats to ask parents what are the reasons why their children still does not have any disability status. I asked only Almaty city members (thus, 175,000 is a total number for whole Kazakhstan) "Does your child have a disability?" It was 108 people, who answered from total 764 members of the Union in Almaty city in January 28, 2023. 34 people responded – 'yes', 23 people responded – 'no, but we want to, but we have psycho-speech developmental delay diagnosis thus we are not able to obtain the disability status due to this diagnosis', 10 people responded – 'I do not know if we can get disability as we are new in this field', 30 people responded – 'we do not want to get disability due to own reasons', 11 people gave their comments that they wait until their children are mentally ready to get disability status, or they are in the process of getting disability. It was second survey attempt where 23 parents against previous 10 replied that they wanted to obtain the disability status but could not get it from MSE due to children diagnosis of psycho-speech development delay.

Then, the next day January 29, 2023 at the same Almaty chat of the Union I asked the next question in survey related for those parents who do not want to obtain a disability status to their children "Why you do **not** want to obtain a disability for your child?" It was 80 people, who answered from total 764 members, while in previous survey it was only 30 parents who responded that they do not want to get disability due to own reasons. I was surprised that suddenly 50 parents more become active and answered following. 13 people answered – 'we do not want to label/stigmatize our child as disabled one', 38 people answered – 'we do not want a mental health center records to interfere with the child's future' (they want to protect child's future from negative consequences of such as applying for jobs, getting a driving license, marriage, etc.), 3 people answered – 'we have enough money for treatment and rehabilitation of our child', 16 people answered – 'I do not want to go through hell of bureaucracy to obtain the disability

status', and 10 people gave their answers below in comments. In the comments, parents answer that the doctors have told them that the child must necessarily be hospitalized without parents for almost three weeks, and their children are small (4-6 years old), on a special diet, they sleep very badly. Besides parents are afraid that other big children or adults might hurt their child, they are sure that no one will protect their children. Parents concerned that nobody will take care for giving properly in time pills. Moreover, there is a lot of stressing tests and analysis during hospitalization. Mostly parents are afraid to leave a child, because it is a big stress for the child and there can be rollbacks in development. Children cannot dress themselves, they cannot eat without help, they do not speak, and they do not understand much. The most importantly, there are no cameras in the hospital; parents are very scared, especially when they hear bad news on the beating of CWD.

Analyzing legislation base of Kazakhstan I have discovered several interesting points:

1) Law of the Republic of Kazakhstan of June 27, 2022, № 129-VII LRK "On amendments and additions to some legislative acts of the Republic of Kazakhstan on improving the quality of life of persons with disabilities" did not included the order of Minister of Health and Social Development Republic of Kazakhstan № 44 of 30 January 2015, which means that either it was simply forgotten to be included or ignored. The Order of the Minister of Health and Social Development № 44 of 30 January 2015 approved is the Rules for medical and social assessments (simply saying it is MSE's job description on how they assess and approve the status of disability). This Order of the Minister and the Rules for MSE were supposed to be included into the Law on improving the quality of life of PWD whereas the definition on PWD and CWD was newly changed.

2) I have found that: when me and Union wrote the letter to the President dated 21 November 2022 № 37 the definition in the Rules for medical and social assessments, approved by Order of the Minister of Health and Social Development social development Republic of Kazakhstan № 44 of 30 January 2015, was still contained the old-style definition as 'Disabled child'. But right after our letter the definition was changed from 'Disabled child' to 'Child with Disability' and it became number 18 sub-paragraph, while it was number 17 sub-paragraph. This proves how fast are Kazakhstan laws to be changed if it is needed for authorities.

3) Finally, I want to stress that the definition of 'Person with Disabilities' in Kazakhstan laws is still same old-style without change even thou the Ratification of the UN Convention on the Rights of Persons with Disabilities was taken in 2015. How much more to prove to Ministry of Health that Kazakhstan definition is far and narrow from the broad meaning of UN definition especially for intellectual/mental psycho-neurological diagnoses, whereas the causes of disability appeared not due to trauma, wounds, concussions or illnesses but from either condition caused by vaccination or congenital/innate genetics.

Another important note is that: International treaties concluded by Kazakhstan in accordance with the Constitution of the Republic in accordance with established procedure and ratified by the Parliament of Kazakhstan shall have priority before its laws (paragraph 3 of article 4 of the Constitution of Kazakhstan) that is stayed at the Regulatory Decree of the Supreme Court of Kazakhstan dated July 10, 2008 № 1 "On application of norms of international treaties of the Republic of Kazakhstan". So, why then local laws are still having old-style characterization of 'Person with Disabilities' without change as ratified UN Convention. We still did not get the direct answer from the Deputy Minister in the answer letter.

As per parents of CWD observation, an albeism which is disability discrimination, presents in the society, especially occurs among parents of healthy children. What is notable is that conversely healthy children themselves do not have albeism much as adults do. Healthy children commonly come closer to

CWD with curiosity, asking innocent questions and reflect compassion, while their parents show aggressive attitude by pulling away their healthy children saying that disability might infect them. There are many NGOs in Kazakhstan with different missions, one of them is a Union of Parents of Kazakhstan – they are parents of healthy children and unwilling to be partners with the Union of Parents of Children with Special Needs, even more, after the story of 16-years old boy from Petropavlovsk they are against of inclusion that Kazakhstan Ministry of Education implemented recently at public schools. Parents of healthy children get outraged when they find social benefits that parents of CWD have, for instance free stationeries are given to CWD because government provides reimbursement. All it shows stigmatization of moral patients, the cult of manly power violates children's rights, it is very severe for children to live in such mentality when handicap people in Kazakhstan are not welcomed because people are still disempowered, fragmented, inherited USSR mind set, it means CWD has no choice, but to suffer otherwise they will be belittled.

The low level of doctoral responsibility for CWD as moral patient and as medical patient, while high level of aggressiveness to parents and their CWD it all reflects the indifference to vulnerable moral patients. Western doctors call the Russian speaking doctors who studied medicine science at post-USSR countries as repressive physicians using masochistic therapies.

The population develops idiosyncrasy when the state cares a lot about citizens too much. Hence, all people should understand that CWD must be under special protection, taken care of, under guidance and responsibility of moral agents, who are parents, surrounding adult healthy people, but governments in face of doctors, MSE and human-written legislation do not perform it. Simply because society does not realize that PWD and especially CWD have rights, society literally do not morally consider PWD and CWD as human beings.

My own observations as participant of this experiment are:

- I felt for myself the MSE's arrogant attitude, without willingness to clearly explain me: the legislative base, the logic of obtaining the level of disability, the type of dispensary registration,
 - bureaucratic process of obtaining the disability status,
 - healthy parents' albeism,
 - stigmatization and humiliation of CWD rights,
 - aspirations for inaccessibility of medications,
 - expensive rehabilitation,
 - unreachable sanatorium treatment for children with psycho-neurological disorders
- that all stresses parents of CWD; it leads them to burnout as parents.

The human rights-based approach to disability, which is based on the social model of disability, has changed the focus of international policy from restrictions in children (owing to diseases) to societal impediments (preventing a child from accessing basic social services). Two international treaties – the Convention on the Rights of the Child (CRC), which affirms the human rights of all children – including those with disabilities – and the Convention on the Rights of People with Disabilities – provide the required basis for advancing this strategy (CRPD). The basis for include children with impairments in society is laid forth in both accords. Included here is “the acceptance of all children as full participants in included here is regardless of age, gender, race, or language, concern for all children as complete members of society and respect for all of their rights”.

From an international perspective, various international conventions address the issue of children's rights and CWD in particular. The Convention on the Rights of the Child (CRC) was the first treaty to make explicit provisions for CWD (Articles 2 and 23 of the UN Convention on the Rights of the Child).

Most importantly, Article 23 of the UN Convention on the Rights of the Child states that a child with a disability “should enjoy a full and decent life, in conditions which ensure dignity, promote self-reliance and facilitate the child’s active participation in society”. However, the development of the Convention on the Rights of the Child took place in the 1980s, when disability was seen as a problem that was within the individual (UNICEF, 2013). The Convention on the Rights of Persons with Disabilities (CRPD) focuses exclusively on the rights of PWD. Article 1 of the Convention defines PWD as those “who have long-term physical, mental, intellectual or sensory impairments which in interaction with various barriers may hinder their full and effective participation in society on an equal basis with others”. The definition above has been criticised for limiting the definition to ‘persistent’ impairments, and only to those who have impairments (Palmer and David 2011). Nevertheless, the Convention refers to disability as an ‘evolving concept’ in its general principles under Article 3 (WHO and World Bank, 2011). In addition, various other definitions of disability are used, but generally, three levels of disability are distinguished: impairment, functional limitation and limited participation (Sasser, 1990; UNICEF, 2013). It is important to note that the latter level suggests that disability may be felt (or increased) due to factors such as, for example, restrictions in movement (due to inaccessible buildings or lack of vehicles), social exclusion (due to stigma-related factors or political factors, i.e. depriving people with disabilities of access to regular education programmes, etc.).

5. CONCLUSION

This paper considered following list of research questions:

- 1) Why in Kazakhstan, despite of international commitments, children with psycho neurological disorders such as delay of psycho-speech development, are not defined as children with disabilities?
- 2) Do authorities conceal the real numbers of CWD in Kazakhstan?
- 3) Is budget limitation a reason why state bodies does not grant children with psycho neurological disorders the disability status in Kazakhstan?

Given methodology in this research were planned data collection, interviews, and participant observation. However, in fact, surveys were conducted within the parents of CWSN and more letters were written to state authorities in order to clarify on definition, 2022 statistical data and stigmatization issues in order to protect CWD’s rights.

Findings show that cases of discrimination continue to exist both in the expanse of social media and by other NGOs of parents of healthy children, while their healthy children are generally very open to interacting with CWD and CWSN, and that social stigma is spreading at the expense of parents of healthy children who demand that children with mental disabilities be denied the right to attend school.

I believe that this thesis research fills the gap in the following issues of rights violation of children with psycho-neurological disorders in Kazakhstan in international context:

- reasons why local legislation is still keeping communistic definition of who are the CWD,
- why state authorities are not defining children with psycho-neurological disorders as CWD.

From an international point of view, Kazakhstan seems to have succeeded in ratifying the Convention on the Rights of the Child and Persons with Disabilities, and, in order to avoid stigmatization, recently authorities changed the name of ‘disabled child’ to ‘child with disabilities’. The legislation of Kazakhstan provides some protection for CWD by establishing rights to social security, specialized services, free public education, specialized treatment in health care facilities, as well as a number of other services and benefits that meet certain needs CWD. From 2020, Kazakhstan’s public schools become inclusive. However, what UNICEF wrote back in 2014 in its analysis, that there is an unresolved issue raised about disability in Kazakhstan, is what the official definition of disability is in the country. The

definition of disability is the first indication of how ‘inclusive’ and non-discriminatory the whole system is. This report identifies two key differences between the definitions used in the legislation of Kazakhstan where both definitions are outdated and international treaties. Particularly, in light of the social model the term of disability is yet still medical and hard to understand as a whole while reading it. Kazakhstan should consider a review of the legal terminology to avoid misreading and misunderstanding of who the CWD are and to avoid social stigmatisation. Typically, CWD is not just the one who has injury and has no leg or become blind, but also the one who is unable to be moral agent, take responsibilities for own deeds, understand the life being due to intellectual disability. New ICD-11 can serve as a reference point in approaches to disability in terms of the social model, but Kazakhstan yet, still did not convert to it.

Hence, I already can make a negative conclusion based on the answer of the Vice-Minister of the Ministry of Labor and Social Protection Yerbol Ospanov. His answer shows that he does not see any difference in definitions, which in my opinion is obviously non-logic. The Ministry of Labor and Social Protection as the main state authority, which is responsible for protection of the rights of PWD and CWD must see crucial difference of the terminology.

As the data analysed in this report shows between 2020 and 2022 the total number of CWD in Kazakhstan has increased, of course, therefore, these increased amount of CWD surely have social protection. However, there is evidence that there are significant numbers of CWD with ‘hidden disabilities’ which are not formally reported and/or registered, such as with psycho-neurological disorders. Possible reasons for this phenomenon include internal factors that related as to local and to international context. The local are the obstacles that parents do not want to label/stigmatize their child as disabled one – I call it the intricacies of the country’s mentality and culture. Parents do not want mental health center (“psychdispancer”) records to interfere with the child’s future, i.e. they want to protect their children from negative consequences, such as refusal in employment, permission for driving a vehicle, marriage, voting, etc. That is the concept that parents simply do not understand that their children with special needs who are yet did not obtain status of disability are moral patients. Parents are moral agents for their children, even until their children with intellectual disabilities will turn eighteen years old, they still be moral patients to own parents and to society. Parents as moral agents must protect the rights of their CWD starting from childhood, to avoid violation of their rights in adulthood. Envisioning what might happen to an adult moral patient without status of disabled person if his/her parents neglected to obtain the status of disability since childhood. Adult moral patients will be victims of fraud or defrauding, which will be hard to prove if they would not obtain the status of disability since childhood. Obviously, the solution of this issue is partnership of local government, international organizations, NGOs and parents. Hence, parents see instant problems that appears now, for instance they do not want to go through hard bureaucracy to obtain the disability status, parents are sure that no one will protect their children during hospitalization, it is a big stress for the child and there can be rollbacks in development, parents are very scared that their children will be beaten, lots of parents are ignorant. On another hand, in international context there is an interview opinion of the largest NGO – a Union, whose Chairwoman Rauan Sagadiyeva, believes that state authorities deliberately underreport disability statistics by not giving statuses to children, they do it because they do not want to drop the international image of Kazakhstan’s medical system and definitely to save state budget.

Consequently, here is the answer to my hypothesis: children with delay of psycho-speech development will not be given official status of CWD in Kazakhstan, because:

- authorities do not want to reflect undesirable statistics; since it both will drop country’s international image and authorities do not desire the increase of budget expenses;

- definition of CWD in local laws will not be brought into conformity with international standards, since authorities do not see the difference, which actually has the obvious difference in understanding when reading it semantically.

The new input this thesis reflected that one of the reasons why children with psycho-neurological disorders are not obtaining the status of disability is a complex of parents' fears arose from doctoral and MSE procedures that parents unwilling to pass through. Definitely, state authorities in face of MSE are doing all possible things for parents to give up in the beginning of bureaucratic procedures, making parents scarred of leaving child alone in the psychiatric hospital for medical diagnosis.

The complexities this thesis faced is passive attitude of parents to pass surveys, passing the experiment gave lots of stress to me as to parent and as observer, also, a local legislation is a subject to frequent change, doctors and MSE are not available for being reachable for parents and NGOs to answer direct questions. A MSE representative had given me a referral to Order № 26 of the Minister of Health and Social Development of Kazakhstan dated January 22, 2015 "On Certain Issues of Habilitation and Rehabilitation of Persons with Disabilities" but did not explained the guidelines for using medical and social expert assessment to determine disability. Decree "On Approval of the Rules for Medical and Social Expert Assessment" (2015) actually reflected the guidelines for classification of PWD in three conditions, which are still high expectations enough for child with psycho-neurological intellectual disorder to obtain a status of disability.

Analyzing legislation base of Kazakhstan I have discovered several interesting points:

1) Law of the Republic of Kazakhstan of June 27, 2022, № 129-VII LRK "On amendments and additions to some legislative acts of the Republic of Kazakhstan on improving the quality of life of persons with disabilities" did not included the order of Minister of Health and Social Development Republic of Kazakhstan № 44 of 30 January 2015, which means that either it was simply forgotten to be included or ignored. The Order of the Minister of Health and Social Development № 44 of 30 January 2015 approved is the Rules for medical and social assessments. This Order of the Minister and the Rules for MSE were supposed to be included into the Law on improving the quality of life of PWD whereas the definition on PWD and CWD was newly changed.

2) I have found that when me and Union wrote the letter to the President dated 21 November 2022 № 37 the definition in the Rules for medical and social assessments, approved by Order of the Minister of Health and Social Development of Kazakhstan № 44 of 30 January 2015, was still contained the old-style definition as 'Disabled child'. However, right after our letter was received and answered, the definition was changed from 'Disabled child' to 'Child with Disability' and it became number 18 sub-paragraph, while it was number 17 sub-paragraph previously. This proves how fast local legislation to be changed if it is needed for the authorities.

3) Although, I want to stress that the definition of 'Person with Disabilities' in Kazakhstan laws is still same old-style without change even thou the Ratification of the UN Convention on the Rights of Persons with Disabilities was taken in 2015. How much more to prove to Ministry of Health that Kazakhstan definition is far and narrow from the broad meaning of UN definition especially for intellectual/mental psycho-neurological diagnoses, whereas the causes of disability appeared not due to trauma, wounds, concussions or illnesses but from either condition caused by vaccination or congenital/innate genetics.

Finally, according to UNICEF, the requirements to obtain the disability by children may not be met in some circumstances, because the term 'disability' is permanent rather than transitory and medical, not social. Some CWSN frequently are not eligible for a disability group because these criteria are not specific enough or do not fully adhere to international norms and standards. In this regard, the threshold

for a child to be classified as disabled is substantially greater than in the guidelines set by the WHO. I agree with UNICEF and declare that national standards should practically coincide with international standards.

ACKNOWLEDGMENTS

I would like to express my deepest appreciation to my academic supervisor, Dr. Nygmet Ibadildin, for helping me with my Master Thesis, and having genuine solidarity for problems of children with disabilities.

I had the pleasure of working with Rauan Sagadiyeva who helped me with the research, together with other staff of the Republican Public Association “ Union of Parents of Children with Special Needs”.

This endeavor would not have been possible without my daughter Sabelle Aru, as the background of this study starts from the moment when my child started having epileptic seizures after the vaccination at her 3 month old. Later epilepsy becomes a reason for other disorders such as cerebral palsy, strabismus and delay of speech development. That is a starting point when the world of children with disabilities become part of my life and totally overwhelmed me, as a parent. These children in Kazakhstan deserve inclusion, admission of the society, protection of their rights, and timely social care services.

REFERENCES

- Archard, D. (2004). “Children. Rights and childhood”. London: Routledge
- Aristotle (1998). *Nicomachean Ethics*, 1111a3-5. Translated by David Ross, Oxford: Oxford University Press
- Azhar Giniyat (2022), “В Казахстане растёт число детей с инвалидностью” article at Kursiv Media. <https://kz.kursiv.media/2022-06-01/v-kazahstane-rastet-chislo-detej-s-invalidnostju/> [accessed June 1, 2022]
- Badr, Azza (2019), “Fifth regional steering group meeting Bangkok”. WHO <https://getinthepicture.org/system/files/ICD-11%20-%20WHO.pdf> [accessed November 26, 2020]
- Balcerek, M. (1986). *Prawa dziecka. Prawa dziecka* Wydawnictwo Naukowe. Warszawa: PWN
- Barnes, Colin; Mercer, Geof (2003). *Disability*. Cambridge, UK: Polity. p. 145. ISBN 0745625096
- Brzezinski, W. (2012). *Obraz dziecka w perspektywie historyczno-porównawczej. Przeszłość we współczesności, współczesność w przeszłości.* Przegląd Pedagogiczny, 1(21), 141-153
- Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan <https://bala.stat.gov.kz/chislennost-detej-invalidov-poluchayuschih-sotsialnye-posobiya-i-srednij-razmer-gosudarstvennyh-sotsialnyh-posobij/>; <https://stat.gov.kz/official/industry/66> [accessed January 1, 2022]
- Commissioner of Human Rights (2007). “Strengthening Ombudsman Institution in Kazakhstan”. History archive: <https://web.archive.org/web/20111012074718/http://ombudsman.kz/en/about/history.php> [accessed May 19, 2007]

Committee on the Rights of Persons with Disabilities (2020), “Inquiry concerning the United Kingdom of Great Britain and Northern Ireland carried out by the Committee under article 6 of the Optional Protocol to the Convention”. <https://digitallibrary.un.org/record/1311200?ln=en> [accessed July 30, 2020]

Dirikoc, A. (2022), “The Concept and Development of Children’s Rights”, Yerdelen, B.K., Elbeyoğlu, K., Sirkeci, O., Işıkcı, Y.M., Grima, S. and Dalli Gonzi, R.E. (Ed.) *Being a Child in a Global World*, Emerald Publishing Limited, Bingley, pp. 117-124. <https://doi.org/10.1108/978-1-80117-240-020221011>

Ehlsleman, Andrew (2009), “Moral responsibility“. In *Stanford Encyclopaedia of Philosophy*. E.N.Zalta, ed. Stanford: The Metaphysics Research Lab, <http://plato.stanford.edu/entries/moral-responsibility> [accessed December 2, 2010]

Fefelov Valery (1986), «V SSSRINVALIDOV NET!..» First Russian edition, Overseas Publications Interchange Ltd. 8 Queen Anne's Gardens, London, England. ISBN 0 903868 83 0 https://vtoraya-literatura.com/pdf/fefelov_v_ssr_invalidov_net_1986_ocr.pdf [accessed December 2022]

Fischer, John Martin (1999), “Recent work on moral responsibility”. *Ethics* 110, 1, 93–139

Fischer, John Martin and Ravizza Mark (1998), “Responsibility and control: a theory of moral responsibility”. Cambridge: Cambridge University Press

Garbula, J., and Kowalik-Olubinska, J. (2012). *Konstruowanie obrazu dzieci ństwa w ń perspektywie psychologicznej i socjokulturowej*. *Przegląd Pedagogiczny*, 1(21), 25–34. Retrieved from <http://repozytorium.ukw.edu.pl/handle/item/626>

Heyer, Katharina (2015), “Rights Enabled: The Disability Revolution, from the US, to Germany and Japan, to the United Nations”. Ann Arbor, MI: University of Michigan. p. 171. ISBN 978-0472052479

Herro, Annie (2019), “The Pre-negotiation of UN Human Rights Treaties: The Case of the Convention on the Rights of Persons with Disabilities”. *International Negotiation*. 24 (2): 240–265. DOI:10.1163/15718069-24021174 https://brill.com/view/journals/iner/24/2/article-p240_3.xml [accessed April 25, 2019]

History of child rights of the Convention on the Rights of the Children, UNICEF, 2015 <https://www.unicef.org/child-rights-convention/history-child-rights>

History of the Universal Declaration of Human Rights (UDHR), (1948), UN General Assembly, <https://www.un.org/en/about-us/udhr/history-of-the-declaration>

International Statistical Classification of Diseases and Related Health Problems (ICD), (2019) <https://icd.who.int/browse10/2019/en#/> [accessed 1 January 2019]

Jarosz, E. (2010). *Krzywdzenie dzieci-piętno społeczne?* (w) “CHOWANNA” 53 (66), T. 1 (34): *Dzieciństwo Witraz Bolesny*

Kulesza, R. (2003). *Starożytna Sparta*. Poznańskie Towarzystwo Przyjaciół Nauk, Mała Biblioteka PTPN t. 12, Poznań

Law of Kazakhstan dated May 12, 2022 № 121-VII “On amendments and additions to the Law of the Republic of Kazakhstan “On the republican budget for 2022-2024” https://online.zakon.kz/document/?doc_id=37096270 [accessed May 12, 2020]

Law of the Republic of Kazakhstan dated June 27, 2022, № 129-VII LRK “On amendments and additions to some legislative acts of the Republic of Kazakhstan on improving the quality of life of persons with disabilities” <https://adilet.zan.kz/rus/docs/Z2200000129/history> [accessed 27 June 2022]

Law of Kazakhstan “On social and medical-pedagogical corrective support to children with disabilities” (2002) <https://adilet.zan.kz/eng/docs/Z020000343> [accessed 11 July 2002]

Law of Kazakhstan “On Social Protection of Disabled Persons in the Republic of Kazakhstan” (2005) <https://adilet.zan.kz/eng/docs/Z050000039> [accessed 13 April 2005]

Law of Kazakhstan “On special social services” (2008) <https://adilet.zan.kz/eng/docs/Z080000114> [accessed 29 December 2008]

Law of Kazakhstan “On Ratification of the Convention on the Rights of Persons with Disabilities” (2015) <https://adilet.zan.kz/rus/docs/Z1500000288> [accessed 20 February 2015]

Melish, Tara J. (2007), “The UN Disability Convention: Historic Process, Strong Prospects, and Why the U.S. Should Ratify”. Rochester, NY https://papers.ssrn.com/sol3/papers.cfm?abstract_id=997141 [accessed June 28, 2007]

Neto, J.T. (2020), “The UN convention on the rights of persons with disabilities in practice. A comparative analysis of the role of courts”, The Journal of Adult Protection, Vol. 22 № 3, pp. 175-178. <https://doi.org/10.1108/JAP-06-2020-062>

Open NPA eGov “On the draft Decree of the President of the Republic of Kazakhstan "On Establishment of the Ombudsman for the Rights of Socially Vulnerable Categories of Population under the President of the Republic of Kazakhstan” <https://legalacts.egov.kz/npa/view?id=14382245> [accessed 12 January 2023]

O'Reilly, A. (2003), “A UN Convention on the Rights of Persons with Disabilities: The Next Steps”. Presented at the General Assembly Meeting of Rehabilitation International Arab Region, 8–9 March 2003, Kingdom of Bahrain https://web.archive.org/web/20081007042109/http://www.disabilityworld.org/01-03_03/news/unconvention.shtml [accessed October 7, 2008]

Order of the Minister of Health of the Republic of Kazakhstan on October 19, 2009 № 543 “On approval of instructions for the application of the International Statistical Classification of Diseases and Related Health Problems, Tenth Revision, in health information systems in the Republic of Kazakhstan” https://online.zakon.kz/Document/?doc_id=30546799&pos=4;-106#pos=4;-106 [repealed by Order No. 696 of the Minister of Health of 10 December 2018]

Order of the Minister of Health of the Republic of Kazakhstan on December 11, 2020 № КР ДСМ-250/2020 “On approval of instructions on morbidity and mortality coding, instructions on the use of international classifiers” <https://adilet.zan.kz/rus/docs/V2000021769#z15> [accessed February 11, 2020]

Order № 44 of the Minister of Health and Social Development of Kazakhstan dated 30 January 2015 “On Approval of the Rules for Medical and Social Expert Assessment”, registered with the Ministry of Justice of Kazakhstan on 31 March 2015 № 10589 <https://adilet.zan.kz/eng/docs/V1600013404> [accessed February 8, 2016]

Parrish, J. M. (2013). Education, Erasmian humanism and more's Utopia. In C. Brooke & E. Frazer (Eds.), *Ideas of education: Philosophy and politics from Plato to Dewey*. London: Routledge

Pickett, Donna and Anderson, Robert N. (2018), "Status on ICD-11: The WHO Launch, CDC/NCHS". https://ncvhs.hhs.gov/wp-content/uploads/2018/08/ICD-11_WHO-v_7-17-2018.pdf [accessed July 18, 2018]

Polozhiuk Oleg, 2005. "Problems of Socio-Legal Protection of Disabled Persons with Spinal Cord Injuries in Ukraine." Paper presented at the Sixth Congress of the International Association of Ukrainian Studies, Donetsk, Ukraine, June 29-July 1, 2005. (English translation Sarah D. Phillips.) <https://core.ac.uk/download/pdf/5131442.pdf>

Raminani, Sudha R. "International Classification of Diseases". Encyclopedia Britannica, 7 Feb. 2023, <https://www.britannica.com/topic/International-Classification-of-Diseases> [accessed February 9, 2023]

Rauan Sagadiyeva and Marzhan Bakiyeva (2022), article "Not a 'tarbiesiz' but a special child: how children with 'invisible' disabilities survive in Kazakhstan" Liter newspaper. <https://liter.kz/ne-t-rbiesiz-a-osobennyi-rebenok-kak-deti-s-nevidimoi-invalidnostiu-vyzhivaiut-v-kazakhstane-1665025444/> [accessed 7 October, 2022]

Rosa, R., and Matysiuk, R. (2013). Ewolucja praw dziecka (aspekty filozoficzne, pedagogiczne i prawne). In E. Jagiełło & E. Jówko (Eds.), *Dziecko w kulturze współczesnego świata* (pp. 10-33). Siedlce ISBN 978-83-936635-2-1. Retrieved from <https://docplayer.pl/4327137-Dziecko-w-kulturze-wspolczesnego-swiata-redakcja-naukowa-ewa-jagiello-ewa-jowko.html>

Susser M. Disease, illness, sickness; impairment, disability and handicap. *Psychol Med.* 1990 Aug;20(3):471-3. doi: 10.1017/s0033291700016974. PMID: 2146694.

Secretariat for the Convention on the Rights of Persons with Disabilities (2018), "The United Nations and Disability: 70 years of the work towards a more inclusive world". UN Department of Economic and Social Affairs, Division for Social Policy and Development. p. 13. https://www.un.org/development/desa/disabilities/wp-content/uploads/sites/15/2018/01/History_Disability-in-the-UN_jan23.18-Clean.pdf [accessed January 23, 2018]

Shoemaker, David (2009), "Responsibility and disability". *Metaphilosophy* 40, 3–4, 438–461

Szczepanski, J. (1963). *Elementarne pojęcia socjologii*. Warszawa: PWN

Tokayev Kassym-Zhomart, (2022) "Address by Head of State Kassym-Jomart Tokayev to the people of Kazakhstan" <https://www.akorda.kz/ru/poslanie-glavy-gosudarstva-kasym-zhomarta-tokaeva-narodu-kazahstana-181130> [accessed September 01, 2022]

United Nations Children's Fund (UNICEF) (2013), "The State of the World's Children 2013. Children with Disabilities" New York, USA www.unicef.org/sowc2013

United Nations Children's Fund (UNICEF) (2014), "Анализ положения детей с инвалидностью: развитие инклюзивного общества в Республике Казахстан" Astana, Kazakhstan. ISBN 978-601-7523-10-7 <https://www.unicef.org/kazakhstan/media/806/file/%D0%9F%D1%83%D0%B1%D0%BB%D0%B8%D0%BA%D0%B0%D1%86%D0%B8%D1%8F%20.pdf> [accessed 2014]

United Nations Children's Fund (UNICEF) (2015), "Analysis of Social Transfers for Children and their Families in Kazakhstan", UNICEF in the Republic of Kazakhstan, Astana, ISBN 978-601-7523-16-9

US State Department (2004). "Country Report on Human Rights: Kazakhstan", archive of Bureau of Democracy, Human Rights, and Labor. <https://web.archive.org/web/20120113180840/http://www.state.gov/g/drl/rls/hrrpt/2004/41689.htm> [accessed February 28, 2005]

Union's official social media pages: website <https://srod.kz/>, Instagram: <https://instagram.com/srod kz?igshid=YmMyMTA2M2Y=> and Taplink <https://taplink.cc/srod kz> [accessed 30 May 2022]

United Nations. (1924). Geneva Declaration of the Rights of the Child. Retrieved from <http://www.un-documents.net/gdrc1924>

Universal Declaration of Human Rights (1948) <https://www.un.org/en/about-us/universal-declaration-of-human-rights> ; <https://www.un.org/en/about-us/udhr/history-of-the-declaration> [accessed 10 December 1948]

United Nations Convention on the Rights of the Child (1989) <https://www.ohchr.org/en/instruments-mechanisms/instruments/convention-rights-child> [accessed 2 September 1990]

United Nations Convention on the Rights of Persons with Disabilities (2006) <https://www.un.org/development/desa/disabilities/convention-on-the-rights-of-persons-with-disabilities.html> [accessed 6 May 2022]

UN Treaty Collection (2016): parties to the Convention on the Rights of Persons with Disabilities: List of parties. United Nations https://treaties.un.org/Pages/ViewDetails.aspx?src=TREATY&mtdsg_no=IV-15&chapter=4&clang=en [accessed 20 April 2017]

United Nations Department of Economic and Social Affairs (2020) "Standard Rules on the Equalization of Opportunities for Persons with Disabilities". United Nations. <https://www.un.org/development/desa/disabilities/standard-rules-on-the-equalization-of-opportunities-for-persons-with-disabilities.html#:~:text=Although%20not%20a%20legally%20binding,for%20technical%20and%20economic%20cooperation> [accessed July 24, 2020]

United Nations Human Rights Office of the High Commissioner (OHCHR), (1959). Declaration of the Rights of the Child. Retrieved from [www.ohchr.org/EN/Issues/Education/Training/Compilation/Pages/1DeclarationoftheRightsoftheChild\(1959\).aspx](http://www.ohchr.org/EN/Issues/Education/Training/Compilation/Pages/1DeclarationoftheRightsoftheChild(1959).aspx)

Vehmas, Simo and Pekka Mäkelä (2009), "The ontology of disability and impairment: a discussion of the natural and social features". In *Arguing about Disability: Philosophical Perspectives*, 42–56. K. Kristiansen, S. Vehmas and T. Shakespeare, eds. London and New York: Routledge

Vehmas Simo (2011) "Disability and moral responsibility", University of Jyväskylä, Finland, Trames, DOI: 10.3176/tr.2011.2.04 [accessed 2011]

World Declaration on the Survival, Protection and Development of Children (1990) <http://www.un-documents.net/wsc-dec.htm> [accessed 30 September 1990]

World Health Organization (2022). ICD History: [https://www.who.int/standards/classifications/classification-of-diseases#:~:text=International%20Statistical%20Classification%20of%20Diseases%20and%20Related%20Health%20Problems%20\(ICD\)&text=ICD%20serves%20a%20broad%20range,and%20coded%20with%20the%20ICD](https://www.who.int/standards/classifications/classification-of-diseases#:~:text=International%20Statistical%20Classification%20of%20Diseases%20and%20Related%20Health%20Problems%20(ICD)&text=ICD%20serves%20a%20broad%20range,and%20coded%20with%20the%20ICD) [accessed January 1, 2022]

World Health Organization & World Bank, 2011. World report on disability 2011, p.350. World Health Organization <https://apps.who.int/iris/handle/10665/44575>

Zhavoronkov, Alex; Bhullar, Bhupinder (2015), “Classifying aging as a disease in the context of ICD-11”. *Frontiers in Genetics*. 6: 326. DOI:10.3389/fgene.2015.00326. ISSN 1664-8021. PMC 4631811. PMID 26583032

Zdunek, K., Rigby, M., Deshpande, S. and Alexander, D. (2019), “Child Centricity and Children’s Rights”, Blair, M., Rigby, M. and Alexander, D. (Ed.) *Issues and Opportunities in Primary Health Care for Children in Europe*, Emerald Publishing Limited, Bingley, pp. 77-98. <https://doi.org/10.1108/978-1-78973-351-820191009>

Can Blockchain Technology Reduce Information Asymmetry?

Eldar Madumarov

Department of Economics, CSS, KIMEP University

madumarov@kimep.kz

ABSTRACT

This study attempts to address the question whether blockchain is capable of reducing asymmetry in information in a wide variety of transactions between economic agents. Since asymmetric information is deemed a critical issue in economics, which can significantly reduce market efficiency, blockchain's capacity to reduce this asymmetry deserve even more attention. Based on transparent and immutable ledgers, blockchain technology can enhance trust and transparency in transactions between economic agents and, thus, reduce information asymmetry. The study begins with an overview of asymmetric information and the issues it can lead to in various economic contexts. It then switches to the foundations of blockchain technology and addresses the question of how it can address the problem of asymmetric information. The paper looks into various blockchain-based applications to assess the effectiveness of blockchain in reducing information asymmetry. The paper concludes that blockchain technology has substantial potential to reduce information asymmetry and improve market efficiency. However, certain challenges, i.e. scalability, interoperability as well as regulation, are to be addressed in order to fully realize the benefits of blockchain technology. Further research should focus on addressing these challenges and developing innovative blockchain-based solutions.

KEYWORDS: Information Asymmetry, Blockchain

JEL Codes: D82, G14, L15, L86

1 INTRODUCTION

Throughout the entire history of human interaction via input and output markets, information asymmetry has been a long-standing issue causing a disadvantage to some parties in a transaction. Up to the present day, fixing the information asymmetry problem implied higher costs of providing additional information and/or additional interference from government agencies. However, the onset of blockchain technology has made it possible to eliminate or, at least, significantly reduce information asymmetry in an array of contexts. Distributed ledgers operating on transparent and secure platforms backed up by blockchain that enable the use of smart contracts ensuring involved parties in a transaction have access to the same information and that the terms of the transaction are clear and enforced. By eliminating information asymmetry, blockchain technology provides a fairer playing field for buyers and sellers, thereby promoting augmented efficiency of market mechanisms.

Moreover, blockchain technology's implementation can lead to a reducing of transaction costs. Regular markets usually require financial and/or information intermediaries to facilitate transactions. Such intermediaries often charge relatively high fees, which impede the entry for smaller entities. Blockchain-

based markets can operate without intermediaries and therefore reduce the costs associated with transactions. This makes markets run on blockchain technology more accessible to a wider range of businesses, promoting competition and innovation.

There are ample benefits of markets backed up by blockchain technology. For instance, the use of blockchain technology can lead to significant reductions in fraud through creation of a transparent and secure platform which is tamper-proof. Furthermore, through elimination of intermediaries, blockchain markets can reduce the amount of bureaucracy and red tape associated with traditional markets, making it easier and less costly for entities to conduct transactions with each other. Additionally, decentralized markets can also offer increased privacy and safety. Markets running on blockchain technology can provide a more secure environment for transactions, as such platforms are significantly more resistant to hacking. This can help to create a more trustworthy environment for buyers and sellers and significantly reduce inefficiencies. Moreover, blockchain-based markets have the potential to expand access to markets for households and businesses traditionally excluded from the market due to information asymmetry.

2 LITERATURE REVIEW

Since its onset, blockchain technology has been identified as a potential solution to the problem of information asymmetry in an array of diverse industries (Kshetri, 2018; Crosby et al., 2016). Information asymmetry is detected when one party has more information than the other. This situation leads to an imbalance of power and potential exploitation of the less informed party (Stiglitz, 2000). In the context of business transactions, information asymmetry can occur between buyers and sellers, employers and employees, and investors and firms (Biais & Martimort, 2002).

Blockchain technology, which allows for secure and transparent record-keeping, can reduce information asymmetry by providing a shared and immutable ledger of information. The use of smart contracts, which automate the execution of contractual agreements, can also reduce the need for intermediaries and increase transparency (Kshetri, 2018).

A number of studies have studied the potential of blockchain technology to reduce information asymmetry in an array of industries. For example, in the financial industry, blockchain technology has the potential to increase transparency and reduce information asymmetry in lending and credit scoring. In the healthcare industry, blockchain technology is capable of increasing the transparency and accessibility of data, reducing information asymmetry between patients and healthcare providers.

However, while blockchain technology has the potential to reduce information asymmetry, there are also potential challenges and limitations to its implementation (Kshetri, 2018). For example, the high energy consumption of blockchain networks and the potential for data privacy concerns may limit the widespread adoption of blockchain technology. Overall, the literature suggests that blockchain technology has the potential to reduce information asymmetry in various industries, but further research is needed to fully understand its impact and address its potential limitations.

3 INFORMATION ASYMMETRY MODELS

Along with externalities, public goods, and market power concentration, information asymmetry may lead to a reduction of economic efficiency of markets. Let's consider the following information asymmetry models.

a. The Lemons Model:

In the Lemons model suggested by Akerlof (1970), there is a market for used cars, and the quality of the cars is uncertain. The seller of the car knows the quality of the car, but the buyer does not. The quality of the car is represented by a variable q , where q can take on one of two values: high quality or low quality. The probability that the car is of high quality is denoted by p , and the probability that it is of low quality is $1-p$. The value of a high-quality car is denoted by VH , and the value of a low-quality car is denoted by VL . The seller of the car knows the true quality of the car, but the buyer only observes the price of the car, which is denoted by P .

The model can be represented as follows:

$$E[V/P] = pVH + (1-p)VL,$$

where $E[V/P]$ is the expected value of the car given the price paid, p is the probability that the car is of high quality, VH is the value of a high-quality car, VL is the value of a low-quality car, and $(1-p)$ is the probability that the car is of low quality.

b. The Adverse Selection Model:

In the adverse selection model, there is an insurance market. There are two types of individuals: high-risk and low-risk. The insurance company does not know which type of individual an applicant is, but the applicant knows. The riskiness of an individual is represented by a variable r , where r can take on one of two values: high risk or low risk. The probability that an applicant is of high risk is denoted by p , and the probability that the applicant is of low risk is $1-p$. The cost of insuring a high-risk individual is denoted by CH , and the cost of insuring a low-risk individual is denoted by CL . The premium that an individual pays is denoted by P .

The model can be represented as follows:

$$E[\pi] = p(P - CH) + (1-p)(P - CL),$$

where $E[\pi]$ is the expected profit of the insurance company, p is the probability that an applicant is of high risk, P is the premium paid by the applicant, CH is the cost of insuring a high-risk individual, and CL is the cost of insuring a low-risk individual.

4 BLOCKCHAIN TECHNOLOGY AND INFORMATION ASYMMETRY

Being a distributed ledger technology, blockchain enables more secure and transparent transactions between agents. In general, it is a decentralized database maintaining a continuously growing list of records, called blocks linked and secured via cryptography. The technology gained popularity as the underlying infrastructure for the cryptocurrency Bitcoin (Nakamoto, 2008; Antonopoulos, 2014), but its potential applications extend beyond digital currencies.

One of the key features of blockchain technology is its ability to reduce information asymmetry in transactions. Since information asymmetry is a situation where one party in a transaction has more or better information than the other party, one may end up with adverse selection and moral hazard problems, which in turn can result in market failures. By enabling transparent and tamper-proof recording of transactions, blockchain technology can help reduce information asymmetry in a variety of contexts, which include output and input markets, supply chains, and healthcare.

Blockchain technology's applications include, but are not limited to, payments, supply chain tracking, digital identity management, and medical record maintenance and the like. Furthermore, blockchain technology is capable of revolutionizing industries through new business models and creating new opportunities for innovation.

5 CONCLUDING REMARKS

Information asymmetry is one of the source of economic efficiency. It required an involvement of either higher cost of ascertaining information or extra regulation from the government to reduce asymmetry in information. However, since the onset of the blockchain technology in the second half of the 2010s, it became obvious this technology can contribute to solving of the problem of information asymmetry. Being effective in storing information on transactions in blocks, the blockchain technology may lead to significant improvements of efficiency in a diverse array of input and output markets.

Notwithstanding its potential benefits, blockchain technology, as any other technology, has an array of challenges to face. These include scalability, security, and regulation issues. At the same time ongoing research and development are trying to address these issues and improve the technology's functionality (Hughes et al. 2019). As a result, blockchain technology is expected to gain traction in various industries and become an increasingly important tool for reducing information asymmetry in transactions.

6 REFERENCES

- Akerlof, George A. (1970). ["The Market for 'Lemons': Quality Uncertainty and the Market Mechanism"](#). *The Quarterly Journal of Economics*. 84 (3): 488–500.
- Antonopoulos, Andreas (2014). ["Bitcoin security model: trust by computation"](#). *Radarr*. O'Reilly. [Archived](#) from the original on 31 October 2016. Retrieved 19 November 2016.
- Biais, B., & Martimort, D. (2002). Collusion among asymmetrically informed agents. *Econometrica*, 70(2), 499-541.
- Crosby, M., Pattanayak, P., Verma, S., & Kalyanaraman, V. (2016). Blockchain technology: Beyond bitcoin. *Applied Innovation*, 2(6-10), 71-81.
- Hughes, Laurie; Dwivedi, Yogesh K.; Misra, Santosh K.; Rana, Nripendra P.; Raghavan, Vishnupriya; Akella, Viswanadh (2019). ["Blockchain research, practice and policy: Applications, benefits, limitations, emerging research themes and research agenda"](#). *International Journal of Information Management*. 49: 114–129.
- Kshetri, N. (2018). Blockchain's roles in meeting key supply chain management objectives. *International Journal of Information Management*, 39, 80-89.
- Nakamoto, Satoshi (2008). ["Bitcoin: A Peer-to-Peer Electronic Cash System"](#) (PDF). Bitcoin.org. [Archived](#) (PDF) from the original on 20 March 2014. Retrieved 28 April 2014.
- Stiglitz, J. E. (2000). The contributions of the economics of information to twentieth century economics. *The Quarterly Journal of Economics*, 115(4), 1441-1478.

Gender Wage Gap and Income Inequality in Kyrgyzstan

Kovaleva Irina

KIMEP University

2 Abai Ave., Almaty, Kazakhstan

Irina.kovaleva@kimep.kz

ABSTRACT

During 2018-2019 years, the government of Kyrgyzstan implemented wage reforms for teachers, medical, and social service workers. As women traditionally prevail in this sector, the gender wage gap could potentially narrow, as it happened after the 2011 wage reform (Anderson and Esenaliev (2019)). However, right now nothing is known about how much the gender wage gap decreased in Kyrgyzstan. Using the “Life in Kyrgyzstan” longitudinal survey, this article investigates gender wage discrimination in Kyrgyzstan for the 2016-2019 period. Research is carried out using Ordinary Least Squares (OLS), Heckman (1979) sample selection correction procedure, and Oaxaca-Blinder (1973) decomposition technique.

KEYWORDS: Labor economics; Gender wage gap; Income; Inequality.

1 INTRODUCTION

Wage differences between men and women is one of the most pressing topics. This is evidenced by many international organizations’ publications, such as ILO, UNDP, OECD, World Bank. Moreover, foreign and domestic academic journals also considered this problem: Anderson and Esenaliev (2016; 2019); Klycheva (2016) and others.

Evidence of the gender pay gap can be found in all countries. It is critical because it demonstrates gender inequality and a violation of basic human rights. The wage disparity between men and women has a significant impact on women's economic security and overall well-being. It restricts their opportunities for advancement, increases their chances of falling into poverty, and reduces their ability to support themselves and their families. The gender disparity has long-term implications for women's retirement savings and social security benefits. Moreover, the gender pay gap is both a social and an economic issue. It stifles economic growth and competitiveness by limiting half of the population's potential contributions. Closing the gender pay gap can boost productivity, decrease turnover, and boost job satisfaction, resulting in a more inclusive and prosperous society. So that, the gender pay gap is critical because it is a fundamental issue of gender equality and human rights with significant economic and social implications.

2 BACKGROUND

The Republic of Kyrgyzstan is a lower-middle-income country. As of March 1, 2023, the country's population is 7,1 million people (Web-1). According to figure 1, women's labor participation rate in

Kyrgyzstan decreased from 58% in 1995 to 45% in 2021 and remains lower than in many transition economies (Web-2).

Although proportion of women in the labor force have undoubtedly decreased, women work more hours and report higher levels of education than men, which may lead to a decrease in gender inequality in the country (Web-1). However, significant wage gaps between women and men continue to persist (figure 2). For example, according to National Statistical Committee data, women earned 28,4% less than men during 2018 year.

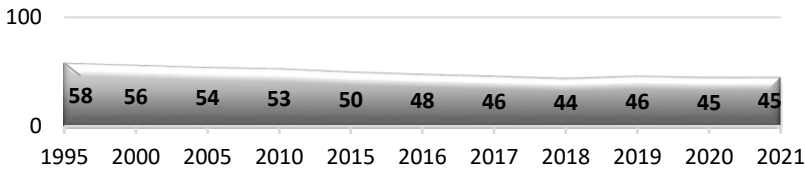


Figure 1: Kyrgyzstan female labor force participation rate (15+; %)

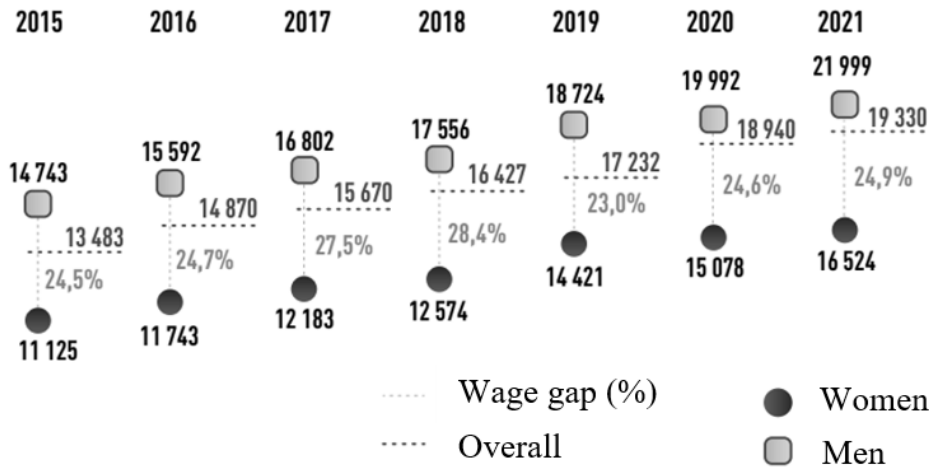


Figure 2: Average salary of Kyrgyzstan employees by sex (soms)

How did the Kyrgyz government respond? In 2018-2019 years, it implemented wage reforms for teachers, medical and social service workers. These reforms directly influenced women as they are most represented in mentioned sectors. As a result, the gender wage gap narrowed to 23% (-5,4%) by the end of 2019 year (figure 3). However, it is still unclear how these reforms influenced the gender wage gap.

3 DESCRIPTION OF THE DATASET

The Life in Kyrgyzstan longitudinal survey is used to analyse the gender wage gap in Kyrgyzstan, because this country is under researched for Central Asia and only Kyrgyzstan has decent data. Survey

is a joint work of DIW Berlin, Humboldt University of Berlin, CASE- Kyrgyzstan, and the American University of Central Asia. Data was collected between the years 2010 and 2019 using stratified two-stage random sampling. Respondents are representatives of 3000 households (over 8,100 individuals) from all regions and 2 major cities: Bishkek and Osh. The survey is representative at the national level, urban and rural areas, and the south and the north of the country. The survey consists of several household-level, community-level and individual-level questionnaires, which cover different topics from household demographics, assets, income sources, expenditure, migration to individual well-being, employment, social networks, decision-making, and attitudes, among many other topics (Web-3).

4 RESEARCH QUESTION AND HYPOTHESIS

The main research question of the research is as follows: how much did the wage gap narrow during the 2016-2019 period and; do workers' characteristics affect wage inequality in Kyrgyzstan? Findings will be important for the formulation of labor market policies aimed at reducing the gender wage gap. This research question will test the hypothesis that raising productivity characteristics of workers in Kyrgyzstan have contributed to the reduction of the wage gap and maximize the effectiveness of the wage-setting reforms.

5 THEORY

Researchers identify different concepts of wage inequality, while one of the best-known and famous concepts is Becker's (1962) concept of taste discrimination. Current article will use it as the main instrument of describing the results.

According to Borjas (2010), Becker's concept helps to explain how the wage distinction between identically skilled women and men can occur in the labor market. The principal thought is that gender differences could arise without prejudice. Becker's (1962) methodology demonstrates that there could be discrimination even if the employer is not in favor of any group (Borjas, 2010). A prejudiced employer keeps the race, origin, or gender of employees in the list of disadvantages and advantages that affect the value of the exchange (Borjas, 2010). Therefore, the labor market generates compensating differentials for prejudiced persons for their utility gain or loss. So prejudiced employers will overpay and in the long run, will have zero profit.

In addition to compensating wage differentials, Becker (1962) provides another insight into the pay gap. The human capital approach demonstrates that the wage gap is the cause of employee endowments (Becker, 1962). Also, it could be mentioned that research papers heavily rely on Mincer's schooling model, which procures a fundamental methodology for measuring the returns to human capital (Mincer, 1974). Earnings logarithm is obtained through experience, schooling, and the square of the years of experience.

The theory of human capital and compensating wage differentials explained unequal wages across the genders. Review of these approaches will provide the article theory of what could be behind the explained and unexplained parts of gender wage decomposition.

6 LITERATURE REVIEW

Research on wage inequality in Central Asia that uses survey-type data scarcely exists and only five papers of which author aware estimate wage inequality in Kyrgyzstan using LIK survey. While only three papers either use the decomposition analysis and evaluate the impact of the 2011 wage reform on

wage inequality: Anderson et al. (2016); Anderson and Esenaliev (2019); Klycheva (2016). None of the publications use 2019 LIK dataset or tried to analyse impact of 2018-2019 wage reforms on Kyrgyzstan gender wage gap. Below are the short summaries and major findings of the papers.

Two papers were written by Anderson and Esenaliev in 2016 and 2019. Earlier 2016 publication focuses on the 2011 wage reform and inequality in Kyrgyzstan, while 2019 publication is a continuation of the 2016 paper. Authors precisely study gender earnings inequality for several traditionally women dominated occupations: teachers, health care and social workers using 2011 reform as the instrument. Both papers use only 2010-2016 datasets. Anderson and Esenaliev construct a panel sample of around 6,620 observations and apply the standard Mincerian equation. Their decomposition estimates using the 2010 wave show that differences in characteristics do not contribute to the gender gap. On the other hand, only one-quarter of the 2016 gap remained unexplained and therefore was largely driven by differences in productivity enhancing characteristics between men and women. The random-effects estimates in 2019 paper show that workers in the targeted sectors (education, health and social care) experienced above 20% increase in wages in the post-2010 period and that the major impact of the reform was on women's wages. The authors also report that the gender wage gap, measured as the ratio of female to male wages, in the targeted sector narrowed by 13-16 percentage points between 2010 and 2011, but the gender wage gap for workers in the untargeted sectors did not change. The authors of this paper do not decompose the pay gap.

One more paper was written by Klycheva in 2016. She tried to analyse effect of 2010-2011 regulatory changes on Kyrgyzstan labor market. Empirical analysis was carried out using the OLS with and without correction and Oaxaca-Blinder decomposition technique using only 2010-2013 LIK datasets. Results suggest that reform did not gradually narrow the gender wage gap within the estimated period of three years.

7 METHODOLOGY

The empirical framework of the article follows Mincer's (1974) estimation of the simple schooling model, which relates earnings to work experience and years of schooling:

$$\ln(W_m) = X_m b_m + u_m; \ln(W_f) = X_f b_f + u_f, \quad (1)$$

where W denotes wages, m denotes males, f denotes females, X is a matrix of independent variables, and b their impact.

That equation will be transformed to the Oaxaca-Blinder (1973) twofold specification approach. Since the mean of the residuals is zero for both groups, we can write the mean in each group, after that we could subtract and expand the right-hand sides and add and subtract the term $\bar{X}_f b_m$ and rewrite:

$$\ln(\bar{W}_m) - \ln(\bar{W}_f) = b_m(\bar{X}_m - \bar{X}_f) + \bar{X}_f(b_m - b_f) \quad (2)$$

The first term on the right-hand side reflects the impact on the wage gap due to differences in education and work experience (which themselves could reflect gender discrimination); and the second term reflects the impact of direct gender discrimination.

Given the patriarchal nature and dominated position of males in the Kyrgyz labor market (figure 1), as well as the raw gender wage gap in the Kyrgyz Republic (figure 2), twofold decomposition is relevant for the current investigation.

Oaxaca-Blinder (1973) decomposition is built on human capital theory which demonstrates that a wage gap reflects productivity potential based on human capital characteristics. It identifies the potential differences in the wages of two groups which may originate from differences in human capital endowments (endowment effect) and from a difference in the values that are assigned to their characteristics (remuneration or price effect). The latter part of the wage differential is often interpreted as discrimination (Blinder, 1973; Oaxaca, 1973). Specification of the Oaxaca-Blinder twofold approach is defined as:

$$\ln(\overline{W_m}) - \ln(\overline{W_f}) = b_m(\overline{X_m} - \overline{X_f}) + \overline{X_f}(b_m - b_f), \quad (3)$$

where $\overline{W_m}$ and $\overline{W_f}$ stand for mean wages of males and females correspondingly.

The left part of the right-hand side equation shows the wage gap due to observed factors and refers to the explained/characteristics effect. This equation is a twofold decomposition with weights equal to 1 and chosen men as the reference group. It means that men receive competitive wages, and females, a discriminated group, are underpaid (Oaxaca, 1973).

Problems arise when workers have similar characteristics that influence their choice to work. The two-stage Heckman (1979) selectivity correction method help to solve this issue. Here is the equation:

$$\ln(\overline{W_m}) - \ln(\overline{W_f}) = b_m(\overline{X_m} - \overline{X_f}) + \overline{X_f}(b_m - b_f) + (\theta_m\lambda_m - \theta_f\lambda_f), \quad (4)$$

the first two terms in this equation are the discrimination and human capital components. While the last term signifies the selectivity bias effect. According to this method, a selection equation using the two-stage Heckman (1979) selection model of the probability of employment is estimated for males and females separately. Then, the Inverse Mill's Ratio (IMR) is calculated and the earnings functions are re-estimated separately for males and females and subtracted by parts to get the new decomposition of the gender earnings gap that includes a third component, corresponding to selectivity. Running the second stage earnings regression using OLS with the Mills ratio obtained from the first stage participation equation estimated by probit, solves the selection problem.

8 RESULTS

For analyses only wage-employed individuals were used, as according to the theory self-employed workers could not discriminate against themselves. Comparing the results of the two linear regression analyses for male wage-employed individuals in 2016 and 2019 (table 1), we can observe that the R-squared value increased slightly from 0.058 in 2016 to 0.062 in 2019, indicating that the independent variables in the 2019 model explain a slightly larger proportion of the variation in \ln wages. The coefficient for age decreased from 0.034 in 2016 to 0.029 in 2019. This means that in 2019, the effect of age on wages was slightly weaker compared to 2016. The coefficient for age squared decreased, which suggests that the non-linear effect of age on wages weakened in the later period. The coefficients for education changed notably between the two periods. In 2016, none of the education coefficients were statistically significant, whereas in 2019, all three education coefficients were significant at the 10% level or lower. Furthermore, the sign and magnitude of the coefficients were different in 2019, with higher levels of education now associated with higher wages. There were also some notable changes in the coefficients for ethnicity between the two periods. In 2016, being Uzbek was associated with higher wages, while being Russian was associated with lower wages. In 2019, both Uzbek and Russian were associated with higher wages. The coefficient for minorities also changed sign from negative in 2016 to

positive in 2019, suggesting that in the later period, belonging to a minority group was associated with higher wages. The coefficients for rural and east regions also changed significantly between the two periods. In 2016, being in a rural area and being in the east regions were associated with lower wages. However, in 2019, being in a rural area had a non-significant effect on wages, and being in the east regions was associated with higher wages. In summary, while there were some differences in the coefficients between the two periods, the overall explanatory power of the models remained low, with R-squared values of around 6%. The changes in the coefficients suggest that there may have been some shifts in the determinants of wages between the two periods, particularly with regards to education and ethnicity.

Comparing the regression results for female wage-employed individuals in the years 2016 and 2019, we can observe that the R-squared value for the 2016 period (0.120) is higher than the R-squared value for the 2019 period (0.080). This indicates that the model for the 2016 period explains more of the variability in the data compared to the model for the 2019 period. In both periods, age and age squared have positive and negative coefficients, but the coefficients are not statistically significant. In terms of education, the coefficients for school, college, and university are positive in both periods, indicating that higher education is associated with higher wages for female employees. However, the coefficient for university is statistically significant only in the 2016 period. For ethnicity, in the 2016 period, being Uzbek is associated with higher wages for female employees, whereas being Russian or belonging to minorities is associated with lower wages. In the 2019 period, being Uzbek and belonging to minorities is associated with higher wages, but being Russian is no longer statistically significant. In terms of location, in the 2016 period, living in rural areas is associated with lower wages for female employees, while living in eastern regions is associated with higher wages. In the 2019 period, living in rural areas is not statistically significant, while living in eastern regions is associated with higher wages. Overall, the regression results for female wage-employed individuals show some similarities across the two periods, such as the positive coefficients for education and the negative coefficient for rural residence in the 2016 period.

To sum up, there are some similarities in the regression results for wage-employed males and females between the two periods, such as the positive coefficients for education and the negative coefficient for rural residence in the 2016 period. However, there are also some differences, such as the changes in significance for some of the ethnicity variables and the location variables, as well as the generally lower R-squared values for males.

	2016 year		2019 year	
	male	female	male	female
R-squared	0.058	0.120	0.062	0.080
Sample	974	870	879	636
Age	.034 (0.010)	.012 (0.381)	.029 (0.021)	.005 (0.752)
Age^2	-.0004 (0.012)	-.0001 (0.504)	-.0004 (0.009)	-.00009 (0.609)
School	-.125 (0.835)	.670 (0.052)	.441 (0.073)	.611 (0.261)
College	-.027 (0.964)	.742 (0.033)	.439 (0.080)	.681 (0.212)
University	.092 (0.878)	1.034 (0.003)	.616 (0.013)	.880 (0.106)
Uzbek	.126 (0.036)	.048 (0.513)	.052 (0.384)	.150 (0.083)
Russian	-.044 (0.526)	-.023 (0.733)	.168 (0.030)	.070 (0.343)

Minorities	-.032 (0.658)	-.075 (0.349)	.133 (0.030)	.191 (0.014)
Rural	-.126 (0.002)	-.136 (0.001)	-.0152 (0.690)	-.062 (0.175)
East regions	.098 (0.027)	.106 (0.020)	.125 (0.002)	.101 (0.038)
Cons	3.450 (0.000)	2.848 (0.000)	3.088 (0.000)	3.165 (0.000)

Table 1. OLS results only for wage-employed males and females for 2016-2019 years

Output from table 2 represents the results of a Heckman selection model with two-step estimation for 2016 and 2019 years, which is used to account for sample selection bias in a regression model where the dependent variable (lnwage) is only observed for a subset of individuals (uncensored observations) due to the presence of a selection criterion.

The model estimates two equations simultaneously: the selection equation (also called the probit equation) which models the probability of being in the observed sample given some observable characteristics (allchild6, married, age, age2, school, college, university, uzbek, russian, other, rural, and east), and the outcome equation (also called the regression equation) which models the relationship between lnwage and the same set of observable characteristics as well as the unobserved characteristics.

The results show the coefficients for each variable in both equations, along with their standard errors, z-scores, and p-values. In the selection equation, the coefficients represent the effect of each variable on the probability of being in the observed sample. In the outcome equation, the coefficients represent the effect of each variable on lnwage. The last part of the output provides information about the estimated correlation between the error terms of the two equations (ρ), and the estimated standard deviation of the error term in the outcome equation (σ).

2016 model suggests that age, ethnicity, and rural/urban status have significant effects on lnwage, while the number of children under age six in the household, marital status, and education level do not have significant effects. The model also suggests that the east region has a significant effect on selection, while other variables have significant effects on both selection and lnwage. While 2019 results suggest that age, college, university, Russian, other, and rural are positively associated with lnwage, while allchild6 and mills are negatively associated with lnwage. The estimated correlation between the error terms of the two equations is negative and moderate in size ($\rho = -0.609$), which indicates that the sample selection bias is present and significant. The significant chi-square test also suggests that the model provides a good fit for the data.

We can make some general observations based on the results presented. For example, in both years, the age variables and the rural variable have negative coefficients on the lnwage variable, suggesting that older individuals and those living in rural areas have lower wages. In both years, the university variable has a positive coefficient, suggesting that individuals with university education have higher wages. However, it is important to note that the other variables and their coefficients differ between the two years, which could be due to differences in the datasets, sample selection methods, or other factors.

	2016		2019	
Number of obs	6,056		7,188	
Censored obs	3,131		4,643	
Uncensored obs	2,925		2,545	
Prob > chi2	0.0000		0.0000	
Equation	OLS	Select	OLS	Select
Allchild6	-	-.108 (0.000)	-	-.044 (0.001)
Married	-	.025 (0.570)	-	.182 (0.000)
Age	.019 (0.294)	.138 (0.000)	-.027 (0.357)	.151 (0.000)
Age^2	-.0002 (0.336)	-.001 (0.000)	.0002 (0.497)	-.002 (0.000)
School	.039 (0.831)	.288 (0.148)	.227 (0.159)	.081 (0.650)
College	.071 (0.709)	.505 (0.013)	.270 (0.112)	.271 (0.138)
University	.213 (0.261)	.514 (0.011)	.349 (0.051)	.465 (0.011)
Uzbek	.147 (0.005)	-.245 (0.000)	.064 (0.129)	.087 (0.068)
Russian	.0002 (0.997)	-.096 (0.230)	.183 (0.003)	-.110 (0.159)
Minorities	.115 (0.022)	-.119 (0.070)	.335 (0.000)	-.192 (0.001)
Rural	-.163 (0.003)	-.432 (0.000)	-.221 (0.000)	-.093 (0.012)
East regions	.016 (0.646)	.185 (0.000)	.072 (0.296)	.408 (0.000)
Cons	3.56 (0.000)	-2.814 (0.000)	4.80 (0.000)	-3.713 (0.000)
Lambda	-	.045 (0.802)	-	-.435 (0.064)
Rho	-	0.06518	-	-0.60981
Sigma	-	.68798448	-	.71385417

Table 2. Heckman correction procedure for 2016-2019 years

The Oaxaca-Blinder decomposition output in table 3 reports the mean predictions by groups and their difference in the first panel. All variables are significant at 1% level. 2016 results indicate that on average, male workers earn about 12.8% more than female workers. While 2019 results indicate that on average, male workers earn about 13.8% more than female workers. Comparing the results of the Oaxaca-Blinder decomposition for 2016 and 2019 years, we observe that the overall gender wage gap increased.

The explained component of the wage gap also slightly increased, indicating that differences in characteristics between male and female workers such as age, education, ethnicity continue to explain part of the wage gap. However, the unexplained component of the wage gap also significantly increased. This indicates that the part of the wage gap that cannot be explained by observable differences in characteristics between male and female workers also has increased. This may suggest that discrimination or other unobserved factors are playing a larger role in the gender wage gap in 2019 than they were in 2016.

It's worth noting that these results are based on a specific sample of workers and may not be representative of the broader population. Nonetheless, the comparison between the two years provides some insights into how the gender wage gap has evolved over time. Moreover, it is important to note that the Oaxaca-Blinder decomposition is based on certain assumptions and may not provide a complete explanation for the observed wage gap. However, it is a useful tool for understanding the contribution of observable characteristics to the wage gap and for identifying areas where further research and policy intervention may be needed.

	2016	2019
Number of obs	2,925	2,545
N of group 1: male	1832	1523
N of group 2: female	1093	1022
Group 1 (male)	4.075317 (0,000)	3.954189 (0,000)
Group 2 (female)	3.94768 (0,000)	3.816678 (0,000)
Difference	.1276371 (0,000)	.1375113 (0,000)
Explained	-.0417533 (0,000)	-.0470802 (0,000)
Unexplained	.1693904 (0,000)	.1845915 (0,000)

Table 3. Oaxaca-Blinder decomposition for 2016-2019 years

9 CONCLUSION

Kyrgyz 2012-2020 “National Action Plan” was directly aimed at establishing gender equality in the country, because future and sustainability of Kyrgyzstan depends on improving the population's quality of life, creating legal and economic conditions for the formation of an individual, creative self-realization and decent work free from discrimination against minorities. None of the currently available publications used the 2019 Life in Kyrgyzstan dataset to identify what causes wage inequality in the Kyrgyz labor market. Findings of the article are relevant for understanding the obstacles to gender equality and may be helpful for policy analysis. It could be suggested that results may be considered when setting the government's wage policies and distributing public resources.

REFERENCES

Anderson, K. H., & Esenaliev, D. (2019). Gender Earnings Inequality and Wage Policy: Teachers, Health Care, and Social Workers in Central Asia. *Comparative Economic Studies*, 61(4), 551-575.

- Anderson, K., Esenaliev, D., Lawler, E. (2016). Gender Wage Inequality in Kyrgyzstan after the 2010 Revolution: Evidence from the Life in Kyrgyzstan Surveys 2010-2013. Paper presented at the 2016 Central Eurasian Studies Society Conference, Princeton, NJ.
- Becker, G. S. (1962). Investment in human capital: A theoretical analysis. *Journal of political economy*, 70(5, Part 2), 9-49.
- Blinder, A. S. (1973). Wage discrimination: reduced form and structural estimates. *Journal of Human resources*, 436-455.
- Borjas, G. J., & Van Ours, J. C. (2010). *Labor economics* (p. 45). Boston: McGraw-Hill/Irwin.
- Heckman, J. J. (1979). Sample selection bias as a specification error. *Econometrica: Journal of the econometric society*, 153-161.
- Klycheva, A. (2016). *The Gender Wage Gap in Kyrgyzstan: Does the Equal Rights Amendment Matter?* (Doctoral dissertation, MS Thesis. Budapest: Central European University).
- Mincer, J. (1974). Schooling, Experience, and Earnings. *Human Behavior & Social Institutions* No. 2.
- Oaxaca, R. (1973). Male-female wage differentials in urban labor markets. *International economic review*, 693-709.

Web sites:

Web-1: <http://www.stat.kg/ru>, consulted 5 April 2023.

Web-2: <https://data.worldbank.org/indicator/> consulted 7 April 2023.

Web-3: <https://lifeinkyrgyzstan.org/> consulted 13 April 2023

Assessing the Success of the Eurasian Economic Union: Can the EAEU be considered a Successful Regional Project from Russia's Point of View?

Kilian Ropeter

KIMEP University, College of Social Sciences

2 Abai Ave., Almaty 050010, Kazakhstan

Kilian.Ropeter@kimep.kz

ABSTRACT

This paper aims to evaluate the success of the Eurasian Economic Union (EAEU) as a regional project, which has been promoted by Russia. Specifically, it focuses on changes in intra-regional trade and the effectiveness of its institutions in driving integration forward. In this context, the paper aims to assess whether the EAEU can be considered a political union or merely a tool for consolidating Russian influence in Eurasia. The analysis reveals that the success of the EAEU is subject to interpretation and depends on one's definition of a successful regional project. While the EAEU has fostered overall trade between its member states, trade remains primarily one-sided, directed toward Russia. Despite this fact, the EAEU has not enabled Russia to effectively counter Chinese and EU initiatives across Eurasia. Moreover, the EAEU is hampered by institutional weaknesses and a lack of supranational powers to promote economic and political integration across Eurasia. While member states formally participate equally in the EAEU, Russia dominates its institutions, exerting a disproportionate influence on decision-making. Given that the EAEU was established as a regional project driven by Russia, member states primarily participate in the project due to their economic and political dependence on Russia. However, member states lack the political will to transform the EAEU from an economic into a political union. Despite its limitations, the paper concludes that Russia has been able to leverage the EAEU to increase its influence in Eurasia, making the EAEU a successful regional project from Russia's point of view, as long as Russia remains the primary beneficiary of the union.

KEYWORDS: Eurasian Economic Union, Regional Integration, Russia, Eurasia, Central Asia, Trade

INTRODUCTION

In this paper, I assess the success of the Eurasian Economic Union (EAEU) by answering the following research question: How successful has the EAEU been as a regional project promoted by Russia in terms of achieving its set goals and ambitions from Russia's point of view? The question at hand can only be answered by clearly defining how the success of a regional project such as the EAEU can be measured and understood. The EAEU is mainly driven and promoted by Russia. Although it consists of five post-Soviet states (Armenia, Belarus, Kazakhstan, Kyrgyzstan, and Russia), Russia can be regarded as the main driver and promoter of the integration project. Wolczuk notes that "Russia promotes the EAEU as

a meaningful economic integration project, on par with the EU and offering a potential vehicle for cooperation between the EAEU's five member states and the EU" (Wolczuk, 2021: 65). Therefore, analyzing the success of the EAEU requires an assessment of the extent to which the project has thus far helped Russia realize its interests in Eurasia. Thus, it is also necessary to evaluate the functionality and effectiveness of the EAEU. Hence, this paper looks at three different elements: Firstly, it asks if there have been significant changes in intra-regional trade between member states since the EAEU's establishment. If so, do they support the claim that the EAEU can be viewed as a successful regional economic integration project? For this analysis, publicly available trade statistics will be drawn upon. Secondly, have the union's institutions been efficient drivers of integration, or have they primarily functioned as a tool for realizing Russian interests in Eurasia? Lastly, it looks at whether the EAEU features elements of a political union or if it is merely an instrument of power that is meant to consolidate Russian influence in Eurasia? These three focal points of analysis will help assess whether the EAEU has been a successful regional project in Eurasia for Russia. The essay is divided in such a way that the three focal points are discussed separately in the essay's three main chapters.

Before moving to the analysis, a brief outline of the objectives pursued by the EAEU and its member states is necessary. According to the Treaty on the EAEU, the Union aims at "ensuring free movement of goods, services, capital, and labor within its borders, as well as [a] coordinated, agreed or common policy in the economic sectors determined [by its treaty]" (EAEU, 2014). Although the EAEU was officially founded in 2015, the idea of an economic union was already pursued by various post-Soviet states in the 1990s and 2000s, most notably by Russia. Therefore, several steps towards closer economic integration within Eurasia, including the establishment of a customs union and a single market, had already been initiated before the EAEU was officially established. As a result, it is not always straightforward to say whether certain achievements regarding closer economic integration within the Eurasian space were the result of the EAEU's existence or that of previously undertaken initiatives, e.g., those initiated by the Commonwealth of Independent States (CIS) or the EAEU's predecessor – the Eurasian Economic Community (EAEC). For the sake of simplicity, this paper focuses on developments after the EAEU's establishment in 2015, as finding an answer to the research question would otherwise also require an in-depth analysis of integrative steps undertaken by the EAEU's predecessors.

TRADE AS A TOOL FOR RUSSIA TO SUSTAIN ITS INFLUENCE

In order to evaluate the effectiveness of the Eurasian Economic Union (EAEU) as a tool for enhancing intra-state trade among member states and trade with Russia, it is crucial to understand the primary motivations behind Russia's initiation of this regional project. Gast (2020) posits that the EAEU's establishment was predominantly driven by Russia's concerns for political survival and power retention, in response to the European Union's cooperation initiatives with post-Soviet nations and China's Belt and Road Initiative. Gast (2020) argues that the EAEU aims to reconsolidate former Soviet republics under a unified institutional framework, protect them from external influence, and secure their support for Russia's regional objectives:

According to Gast (2020), Russia seeks to accomplish three primary goals through the promotion of the EAEU as a regional project: 1) counterbalance European and Chinese influence within Russia's neighborhood, providing a regional alternative to the economic cooperation schemes proposed by these two actors; 2) establish Russia as the regional center of gravity, thereby strengthening its position in international affairs; and 3) create an institutionalized sphere of influence surrounding Russia. From the Russian perspective, a successful outcome of this project in terms of trade would entail increased trade volumes among member states following the EAEU's establishment, as well as significant growth in

member states' trade with Russia, while trade with the European Union and China either stagnates or increases less than that with Russia. If such developments occurred in relation to trade, it could be concluded that Russia has effectively counterbalanced European and Chinese influence and successfully positioned itself as a "regional [trade] center of gravity," as per Gast's characterization. However, as the following analysis demonstrates, trade statistics for individual EAEU member states paint a different picture.

While obtaining current and reliable data on EAEU member states' trade is challenging, some publicly available statistics can be used to address this question. A 2021 report by the Eurasian Economic Commission indicates that intra-state trade of mutual goods between EAEU member states increased from 2016 to 2020. The report shows that trade of mutual goods rose from \$42.96 billion in 2016 to \$61.63 billion in 2019, before declining to \$55.05 billion in 2020 (EЭК, 2021). Consequently, considering the entire EAEU as a single trading bloc reveals an increase in intra-state trade in the years following the union's establishment. This data suggests that the EAEU has been successful in promoting trade among its member states. However, individual member state trade statistics reveal that trade balances do not favor Russia, particularly when compared to the trade of other EAEU member states with the EU or China.

For example, in 2020, Russia (9.71%) ranked as Kazakhstan's third largest trading partner, while the EU (29.7%) and China (13.55%) accounted for the highest trade volume (European Commission, 2022; WITS). Despite sharing a 7,500-kilometer border and a single market within the EAEU, Russia is not Kazakhstan's largest trading partner, indicating that the union has yet to fulfill Russia's ambitions. This observation is supported by the fact that China's overall trade with Central Asia more than doubled from 2007 to 2018, while Russia only slightly expanded its trade during the same period (Bhutia, 2019b).

However, examining Armenia's trade relations with Russia offers insights into how the EAEU and its associated trade facilitation mechanisms are able to bolster Russia's position in Eurasia. As a country that does not share direct borders with any other EAEU member state, Armenia encounters logistical challenges when importing and exporting goods to and from other members. This geographic isolation has led to relatively low trade turnover between Armenia and the majority of EAEU member states. Nevertheless, since the EAEU's establishment, Armenia's trade with Russia has experienced substantial growth, allowing Russia to expand its influence in Armenia (Khachaturian, 2020). Armenia's trade relations with Russia are indicative of the fact that trade within the EAEU primarily occurs bilaterally with Russia, rather than among the four other EAEU member states.

This imbalance is evident in the EAEU member states' overall trade balances. In 2018, trade with Russia accounted for 96.9% of all trade within the EAEU, while trade among the four smaller countries represented the remaining 3.1% (Bhutia, 2019a). Consequently, due to Russia's dominance, the EAEU cannot be considered an organization of economic integration in which states participate on equal terms:

"Given Russia's dominance, the EAEU does not resemble a traditional customs union. Capital and labor flows from and to the smaller EAEU economies are predominantly concentrated around Russia. Naturally, smaller countries are more inclined to target the considerably larger Russian market, rather than expand trade among themselves. [...] In terms of trade, the EAEU primarily serves as a conduit for Russia's bilateral relations with the other four parties" (Bhutia, 2019a).

Thus, determining whether the EAEU can be regarded as a successful regional project from Russia's perspective depends on Russia's specific trade objectives. If, as Gast suggested, Russia aims to displace the EU and China from its traditional "sphere of influence," it should be noted that this strategy has only been partially effective. In Kazakhstan, for instance, Russia trails both the EU and China in terms of trade, despite both post-Soviet countries' participation and promotion of the EAEU as an economic

integration project. Generally, EAEU member states (with the exception of Belarus) also engage in economic cooperation schemes promoted by the EU and China. Therefore, these observations suggest that the EAEU has not been entirely successful in achieving Russia's objectives in the area of trade.

However, if Russia's goal is to maintain its status as a "regional center of gravity" in Eurasian trade affairs, one could argue that the EAEU has been a useful tool in this regard. The dependency of Armenia on Russia has increased following the EAEU's establishment. Moreover, trade flows of all EAEU member states predominantly lead to Russia rather than other EAEU member states.

ROLE OF EAEU INSTITUTIONS IN PROMOTING EURASIAN INTEGRATION

The effectiveness of the EAEU in fostering economic integration across Eurasia is significantly contingent upon the robustness of its institutions. Equitable participation of EAEU members in these institutions, rather than exclusive Russian dominance, is also essential. As per Article 8 of the Treaty on the EAEU, the union comprises the Supreme Council, Intergovernmental Council, Commission, and Court of the EAEU. Formally, all member states possess equal status within the EAEU's institutional framework. The treaty mandates equal involvement of EAEU members in decision-making without coercion (Section II of Treaty on the EAEU – Fundamental Principles, Aims, Competence, and Law of the EAEU). Dragneva & Wolczuk note that these formal provisions limit Russia's capacity to dictate its agenda and guarantee partners' nominal parity within the union (2017: 13). However, the authors also emphasize that informal influence supersedes formal equality within the EAEU:

"The formal equality coexists with informal means of influence. Of particular concern to the members has been Moscow's dominance over the EEC Collegium and its departments responsible for key operational aspects of the integration agenda. [...] More important, it is high-level political bargaining that shapes decision-making within the EAEU. [...] Notwithstanding nominal equality, the organizing principle of Eurasian integration is geopolitical and economic strength rather than a formal structure. Russia repeatedly displays hegemonic behaviour within the EAEU and the individual deals it has struck with member states undermine the formal design of the EAEU. If the participation of states can be negotiated and secured on an ad hoc basis, due to Russia's sheer might, then Russia has little motivation to comply with the common rules of the union" (Dragneva & Wolczuk, 2017: 13f.).

Based on this assessment, it can be posited that the EAEU's institutional framework is deficient, as the union's functionality and progression are overly reliant on Russia's interests and the country's willingness to comply with established norms and rules. An additional institutional weakness faced by the EAEU is the absence of requisite supranational elements for effectively advancing Eurasian economic integration. Roberts & Moshes (2015: 548) argue that the EAEU inherently lacks the competencies to enforce decisions, as 'national loyalties' supersede the union itself, resulting in an institutional structure that is "more intergovernmental than supranational" in nature. This shortcoming particularly pertains to the Eurasian Commission. As the authors explain, "the Eurasian Commission [...] was designed to be a much less ambitious supranational body [...], reflecting the fact that member states were not prepared to give it anything more than limited competencies." In addition, Roberts & Moshes criticize the EAEU's hierarchical structure: "All important decisions are passed up the chain of command, first to the Commission Council in the form of national government deputy prime ministers, and then, if no agreement is found, to the Supreme Council" (2015: 548). Consequently, the EAEU's limitations stem not only from Russia's dominance over its institutions but also from the institutions' inability to independently enforce decisions. This aligns with Wolczuk's (2021: 65) evaluation that the EAEU is not a Eurasian analogue of the EU, as it lacks robust institutions that are capable of devising and enforcing a body of common regulations.

Thus, similar to the assessment of trade relations among EAEU member states, the assessment of the EAEU's 'institutional success' hinges on one's understanding of success. If success entails promoting Eurasian economic integration, ensuring equal participation of all member states in decision-making, and incorporating supranational components, then the EAEU's institutional framework cannot be deemed successful. Conversely, if success is understood to mean that Russia dominates in all matters of the EAEU, enabling the union's progress only when aligned with Russian interests, it can be argued that Russia has indeed been successful in asserting itself as such a veto player.

COMPONENTS OF A POLITICAL UNION WITHIN THE EAEU

Finally, it is necessary to assess whether the EAEU should be regarded as a political union, characterized by member states engaging in political collaboration extending beyond economic matters, or simply as an economic project. A successful political project would exhibit aspects of a political union, indicating that member states not only pursue economic interconnectedness but also share interests in broadening political cooperation. A political union "represents the potentially most advanced form of integration with a common government and where the sovereignty of a member country is significantly reduced" (Rodrigue, 2020: 253–262). The classification of economic integration proposed by Rodrigue outlines five levels: Free Trade; Custom Union; Common Market; Economic Union; Political Union. In this context, current developments within EAEU member states and their responses to Russia's invasion of Ukraine are considered, as they reveal the degree of political unity within the EAEU.

Although the EAEU is criticized for not having achieved the integration level necessary to be considered a political union, it must be noted that the EAEU was intentionally not established as a 'political project,' with member states transferring sovereignty to the union's institutions. Despite Russia's initial push for deeper integration and the proposal of a "Eurasian Parliament", member states such as Kazakhstan made it explicitly clear they would not participate in an economic union with political elements (Gontmakher, 2021). In 2013, Kazakhstan's former President Nursultan Nazarbayev rejected the idea of a political union, stating the following: [...] The politicization of the union being created is unacceptable. Such areas as border control, migration policy, defence and security, as well as health, education, culture, legal assistance in civil, administrative and criminal cases do not belong to economic integration and cannot be transferred to the format of the economic union. As sovereign states, we actively cooperate with various countries and international organizations, without infringing on mutual interests. The Union should not interfere with us in this direction" (Gontmakher, 2021).

Consequently, the EAEU was designed to preclude any intervention in its member states' internal political affairs. This presents a challenge for Russia, as it seeks further EAEU integration to gain more formal means of involvement in member states' internal affairs. Van der Togt (2020) characterizes this as a lack of political will to transfer political competencies on to the EAEU and sees it as an "incomplete character of EAEU-integration." He notes that "Russia would prefer to broaden and deepen integration within the EAEU, in order to strengthen its own geopolitical and geo-economic position towards its biggest trading partners: the EU and China. [...]" However, for countries like Kazakhstan, Kyrgyzstan, and Armenia, further EAEU integration could jeopardize their relations with China and the EU, resulting in their limited interest in engaging with Russian initiatives: "[...], [M]ost EAEU member states prefer not to be locked up in a Russia-dominated framework and pursue simultaneously close relations with other external partners" (van der Togt, 2020). This fundamental cooperation flaw between Russia and other EAEU member states is also evident in their responses to Russia's invasion of Ukraine.

EAEU members' support for Russia's invasion of Ukraine might be interpreted as evidence that the EAEU transcends economic interdependence, with member states also identifying as a political bloc.

From Russia's perspective, this would indicate a successful project. While Belarus' support for the war is unsurprising due to Lukashenko's regime's complete isolation from the West since 2020/2021, leading to full compliance and dependence on Russia (Coes, 2021), other EAEU member states' reactions reveal limited backing for Russia, suggesting member states do not view themselves as a political bloc. Indeed, Kazakhstani politicians have emphasized their neutrality in the conflict and lack of active support for Russia. Since Western leaders have threatened sanctions against countries that back Russia, Kazakhstan seeks to avoid jeopardizing its "multi-vector approach to foreign policy" and the subsequent negative economic consequences of openly supporting Russia (Askar, 2022). Kazakhstan has pledged not to undermine sanctions imposed by other nations against Russia (Triebel, 2022). Kyrgyzstan has exhibited similar reactions; although not overtly criticizing Russia, Central Asian post-Soviet states generally strive to balance their responses in order to minimize negative repercussions (Pannier, 2022). Armenia's response follows suit, as the nation abstained from several UN votes related to Russia, including Russia's suspension from the UN Human Rights Council, rendering it "the only member of the Russian-led Collective Security Treaty Organization (CSTO) that did not openly oppose the decision" (Nalbandian, 2022). These reactions from the majority of EAEU member states indicate weak political cohesion within the EAEU.

While Russia aims to utilize the EAEU as a political rather than economic instrument, seeking further integration for increased influence, it is evident that EAEU member states are reluctant to align too closely with Russia. This observation is significant, as EAEU member states, acknowledging the possible ramifications of challenging Russia's interests on their political and economic stability due to Russia's considerable regional economic and political influence, simultaneously strive to maintain a delicate balance to prevent being perceived as a pro-Russian state. As Wolczuk (2021: 65) asserts, "the EAEU is a vehicle for Russia to influence the foreign policy choices of other states. It provides a form of 'soft' hegemony through which Russia, while not controlling the domestic institutions and policies of other member states, can still ensure that their foreign policies are aligned with its own interests." Although Russia has successfully employed the EAEU in this capacity, one could argue that it has not been able to use the EAEU to its desired extent, as evidenced by EAEU member states' reactions to Russia's invasion of Ukraine. The unwillingness of member states to participate in political integration indicates a lack of political will within the union. Moreover, the EAEU's limited achievements thus far, coupled with cautious responses from member states regarding Russia's invasion of Ukraine, imply that the EAEU should not be deemed a significant political success. Nonetheless, labeling it a failed project without utility for Russia would be an overstatement. In my view, the truth lies between these two statements and is contingent upon the perspective from which one evaluates the EAEU relative to Russia's interests.

CONCLUSION

The analysis has demonstrated that evaluating the success of the EAEU as a regional project primarily promoted by Russia is not entirely straightforward, as it depends on one's understanding of success in general terms or from Russia's point of view. While the EAEU has achieved measurable and observable successes and Russia can undoubtedly utilize the union to enhance its influence in Eurasia, there have been limitations in trade, the EAEU's institutional set-up, and political cohesion.

The EAEU has contributed to an increase in overall trade among member states. However, this trade is predominantly unidirectional, favoring Russia. Compared to trade flows directed towards Russia, other EAEU member states engage in minimal trade amongst themselves. Despite Russia's dominance within the EAEU, the union has not effectively countered Chinese and EU initiatives. Furthermore, the EAEU is hampered by institutional deficiencies, lacking adequate supranational authority to independently advance Eurasian economic and political integration. Despite the formal equality of all EAEU member states, Russia wields disproportionate influence over the union's institutions, exercising control over

decision-making through informal channels. However, this circumstance prevents the union from being classified as a regional integration organization with equal participation of its member states. EAEU member states engage in the project primarily because of their reliance on Russia, as non-participation could potentially result in negative economic (and political) consequences. The lack of political cohesion within the EAEU becomes evident in the responses of EAEU member states to Russia's invasion of Ukraine, with all members (except Belarus) adopting a cautious stance and refraining from openly siding with Russia.

In conclusion, it can be argued that the EAEU is a project primarily promoted by Russia, through which it seeks to uphold its hegemonic status in Eurasia in economic and political matters. In its present form and shape, the EAEU can only achieve limited economic and political outcomes, as they predominantly benefit Russia. From Russia's point of view, the EAEU can be deemed a successful regional project, as long as Russia continues to be the primary beneficiary of cooperation. However, it is important to keep in mind that Russia intended the EAEU to advance Eurasian integration further than it has managed to do thus far.

REFERENCES

- Askar, A., 2022. Kazakh-Russian Relations in the Context of the War in Ukraine. The Diplomat. Available at: <https://thediplomat.com/2022/03/kazakh-russian-relations-in-the-context-of-the-war-in-ukraine/> [Accessed April 10, 2022].
- Bhutia, S., 2019. Russia dominates Eurasian Union trade. Here are the numbers. Eurasianet. Available at: <https://eurasianet.org/russia-dominates-eurasian-union-trade-here-are-the-numbers> [Accessed April 6, 2022].
- Bhutia, S., 2019. The EU's new Central Asia Strategy: What does it mean for trade? Eurasianet. Available at: <https://eurasianet.org/the-eus-new-central-asia-strategy-what-does-it-mean-for-trade> [Accessed April 6, 2022].
- Coes, P., 2021. Examining Belarus' growing reliance on Russia. Foreign Policy Research Institute. Available at: <https://www.fpri.org/article/2021/10/examining-belarus-growing-reliance-on-russia/> [Accessed April 10, 2022].
- Dragneva, R. & Wolczuk, K., 2017. The Eurasian Economic Union: Deals, Rules and the Exercise of Power. Chatham House – International Affairs Think Tank. Available at: <https://www.chathamhouse.org/2017/05/eurasian-economic-union> [Accessed April 7, 2022].
- EAEU, 2014. Treaty on the Eurasian Economic Union. Legal Portal. Available at: <https://docs.eaeunion.org/en-us/pages/displaydocument.aspx?s=bef9c798-3978-42f3-9ef2-d0fb3d53b75f&w=632c7868-4ee2-4b21-bc64-1995328e6ef3&l=540294ae-c3c9-4511-9bf8-aaf5d6e0d169&entityid=3610> [Accessed April 4, 2022].
- European Commission, 2022. EU, Trade in goods with Kazakhstan. Available at: https://webgate.ec.europa.eu/isdb_results/factsheets/country/details_kazakhstan_en.pdf [Accessed April 6, 2022].
- Gast, A.-S., 2020. The Eurasian Economic Union – keeping up with the EU and China. *Post-Communist Economies*, 33(2-3), pp.175–199.
- Gontmakher, E., 2021. A closer look at the Eurasian Economic Union. GIS Reports. Available at: <https://www.gisreportsonline.com/r/eurasian-economic-union/> [Accessed April 8, 2022].

- Khachaturian, V., 2020. Armenia and the EAEU. Resources. Available at: <https://www.cipe.org/wp-content/uploads/2020/12/05-Armenia-EAEU-report-ENGLISH.pdf> [Accessed April 6, 2022].
- Nalbandian, N., 2022. Russia Again Not Backed By Armenia In UN Vote On Ukraine. “Ազատ Եվրոպա/Ազատություն” ռադիոկայան. Available at: <https://www.azatutyun.am/a/31793297.html> [Accessed April 10, 2022].
- Pannier, B., 2022. Understanding Central Asia’s cautious approach to Russia’s invasion of Ukraine. Foreign Policy Research Institute. Available at: <https://www.fpri.org/article/2022/03/understanding-central-asias-cautious-approach-to-russias-invasion-of-ukraine/> [Accessed April 10, 2022].
- Roberts, S.P. & Moshes, A., 2015. The Eurasian Economic Union: A case of reproductive integration? Post-Soviet Affairs, 32(6), pp.542–565.
- Rodrigue, J.-P., 2020. Trade, Logistics and Freight Distribution. In The Geography of Transport Systems. New York: Routledge, Taylor & Francis Group, pp. 253–262.
- Triebel, J., 2022. Ukraine-Krieg dämpft Wachstumserwartungen. Special | Kasachstan | Krieg in der Ukraine. Available at: <https://www.gtai.de/de/trade/kasachstan/specials/ukraine-krieg-daempft-wachstumserwartungen-812132> [Accessed April 10, 2022].
- Turgaev, S., 2022. В Казахстане думают о выходе из Евразийского экономического союза. Экономист объясняет, почему покинуть ЕАЭС сложнее, чем кажется. Настоящее Время. Available at: <https://www.currenttime.tv/a/kazakhstan-russia-asia/31778304.html> [Accessed April 10, 2022].
- van der Togt, T., 2020. EU & Eurasian Economic Union: A Common Chinese Challenge. Clingendael. Available at: <https://www.clingendael.org/publication/eu-urasian-economic-union-common-chinese-challenge> [Accessed April 8, 2022].
- WITS, Kazakhstan Trade. Kazakhstan Trade | WITS Data. Available at: <https://wits.worldbank.org/CountrySnapshot/en/KAZ> [Accessed April 6, 2022].
- Wolczuk, K., 2021. ‘The Eurasian Economic Union is a genuine and meaningful counterpart to the EU.’ Report - Russia and Eurasia Programme, p.65. Available at: <https://www.chathamhouse.org/2021/05/myths-and-misconceptions-debate-russia/myth-10-urasian-economic-union-genuine-and> [Accessed April 4, 2022].
- ЕЭК, 2021. Взаимная торговля товарами. Статистика Евразийского экономического союза. 2020 год. Eurasian Economic Union Publications. Available at: http://www.eurasiancommission.org/ru/act/integr_i_makroec/dep_stat/tradestat/publications/Documents/Int_2020.pdf [Acce

Chronic Poverty in Kyrgyzstan

Tolkynay Sagatbayeva

KIMEP University, Almaty, Kazakhstan

tolkynay@kimep.kz

Alma Kudebayeva

KIMEP University, Almaty, Kazakhstan

almak@kimep.kz

ABSTRACT

Reducing poverty can improve living conditions and accelerate economic growth in a country. One must consider what the national government says about poverty and its causes and especially how it portrays policies. This paper explores the determinants of chronic poverty in Kyrgyzstan as well as related problems and changes such as social and economic instability. Most analyses of poverty elsewhere include income and unemployment. Kyrgyzstan recognized as one of the most democratic countries in the region, although it is also considered politically unstable.

To analyze the dynamics of poverty, this paper will draw upon the “Life in Kyrgyzstan” survey of 3000 households and over 8000 individuals. It began in 2010 and repeats every four years. These data shed light on the main dimension of chronic poverty, duration. The paper will apply multinomial logit to the data to analyze determinants of chronic poverty. Econometric research finds that the main factors to reduce any type of poverty are education, household size, having a regular job, having insurance, and owning a home.

Keywords: chronic poverty, determinants, longitudinal data, multinomial Logit model

INTRODUCTION

Poverty can be defined in many ways, but it is generally understood as lack of access to resources necessary to meet basic needs. Understanding the problem of the poverty helps us to better understand the nature, causes, and consequences of poverty. It allows us to identify the populations and regions that are most affected by poverty, and the specific factors that contribute to their poverty and essential for developing effective policies and interventions aimed at reducing poverty and promoting social and economic development. Poverty was categorized into three parts according to the research “Understanding and explaining chronic poverty: an evolving framework for Phase III of CPRC Research”. (Shepherd 2012)

- 1) Chronically poor people are always poor usually poor
- 2) Transitorily poor -fluctuating poor and occasionally poor and
- 3) Non-poor- never poor

This research paper examines the causes, consequences and policy implications of chronic poverty in the country using the data from the Life in Kyrgyzstan (LIK) for the period between 2010 and 2013. The chronic component of poverty refers to the persistent, long-term nature of poverty experienced by individuals or communities. It is characterized by poverty that lasts for an extended period of time often spanning multiple generations and can be difficult to escape without significant support and intervention.

Based on Chronic poverty researches are very important and it helps policymakers to develop of policies and programs aimed at creating economic opportunities and providing to individuals and families in need.

Kyrgyzstan is a landlocked country in Central Asia, with population of around 6 million and today faces the problem of a high level of poverty in both urban and rural areas. Two-thirds of the population of the Kyrgyz republic lives in rural areas, making it mostly an agrarian nation the agriculture sector contributes only modestly to the national economy. Time is an important additional aspect of understanding chronic poverty.

This research will explore the issue of chronic poverty in Kyrgyzstan, a small country in Central Asia. It will provide an overview of the causes and effects of chronic poverty in Kyrgyzstan, while also discussing potential strategies for addressing the issue. To provide a comprehensive understanding of chronic poverty in Kyrgyzstan, this thesis will draw on research from a variety of sources, including international organizations, government documents, and academic studies. Additionally, it will use data from the World Bank, Life in Kyrgyzstan (LiK) and other sources to provide a quantitative analysis of the economic situation in Kyrgyzstan. One way to measure poverty is through the concept of poverty line, which is threshold used to determine whether an individual or house holding is living in poverty.

Number of observations for 4 years-42 868 (Figure 1)

Table 1 Number of observations for 2010-2013Years

year	Freq.	Percent	Cum.
10	10,717	25.00	25.00
11	10,717	25.00	50.00
12	10,717	25.00	75.00
13	10,717	25.00	100.00
Total	42,868	100.00	

Table 2 Number of observations by oblasts

Oblast	Freq.	Percent	Cum.
Issyk-Kul	3,664	8.55	8.55
Jalal-Abad	7,884	18.39	26.94
Naryn	1,812	4.23	31.17
Batken	4,088	9.54	40.70
Osh	9,956	23.22	63.93
Talas	2,212	5.16	69.09
Chui	5,948	13.88	82.96
Bishkek	5,396	12.59	95.55
Osh city	1,908	4.45	100.00
Total	42,868	100.00	

The poverty line in Kyrgyzstan can vary depending on the source and methodology used to calculate it. Here are some estimates from different resources:

National Statistical Committee of Kyrgyz Republic: According to the National Statistical Committee of Kyrgyz Republic, the poverty line in 2020 was set at KGS 24,243 per person per year. This translates to around US\$287 per year or US\$0.78 per day.

Asian Development Bank: The Asian Development Bank uses a poverty line of US\$3.20 per day in PPP terms to measure poverty in Kyrgyzstan. This is slightly higher than the World Bank's poverty line of US \$2.15 per day. Poverty rate you can see on the Table 3 from the National Statistical Committee of Kyrgyz Republic. However, in 2020, due to the COVID-19 pandemic, poverty rates increased and over 70 million more people were living in extreme poverty, bringing the total to over 700 million. The global extreme poverty rate went up from 8.4% in 2019 to 9.3% in the same year. (Worldbank, 2022)

Table 3. Poverty rate in percent by territory

	2010	2011	2012	2013
Kyrgyz Republic	33,7	36,8	38,0	37,0
<i>Batken region</i>	33,6	35,6	34,2	53,9
<i>Djalal-abad region</i>	44,7	45,3	55,7	46,4
<i>Ysykkul region</i>	38,0	29,5	28,1	39,5
<i>Naryn region</i>	53,5	49,9	39,9	43,8
<i>Osh region</i>	41,9	44,7	51,4	43,4
<i>Talas region</i>	42,3	50,2	39,6	23,1
<i>Chui region</i>	21,9	28,6	16,6	23,6
<i>Bishkek city</i>	7,9	18,4	21,4	20,4
<i>Osh city ¹</i>				40,9

Source: <http://www.stat.kg/ru/gendernaya-statistika/uroven-zhizni/uroven-bednosti/>

On the table 3 shows living wage on average per capita (soms per months)

Table 3

Items	2010	2011	2012	2013
	3	4	4	4
Kyrgyz Republic	502,65	390,02	341,15	599,21
Batken oblast	3 046,58	4 034,21	4 209,64	4 380,72
Jalal-Abat oblast	3 271,10	4 509,84	4 433,35	4 505,54
Yssyk-Kul oblast	3 323,92	4 126,95	4 050,65	4 156,28
Naryn oblast	3 303,85	4 148,31	4 130,35	4 421,65
Osh oblast	3 369,43	4 253,44	4 228,03	4 632,69
Talas oblast	3 212,58	4 090,82	3 999,11	4 207,27
Chui oblast	3 493,32	4 288,63	4 213,83	4 401,88
Bishkek city	3 625,91	4 466,82	4 406,23	4 690,97
Osh city

Until 2017 - The city of Osh was part of the Osh region.

Source: <http://www.stat.kg/ru/opendata/category/119/>

This research aims to explore the causes, effects and solutions to chronic poverty in Kyrgyzstan and the possible thesis question related to chronic poverty in Kyrgyzstan:

1. What are the main causes and consequences of chronic poverty in Kyrgyzstan.
2. To examine the effects of chronic poverty on individuals, families, and communities
3. What policies and interventions can be implemented to effectively address this issue?

LITERATURE REVIEW

Since the mid-1980s there has been a large amount of exciting research by economists on poverty. Much of this work has been inspired by the combination of a body of theory that takes market failure and institutional failures seriously with access to a world of new data directly relevant to poverty, often collected in the field by the researchers themselves. (Banerjee 2006)

The measurement of poverty can be divided into two steps:

1. Identification of the poor group among the total population
2. Aggregation of the group's poverty characteristics into overall measures and construction of poverty index. (Sen 1979)

In recent times, there has been a significant focus on discovering suitable methods for dealing with the complexity involved in evaluating living standards and poverty. This has been highlighted by scholars such as Tsui in 2002 and Bourguignon and Chakravarty in 2003

Andrew Shepherd (2007) provides a comprehensive overview of the different definitions, causes, and consequences of chronic poverty, as well as the various policy responses that have been proposed to address it. The author explores the different dimensions of chronic poverty, including economic, social, and political dimensions, and the ways in which these dimensions interact with each other. The authors highlight the ways in which chronic poverty can lead to social exclusion, poor health outcomes, and limited economic opportunities, and how this can perpetuate cycles of poverty. (Shepherd 2007)

A group of rural households in Bangladesh over a period of four years and examines the factors that enable some households to escape chronic poverty while others remain trapped. The main conclusion of the article is that escaping chronic poverty is a complex and multifaceted process that requires a combination of factors, including access to assets and resources, social networks, and supportive policies and institutions. The authors found that individuals and households who were able to escape chronic poverty tended to have access to a diverse range of assets, including land, livestock, and savings, as well as social networks that provided support and access to information. (Sabates-Wheeler et al. 2004)

On the chronic poverty research paper in Uganda argues that a human rights-based approach is essential for addressing chronic poverty in Uganda and proposes a set of policy recommendations to achieve this goal. Overall, the article suggests that a human rights-based approach can be an effective strategy for breaking the cycle of chronic poverty in Uganda. This paper explores the intersection of chronic poverty and disability and argues that a better understanding of this relationship is crucial for designing effective anti-poverty interventions.

(Ellen Groce et al. 2006)

The author identifies several key factors that contribute to chronic poverty in Kazakhstan, including limited access to education and healthcare, inadequate social protection, and limited. The author highlights several policy initiatives that have been implemented in Kazakhstan to address chronic poverty. While these initiatives have had some success, the author notes that there is still much work to be done to address the root causes of chronic poverty and promote sustainable and inclusive development. (Kudebayeva A. 2018)

According to the Chronic Poverty Research Centre and scholars Hulme and Shepherd, there are four primary ways in which individuals can encounter chronic poverty. These include experiencing poverty for an extended period (typically suggested as five years, although this has been questioned), facing

poverty throughout one's entire lifetime, inheriting poverty from one's parents (also known as intergenerational poverty), and experiencing a preventable death at an early age. (David Hulme, Andrew Shepherd 2003)

The literature on chronic poverty provides a rich understanding of this complex phenomenon. It underscores the need to adopt a multidimensional approach to poverty and to address institutional failures and policy constraints. However, there is still much to be done to fill the research gaps and develop effective strategies to tackle chronic poverty. Kyrgyzstan is a country that experiences chronic poverty, particularly among vulnerable populations such as women, children, and rural residents. Despite efforts by the government and international organizations to address poverty, the country still faces significant challenges in reducing poverty rates and improving the well-being of its population.

The percentage of people living in chronic poverty varies depending on whether they live in urban or rural areas. According to 2005, 2008 and 2010 panel data in urban areas, it is estimated to be between 16.5% and 22.3%, while in rural areas it is higher, at around 28.9% to 36.5%. Chronic poverty is more common in areas with moderate to high mountains than in plain areas. At the oblast level, the incidence of chronic poverty is lowest in Bishkek (4.6% to 8.6%) and Chui (12.5% to 20.1%), but highest in Jalal-Abad (35.6% to 42.9%), Talas (35.8% to 40.9%), and Naryn (39.5% to 46.5%). Osh, Batken, and Issyk-Kul fall somewhere in the middle, with a similar percentage of their population living in chronic poverty as in rural areas overall. (Mira Bierbaum and Franziska Gassmann 2012)

CONCLUSION

Measuring and analyzing poverty can provide insights into the causes and consequences of poverty, as well as the effectiveness of poverty reduction strategies. By working to reduce poverty and promote social inclusion, policymakers can help to improve the well-being of individuals and communities around the world. On the studies provide valuable insights into the experiences of chronically poor individuals and households around the world, as well as the factors that contribute to chronic poverty and potential policy solutions.

A logistic regression model, also known as a logit model, is a type of statistical analysis used to model binary outcomes, where the response variable is dichotomous, i.e., takes one of two possible values. The purpose of the model is to investigate the relationship between one or more predictor variables and the binary outcome.

The logit model uses a logistic function to predict the probability of the binary outcome. The logistic function is an S-shaped curve that ranges between 0 and 1.

The chronic component of poverty refers to the persistent, long-term nature of poverty experienced by individuals or communities. It is characterized by poverty that lasts for an extended period of time, often spanning multiple generations, and can be difficult to escape without significant support and intervention.

Kazakhstan's Multi-vector Approach in the Energy Game between EU - Russia

Cynthia Eka Wahyuni

KIMEP University

Abay Ave 2, Almaty, Kazakhstan

Cynthia.wahyuni@kimep.kz

ABSTRACT

As Russia invaded Ukraine in early 2022, the European Union (EU) energy supply was disrupted. The disruption was caused by the reliance of the EU on the Russian energy supply. In this case, as Kazakhstan has abundant energy resources, Kazakhstan may use this opportunity to expand its energy market. On July 2022, President Tokayev contacted the EU official and mentioned Kazakhstan's willingness to help the EU face the energy crisis. After the call from President Tokayev, Russia suspended Caspian Pipeline Consortium (CPC) for the reason of the oil spill. The suspension was followed by an order from President Tokayev to diversify Kazakhstan's energy supply routes. Although Kazakhstan has close ties with Russia, it does not mean Kazakhstan should always be on the same page as Russia. The author will discuss Kazakhstan's multi-vector foreign policy approach in the energy game between the EU and Russia in this paper. There will be two research questions: how is Kazakhstan's response in light of the contestation of energy resources between the EU and Russia? What factors support Kazakhstan's multi-vector approach in dealing with Russia in the energy sector? To answer the questions, the author uses a qualitative approach with a single case study in this paper. The author concluded Kazakhstan applies the multi-vector approach by planning to create a new pipeline route. Kazakhstan chose to cooperate with Azerbaijan to build the Kazakhstan-Caspian Transportation System (KCTS), also known as a trans-Caspian route, that plan to be connected with the Baku-Tbilisi-Ceyhan (BTC) pipeline as diversification of Kazakhstan energy's export route. In addition, two factors support Kazakhstan in applying a multi-vector approach. First is the geographical location of Kazakhstan, which is located between two big markets, namely China and the EU. Second is the momentum lack of energy sources in the European market.

KEYWORDS: Kazakhstan, European Union, Russia, Energy sector, Multi-vector approach, Diversification, Caspian Pipeline Consortium, Trans-Caspian route

INTRODUCTION

After Russia invaded Ukraine on February 2022, the energy supply from Russia to European Union (EU) countries was disrupted. The EU countries highly depend on Russia's energy supply, namely oil, natural gas, and coal. Data from European Commission showed that in the third quarter of 2021, 41% of the gas imports to the EU were supplied by Russia (European Parliament, 2022). As the situation worsened, the EU could not rely on the Russian energy supply. In this case, Kazakhstan, as one of the countries with abundant resources and located in Eurasia (between Europe and Asia), can help the EU to overcome its energy supply problem. Considering the long-standing history, closed ties memory between Russia and Kazakhstan, and Russia's influence on Kazakhstan as it predicted Kremlin would not allow Kazakhstan to help the EU.

The shadow of Russia over Kazakhstan's foreign policy sometimes is an unpleasant thing from Kazakhstan's perspective. In several conditions, as a sovereign state, Kazakhstan does not want to be forced to act according to Russia's will. In the case of the Russian invasion of Ukraine, the EU can be a potential new market for Kazakhstan's energy sources, and it is profitable for Kazakhstan, but Russia would not allow it happens. Thus, this paper will discuss Kazakhstan's multi-vector foreign policy approach in the energy game between the EU and Russia. Therefore, there will be two research questions. First, how is Kazakhstan's response in light of the contestation of energy resources between the EU and Russia? Second, what factors support Kazakhstan's multi-vector approach in dealing with Russia in the energy sector? The importance of discussing this issue is that the case study relates to the energy sector, which is a crucial topic for the conflict between the EU and Russia. Moreover, energy sources are also part of Kazakhstan's power in dealing with global politics.

METHODOLOGY

In this paper, the author uses qualitative methods with a single-case study. Creswell (2013) mentioned that qualitative data research puts the researcher as a key instrument that collects data by "examining documents, observing behavior or interviewing participants" (Creswell, 2013). In this case, the author uses documents and news articles to examine the case study. As Landman (2008) mentioned, a scholar can use the single-country study method to examine an event's possible causal mechanism closely by using various qualitative materials to test a particular theory (Landman, 2008). In this case, as many scholars have mentioned, Kazakhstan applies a multi-vector approach in its foreign policy, the author would like to prove that Kazakhstan has been trying to apply its multi-vector approach in dealing with the energy game between the EU and Russia.

LITERATURE REVIEW

In this literature review part, there will be four discussion themes: Russia and Central Asia, the foreign policy of Central Asian countries, Kazakhstan's foreign policy, and the multi-vector approach. In the Routledge Handbook of Contemporary Central Asia, Marlene Laruelle discussed about Russia and Central Asia in her writing titled "Evolving mutual perceptions and the rise of postcolonial perspectives". According to Laruelle's writing, Russia and Central Asia shared an "enduring feature of past" known as "regional lingua franca", where the Russian language was well known in Central Asia and Russia. Moreover, for Central Asian countries, Russia can be said as a "regional hegemon". The way Russia expressed itself as a "regional hegemon" can be either coercive or cooperative. The coercive way means Moscow attempts to keep its geopolitical influence towards Central Asian countries. In contrast, the cooperative way means Moscow creates an agreement with authorities in each Central Asian country. It is important to highlight, according to Laruelle, Moscow considers Central Asia as "its most secured region of influence" and "a key region". It is a must for Russia to secure its influence in Central Asia. Otherwise, Russia would not be able to proclaim itself as a "Eurasian power". In short, according to Laruelle, Central Asia has a strong connection with Russia compared to other post-Soviet regions. This kind of condition will still last long in the short-term, but it would not be impossible if there is a change in the long term.

Regarding foreign policy in Central Asia, Shairbek Dzhuraev in the Routledge Handbook of Contemporary Central Asia titled "Domestic sources of foreign policy in Central Asia", argued that most of the time, Central Asian countries face difficulties in deciding "friends and foes" in their foreign

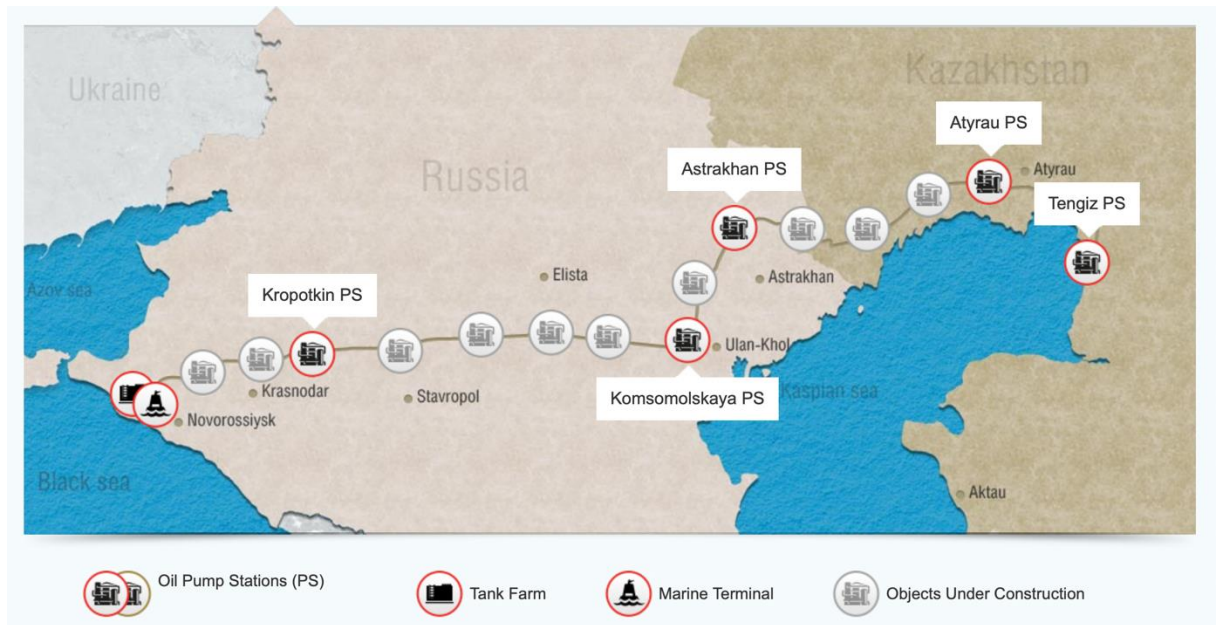
policies. Frequently, Central Asians are faced with the problem of “taking a side” between Western countries and Russia.

On top of that, a more specific discussion about Kazakhstan’s foreign policy can be found in the article written by Maxat Kassen, titled “Understanding foreign policy strategies of Kazakhstan: a case study of the landlocked and transcontinental country”. In his article, Kassen mentioned the pros and cons of Kazakhstan being a landlocked and transcontinental country. He examined the pros and the cons from two perspectives, economic implication and political implication. He argued the cons of being a landlocked country for the economic implication that Kazakhstan lacks access to maritime trade routes. While for the political implication, Kazakhstan sometimes has to adapt its policies due to pressure from neighboring countries (transit countries). As a landlocked country, Kazakhstan sometimes needs transit countries or countries with maritime zone to transport commodities, either for exporting or importing. Transit countries, such as Russia, may ruin Kazakhstan’s plan to control the movement of export or import commodities. Furthermore, for the pro, as a transcontinental country, Kazakhstan is located between Asia and Europe, where two big global markets (China and EU) can benefit Kazakhstan's economic development. Regarding political implication, the pro is that Kazakhstan can be a “mediator in global affairs”. By using the multi-vector approach, Kazakhstan has been able to diversify its policy and obtain its national interests.

Furthermore, talking about the multi-vector approach Reuel R. Hanks (2009), in his article titled “‘Multi-vector politics’ and Kazakhstan’s emerging role as a geo-strategic player in Central Asia” explained that Kazakhstan has been adopting the multi-vector approach constantly. Hanks mentioned that originally, the emergence of a multi-vector strategy was to create a “semi-independent path” for Kazakhstan to distance itself from Russia when the bilateral relations between the two countries were tense. It has been one of the challenges for Kazakhstan since 1991 to have a free foreign policy that is not shadowed by Russia. Through the multi-vector approach, Kazakhstan successfully got leverage in dealing with Western energy companies while maintaining a good relationship with the Russian government. According to Hanks, the case multi-vector approach adopted by Kazakhstan is successful due to it can elevate Kazakhstan’s status both at the regional and international levels.

MULTI-VECTOR APPROACH

Maxat Kassen (2018) defined the concept of multi-vector strategy in foreign policy as “*a diplomatic strategy that is based on maintaining diplomatic relations with the international community, in general, and neighbouring countries, in particular, in a pragmatic and balanced manner*” (Ipek, 2007; Hanks, 2009; Mostafa, 2013; Kassen, 2018). The concept of the multi-vector approach itself has a strong connection with Kazakhstan’s energy resources. As Hanks (2009) mentioned, the condition in the early 1990s when Kazakhstan and Russia had tension and Russia kept trying to control the distribution of Kazakhstan’s energy export, led Kazakhstan to choose a foreign policy strategy that was able to hinder Russia’s influence (Hanks, 2009). In addition, according to Hanks, the multi-vector approach itself is the strategy to attract more partners and investors to develop the exploitation of energy resources in Kazakhstan. As Kazakhstan has large reserves of hydrocarbon resources, the energy resources can be seen as a power. The energy can be used as a tool for diplomacy and a source for the state's economic development.



KAZAKHSTAN'S RESPONSE ON ENERGY CONFLICT BETWEEN EU-RUSSIA

In early July 2022, President Tokayev assured EU that Kazakhstan would help to overcome the energy crisis. In a short period after the news circulated, Moscow halted crude oil export from Kazakhstan that passed pipeline in Russian territory by imposing punishment to Caspian Pipeline Consortium (CPC) due to oil spill although there is no oil spill had been reported (Bushuev & Gurkov, 2022). Figure 1 shows the route of CPC pipeline that transport Russian oil and Kazakhstan's oil from Tengiz field in western Kazakhstan and ended in the Novorossiysk terminal in Russia, then the oil is delivered to the world markets (Kumenov, 2022; CPC, n.d.). In 2021, CPC has transported more than 60 million tons of oil, around 53 million tons of the total came from western Kazakhstan (Kumenov, 2022). It is important to mention 80 percent of Kazakhstan's oil exports are transported through Novorossiysk terminal (Putz, 2022a).

Figure 1: Route of CPC pipeline.

The sanction towards CPC, after President Tokayev announced that Kazakhstan will help EU is reflected the argument by Kassen. As Kassen (2018) argued Kazakhstan as a landlocked nation has a price for political implication. When the neighboring country of the landlocked country has dispute with other countries, and the landlocked country indirectly involve and be on the side of the opponent of the neighboring country, the neighboring country may put pressure and attempt to hinder any assistance from the landlock country to help the opponent of the neighboring country. In simply, Kazakhstan could not walk by itself to help EU if Kazakhstan still needs Russia to be the transit country to transport the energy resources.

As rational an opportunity market should Russia did not. Thus, through Kazakhstan countries in the supply EU of Russia that export of Kazakhstan was has done it mentioned regime in the attempted to development energy



actor, Kazakhstan realized to supply energy into EU not be stop just because allow Kazakhstan to do so. its multi-vector strategy cooperates with other planning of new pipelines to countries. Moreover, the act attempted to control the energy resources from not a first time, but Russia before. As Hanks (2009), during the Nazarbaev's early 1990s Russia has control the export and the market of Kazakhstan's resources (Hanks, 2009).

ENERGY PROJECTS TO COUNTER RUSSIA

In order to circumvent Russia's shadow in the energy sector, an attempt to create a new route pipeline has been planned for a decade. Kazakhstan and Azerbaijan have long discussed the trans-Caspian oil transport system (or Kazakhstan-Caspian Transportation System (KCTS)). Moreover, both parties have reiterated their intentions and shown interest in creating it. In 2006, Azerbaijan and Kazakhstan signed an agreement to create a trans-Caspian oil transport system. Then in 2009, a state-owned energy company from both countries agreed to conduct feasibility studies (Putz, 2022b). However, after more than a decade later, the pipeline still has not been constructed. After the tragedy of CPC, in the government meeting, President Tokayev mentioned Kazakhstan government would diversify the oil export routes, with priority to the Trans-Caspian route (Putz, 2022b).

Furthermore, President Tokayev also mentioned the city of Aktau as "the sea gate of Kazakhstan" as the city connects with the Caspian Sea, which Kazakhstan now perceives as an important route in dealing with the global logistics chains (Eruygur, 2022). The trans-Caspian route is expected to connect with Baku-Tbilisi-Ceyhan (BTC) pipeline and enter the European market (Petrocouncil Kazakhstan, 2022). In this case, Kazakhstan will need large investments.

Figure 2: Route of CPC, KCTS, and BTC pipeline.

Scholar Luca Anceschi mentioned that the project is unrealistic to be realized in a short period because it takes long negotiation and the most important question is who will be the ‘buyer’ (Putz, 2022b). If EU countries are the targeted market, thus Kazakhstan may also need support from the EU, mainly in terms of financial support. Trans-Caspian Oil Transport System, or KCTS, is a big opportunity for Kazakhstan to be freed from Russia’s influence in the energy sphere. Moreover, the geographical location of Kazakhstan that situated between two global markets, China and Europe, should be maximized. As said by Kassen (2018), it is one of the economic implications of being a transcontinental country.

CONCLUSION

In conclusion, Kazakhstan applies the multi-vector approach in the energy sector by planning to create a new pipeline route to transport its energy export. It is urgent for Kazakhstan to diversify its oil pipeline route, bearing in mind that at this moment, 80% of Kazakhstan’s oil should be transported through CPC. Kazakhstan has agreed with Azerbaijan to create the new route, but still, Kazakhstan needs another party to be involved as an investor and prospect buyer. Thus, Kazakhstan should be more active in approaching the EU to reach the realization of the project. For the second question, there are two factors that support Kazakhstan in applying a multi-vector to deal with Russia in the energy sphere. First is the geographical location with China and the EU, this situation is supposed to make Kazakhstan easier to transport its energy (not just oil) to two big markets. Although Kazakhstan is a landlocked country, a solution like creating a trans-Caspian route can be an option. Second, the lack of energy resources in Europe due to the Russian invasion of Ukraine is a big opportunity for Kazakhstan because it is the time when the EU is trying to find another reliable supply. In short, it is a good time for Kazakhstan to expand its energy export market.

REFERENCES

- Bushuev, M. & Gurkov, A. (2022, August 07). Russia targets EU, cutting off Kazakhstan’s oil exports. *Deutsche Welle (DW)*. Retrieved from <https://www.dw.com/en/russia-targets-eu-cutting-off-kazakhstans-oil-exports/a-62408644>
- Caspian Pipeline Consortium. (n.d.). General Information. Retrieved from <https://www.cpc.ru/en/about/Pages/general.aspx>
- Creswell, J. W. (2014). Qualitative Methods. In *Research design: qualitative, quantitative, and mixed methods approaches* (pp. 183- 214). SAGE Publications.
- Dzhuraev, S. (2022). Domestic sources of foreign policy in Central Asia. In R. Isaacs & E. Marat (Eds.). *Routledge Handbook of Contemporary Central Asia* (pp. 232-247). Routledge, Taylor & Francis Group.
- Eruygur, B. (2022, November 07). Kazakhstan aims to expand oil exports via Caspian Sea to 20M tons per year. AA. Retrieved from <https://www.aa.com.tr/en/asia-pacific/kazakhstan-aims-to-expand-oil-exports-via-caspian-sea-to-20m-tons-per-year/2731737>

- European Parliament. (2022). Russia's war on Ukraine: Implications for EU energy supply. Retrieved from [https://www.europarl.europa.eu/RegData/etudes/ATAG/2022/729281/EPRS_ATA\(2022\)729281_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2022/729281/EPRS_ATA(2022)729281_EN.pdf)
- Kassen, M. (2018). Understanding foreign policy strategies of Kazakhstan: a case study of the landlocked and transcontinental country, *Cambridge Review of International Affairs*, 31:3-4, 314-343, DOI: 10.1080/09557571.2018.1520809
- Kumenov, A. (2022, March 23). Kazakhstan: CPC pipeline shutdown poses serious economic threat. *Eurasianet*. Retrieved from <https://eurasianet.org/kazakhstan-cpc-pipeline-shutdown-poses-serious-economic-threat>
- Landman, T. (2008). Single-country studies as comparison. In *Issues and Methods in Comparative Politics: An Introduction* (pp. 86-94). Routledge, Taylor & Francis Group.
- Laruelle, M. (2022). Evolving mutual perceptions and the rise of postcolonial perspectives. In R. Isaacs & E. Marat (Eds.). *Routledge Handbook of Contemporary Central Asia* (pp. 193-201). Routledge, Taylor & Francis Group.
- Petrocouncil Kazakhstan. (2022, September 26). Is Baku ready to accept Kazakh oil? Retrieved from <https://petrocouncil.kz/en/is-baku-ready-to-accept-kazakh-oil/>
- Putz, C. (2022a, July 06). Pipeline Critical to Kazakh Oil Exports Ordered to Halt Operations by Russian Court. *The Diplomat*. Retrieved from <https://thediplomat.com/2022/07/pipeline-critical-to-kazakh-oil-exports-ordered-to-halt-operations-by-russian-court/>
- Putz, C. (2022b, July 08). Tokayev Looks to Caspian to Diversify Oil Export Routes. Retrieved from <https://thediplomat.com/2022/07/tokayev-looks-to-caspian-to-diversify-oil-export-routes/>
- Reuel R. Hanks (2009) 'Multi-vector politics' and Kazakhstan's emerging role as a geo-strategic player in Central Asia, *Journal of Balkan and Near Eastern Studies*, 11:3, 257-267, DOI: 10.1080/19448950903152110

Environmental journalism as a tool for raising awareness about environmental problems in Kazakhstan¹⁷

Kumar Y.A.¹ 

¹ KIMEP University, PhD Student in Public Administration
English & German Teacher at StudyRoom Educational Center, Almaty, Kazakhstan

*E-mail: yernazar.kumar@kimep.kz

Abstract

Environmental problems are serious issues that have been dealt with in the past and which are currently being dealt with by the government, NGO sector as well as by the public society. Thus, many societies around the world have used environmental journalists as a tool to inform the public about these issues in order to bring about positive pro-environmental social changes. On the other hand, environmental journalism in Kazakhstan can still be considered as an under-researched academic niche and that it has not been given considerable attention as a crucial tool to positively influence the public's perception. In this regard, this study's three main aims are to first critically discuss the problems and constraints that environmental journalists in Kazakhstan face. Second, to present its relationship with environmental awareness aspects and how it could promote it. And third, what specific measures would raise the level of environmental journalism in Kazakhstan. Since very few local academic studies have provided some theoretical and practical policy recommendations, this study will comprehensively tackle this research gap.

As a research method, this study uses a qualitative discourse analysis approach, where only secondary research data were analyzed and used. These included official state reports, NGO-based articles, and relevant academic papers focusing on the study of environmental journalism.

According to the study's findings, in order to raise the competencies of environmental journalists, it is recommended to improve both journalist's professional skills of reporting and public's environmental awareness levels via news media literacy and environmental literacy-raising campaigns; uphold and strengthen the principles of Aarhus Convention regarding legal provisions in protecting and supporting legal responsibilities of environmental journalists in Kazakhstan. Moreover, the authors also highlighted the following constraints environmental journalists could face: financial constraints; lack of environmental data and inaccessibility issues; insufficient environmental expertise; low news media literacy levels; and limitations set by 'news hole dilemma'.

Keywords: environmental journalism; Kazakhstan; environmental awareness; qualitative discourse analysis.

Introduction

Environmental problems are still to date serious lingering problems in Kazakhstan that range from specific problems related to fauna endangerment and air pollution to issues concerning low levels of environmental education, inaccessibility to environmental information and low levels of awareness about environmental issues. One of the key measures and tools that most countries use in order to raise awareness as well as report about these vast environmental problems is via the broad practices of environmental journalism.

By definition, environmental journalism can be defined as the collection, processing and dissemination of environmental information to the public society, where the journalist's main role lies in

¹⁷ This research was supported by a Marie Curie Research and Innovation Staff Exchange scheme within the H2020 Program (Grant Acronym: NEW MARKETS – Project Number: 824027 - An Exploration into the changing nature of business environments, informal barriers and emerging markets in the post-Soviet region).

enriching the public knowledge about the state of the environment on a both national as well as global level. The way how environmental journalists present information is crucial, as such reports must be well-written, cover in-depth analysis, easy to read and understand by the common citizen, and presented in an objective and informative manner.

In the context of Kazakhstan, only handful of studies on environmental journalism were conducted, with some scholars focusing on the aspect on how media influenced and impacted the public society (Zhurtbay, 2014; Dudinova & Talgat, 2020); features, responsibilities, roles, and barriers of environmental journalists operating in Kazakhstan (Uedraogo, 2018); comparative analysis of the role of environmental journalists (Freedman, 2011); survey analysis on the impact of environmental journalism (Karimova et al., 2019; Nurmukhanbetova, 2022); historical focus on pre-independence and post-independence environmental journalism developments (Yesdauletova & Yesdauletov, 2015). It should be noted that research on environmental journalism in Kazakhstan should be viewed as an emerging research area, hence there are many under-researched aspects that might interest local and international scholars to uncover.

Hence, as environmental concerns grow both on a global and on a national scale, the need for well-informed society and professional environmental journalists becomes extremely crucial, particularly in the context of Kazakhstan with its rising level of environmental concern for various environmental problems as noted by local and foreign scholars such as Soltys & Orynassarova (2013), Nugumanova et al. (2017), Aiman et al. (2018), Alimbaev et al. (2020), and many others.

Definition: Environmental Journalism

Environmental journalism is not a new social term that has been recently termed and coined. In fact, it can be dated back to the early 1970's, with the first publication mentioning the term environmental journalism as 'environmental reporting' (Hendin, 1970). Over time, many scholars and organizations referred to environmental journalism also as 'environmental communication', such as by Valenti (1998) and Pleasant et al. (2002). Others have used also the term 'environmental literature' or 'nature writing' interchangeably (Ronald, 2003). Hence, many scholars have defined its meaning depending on the purpose of what environmental journalism stands for how it is interpreted (Rademakers, 2004).

According to the definition provided by Pezzullo (2018), environmental journalism is explained as the activity where journalists actively research, verify, write, retell, produce, and publish news about aspects and problems related to environmental for the sake of informing and influencing the public society. On the other hand, Frome (1998) distinguishes environmental journalism from traditional journalism, by stating the idea that it is the activity where journalists write with a purpose to present information to the public in a sound and accurate manner on environmental issues.

Another scholar Uedraogo (2018), defined environmental journalism as a tool and activity to solve environmental problems, whose main aim is to educate the society about the serious state of the environment and its problems. Besides that, environmental journalistic activity is aimed to alter the public attitude, perception and awareness towards specific environmental issues ranging from air pollution problems to climate change matters (Uedraogo, 2018).

In terms of how information may be presented by environmental journalists, scholars have identified various aspects concerning that as well. For instance, Ronald (2003) mentioned the idea that environmental journalists present information in a more preservationist bias with a conservationist slant, while Willis & Okunade (1997) explained that environmental journalists present information in a manner almost advocacy-driven with a mix of both objective-based and scientifically-based reporting of facts concerning the environment.

Environmental journalists also possess a unique ability to advocate a specific environmental problem via their journalistic approaches to retell stories in such a way that would spin and alter the original story so that it becomes beneficial to a particular cause or purpose. For instance, such

environmental causes may include the safeguard of the ecosystem; informing about the negative impacts of climate change on the environment; or raising awareness for endangered animals and plants (Uedraogo, 2018). Hence, environmental journalists seek stories, data or information with which they can influence the public perception of people. The ability to influence public perception also helps eventually to raise awareness for the seriousness of environmental problems, which would make people think, be concerned and become actively involved with pro-environmental activities (Uedraogo, 2018). Therefore, environmental journalism is one of the tools used to solve both environmental problems as well as environmental awareness (Uedraogo, 2018).

Literature Review: Context of Kazakhstan

In terms of global context of research on environmental journalism, the first studies touching upon aspects of environmental journalism can be dated back to 1973, when academic journals on the topic of environmental communications started to be published in the *The Journal of Environmental Education* (Rademakers, 2004). By now, vast numbers of publications on environmental journalism ranging from quantitative to qualitative studies have been published.

In the context of Kazakhstan, the study area of ‘environmental journalism’ is rather seen as a more recently developed new research stream. In fact, only several studies in Kazakhstan address the problem of environmental journalism in the country. These included studies such as those done by Freedman (2009), Freedman (2011), Zhurtbay (2014), Yesdauletova & Yesdauletov (2015), Karimova et al. (2018), Kurmanbaeva (2018), Zhurtbay & Zhumabaeva (2018), Uedraogo (2018), Dudinova & Talgat (2020), Lobodenko et al. (2022), or Nurmukhanbetova (2022). Here, the range of research focus varies and each scholar has studied different and specific aspects in relation to aspects concerning environmental journalism.

For instance, while on the one hand the study done by Yesdauletova & Yesdauletov (2015) focused their work on the aspects of newspaper coverage of water and other ecological issues during the Soviet Union’s Perestroika and current period, Freedman (2009; 2011) on the other hand conducted a comparative analysis between Kyrgyzstan and Kazakhstan on the issue of reporting on environmental problems in modern news media outlets and assessed whether news coverages on environmental issues and events were presented in a balanced, in-depth and sound manner. Similarly, alike the study conducted by Yesdauletova & Yesdauletov’s (2015) work, Karimova et al. (2018) also looked at the role of environmental journalists in informing about ecological problems, particularly regarding Aral Sea and Semipalatinsk testing site cases. Moreover, the scholars also studied in depth the support measures that were taken in the Central Asian region for environmental journalists (Karimova et al., 2018).

Another group of scholars (Zhurtbay, 2014; Zhurtbay & Zhumabaeva, 2018; Dudinova & Talgat, 2020; Lobodenko et al., 2022) focused their study on purely the role of media usage in informing the public about environmental problems, with more focus on how media influenced the public instead of focusing on environmental journalists.

Another study by Uedraogo (2018) has critically analyzed the role of environmental journalists in informing about environmental problems to the public and mentioned its main functions, namely (1) informational function (provision of information about existing and potential risks to public health, ecosystem, etc.); (2) educational function (educate citizens about the importance to take care for and love the environment; building positive interrelationship between humans and the environment); (3) and organizational function (journalists act like drivers of social change and catalyze pro-environmental thinking among the society). The author also provided some interesting survey findings on how the level of concern for people about environmental issues and level of environmental activism differed. While a significant majority of surveyed respondents were concerned about the safety of the environment, few were ready to switch to environmentally-friendly transports (e.g. eco-cars, bikes) (Uedraogo, 2018). Here, the scholar noted that mass media had not much influential impact on the behavior of people to

become more pro-environmentally active (Uedraogo, 2018). Besides that, the study also presented the challenges that local environmental journalists faced in terms of searching, acquiring, requesting and publishing data (Uedraogo, 2018). The restrictive role of the state to put barriers for sensitive publications conflicting with state interests or construction companies and the issue of lack of environmental expertise with limited access to governmental data have all hindered the effectiveness of environmental journalistic work in Kazakhstan (Uedraogo, 2018).

A more recent research work studied the use of social media and journalism in promoting environmental education processes in Kazakhstan (Nurmukhanbetova, 2022). The scholar surveyed local environmental journalists concerning their views on sustainable development goals; how journalism via social media outlets can help to raise awareness about environmental problems in the country; and what limitations environmental journalists faced (Nurmukhanbetova, 2022).

It is worth noting that most of the scholars based their findings and arguments on their own subjective understanding, with very few using references from Western empirical research to prove their ideas, arguments or findings. Moreover, while the majority of scholars do present information about the functions of and barriers for environmental journalists, very few researches present various recommendations on how to address issues related to activities of environmental journalists in a both theoretical and practical manner. Moreover, according to the literature review, only Karimova et al. (2018) was the only local scholar who provided a specific example of an environmental awareness-raising project in relation to environmental journalism, but no other paper has tried to link it with other existing projects.

Research Methodology

For this paper, a qualitative discourse analysis has been applied, with its main aim being directed towards analyzing and critically discussing content by referring to and using secondary research data. For that, we only analyzed official government and non-state documents from the net as well as local and international research works written in English. Here a content analysis is the approach to analyze written or recorded documents via subjective interpretation of the researcher.

In terms of structure, the paper is structured in the following order. Following the introductory part, definitions on a literature review, the paper discusses comprehensively and in detail the following three main open-ended questions: (1) *“How could environmental journalism promote environmental awareness in Kazakhstan?”*; (2) *“What are the possible constraints for Kazakhstani environmental journalists?”*; and (3) *“What measures and strategies could raise the level of environmental journalism in the Kazakhstan?”*.

The aim of this study is to highlight and critically discuss the constraints and barriers that environmental journalists in Kazakhstan face in promoting environmental awareness for the public, and how these constraints via theoretical and practical recommendations could be solved. Understanding the constraints and barriers based on secondary research works would enable on the one hand environmental journalists and local researchers to get a better and comprehensive grasp on the current on-ground problems that journalists face or could face in their professional work, while on the other hand allowing practitioners to pinpoint the major and minor reasons for the existence of a weak level of environmental journalism. Since this paper also provided numerous practical and theoretical recommendations that were based on previous empirical research findings and based on references to official government data, these recommendations would (1) support the government and NGOs with new innovative recommendations in improving the design of professional trainings and courses for increasing the competencies of environmental journalists; (2) inform the general public about current state of progress of environmental journalism.

How could environmental journalism promote environmental awareness in Kazakhstan?

The role of journalists all around the world is to be actively engaged in the process of journalistic activity by collecting, processing, disseminating and storing relevant information (Uedraogo, 2018). Here, environmental journalists play an important role in educating the people and the public about general or specific problems or aspects related to the environment (Uedraogo, 2018). Environmental journalists aim to catch people's attention via different traditional or modern media outlets in order to encourage people to critically think, become well-informed, digest and act (Uedraogo, 2018).

Kazakhstan, a country that has been and is still being plagued by numerous specific environmental problems ranging from air and water pollution to issues related to biodiversity and fauna endangerment. These issues have been researched in the context of Kazakhstan by numerous local and international scholars. While some have focused their research on specific issues related to the environment by studying aspects of air and water pollution (Nugumanova et al., 2017; Aiman et al., 2018; Alimbaev et al., 2020), others have focused on more specific sectors such as environmental education (Soltys & Orynassarova, 2013; Aigul & Gaukhar, 2020), environmental awareness issues (Kumar 2022; 2022a) or matters related to environmental information (Tynybekov et al., 2014; Yerezhpykyz et al., 2017). Here, environmental journalists can step in and help people to become more informed about the seriousness about each of these specific environmental problems in the country. Using the media, particularly the modern media outlets, environmental journalists make environmental information more available and understandable to the public. After all, not every common citizen may be interested to search for information about environmental problems, as some may just accidentally or by chance encounter about environmental problems while reading about it on traditional or social media outlets (Uedraogo, 2018). In some other cases, people simply think of environmental issues as a secondary and even tertiary priority, in contrast to economic and socio-political ones (Uedraogo, 2018). As a result, news aspects related to the environment are often ignored and by that psychologically viewed as not important and of possessing no importance for news readers (Karimova et al., 2018). In this regard, environmental journalists also must be able to transfer and interpret research findings on environmental aspects in Kazakhstan via modern media outlets in such a way which would (1) grasp the attention of people and the reader (if necessary, via 'sensationalism' techniques to gain more number of readers); (2) be able to inform both analytically-rich and objectively.

Communication of information to the public is a fundamental way to control, shape and alter on the one hand the public perception towards environmental matters, but also in terms of creating public support for public policies related to pro-environmental awareness initiatives (Rademakers, 2004). For instance, such public policies may be related to environmental awareness projects such as with the newly introduced and ongoing so-called *Zhasyl Kazakhstan* national program that has been implemented since October 2021 and that will last up until 2025 (Kumar, 2022a). Here, environmental journalists could and maybe even should be able to promote each specific program in such a way where journalists may use their journalistic abilities and qualities to make people more aware that such national program are being designed and implemented in the country. The latest survey conducted by the UNDP in 2020 on assessing how well aware people were about government-initiatives directed towards fighting against negative climate change impacts in the country, found out that 62% of total respondents were not aware regarding past and ongoing government policies that aimed to battle climate change problems in the country (Kumar, 2022a). Despite that, people considered air pollution to be one of the most detrimental problems that needed to be given more attention followed by water contamination issues (Kumar, 2022a). Therefore, such findings suggest us that people were to a certain degree aware of serious environmental problems and their existence, while this not being the case when it came down to policy-related initiatives. Other state projects that environmental journalists could also advocate in media outlets concerns also the promotion of the *New Environmental Code* that was introduced in April 2021, where local environmental journalists can raise awareness about specific legislative stipulations related to sections concerning (1) environmental culture, education and awareness-building; (2) public

environmental control; (3) public and state environmental review; (4) environmental information; (5) and environmental research (Kumar & Makhmudova, 2022). Educating and informing the society about these new legislative changes within the new environmental code would also help to create strong public support and may even inspire some young and motivated citizens to become active environmental activists. Environmental journalists in Kazakhstan can educate citizens, particularly the young generation, on ongoing pro-environmental policies and by that also raise the *public value* and *trust* towards these public policies and programs such as *Zhasyl Kazakhstan Program* and concerning the *New Environmental Code*. This is particularly relevant if we compare the official findings presented by the Ministry of Information and Social Development of the Republic of Kazakhstan as for the year 2022, who stated that 48.6% of the total population does not trust state-owned media with a staggering 9.6% not showing trust to private media and 34.3% not trusting internet sites (Official Information Source of the Prime Ministers of the Republic of Kazakhstan, 2022).

It should be noted that according to the study by Nurmukhanbetova (2022), who has surveyed student journalists in Kazakhstan about the effectiveness of the usage of social media in informing about environmental problems in Kazakhstan, it was found out that 56% of respondents were ready to express their readiness to join eco-activist activities via social networks, while the significant majority of students mentioned Instagram as the most popular social network among young people, particularly when it comes down to posting about environmental issues. Apart from that, students themselves who were currently studying their Bachelor's and Master's Degree in journalism have encountered difficulties with basic knowledge in biology, chemistry and physics (26%); unfamiliarity with scientific terms (15%); and insufficient knowledge of English, particularly in terms of reading and understanding academic papers (71%) (Nurmukhanbetova, 2022). This indicates the issue that every seven out of ten students studying journalism may not be able to use academic papers describing environmental issues in Kazakhstan for journalistic purposes, let alone in a professional manner by properly understanding, translating, retelling, paraphrasing information as well as expressing their opinion in a critical but constructive manner. Moreover, 88% of total respondents mentioned that a specific course designed to teach students about SDGs (Sustainable Development Goals) in their University would increase their professional skills for their future career as journalists in being able to properly inform the society concerning social as well as environmental problems (Nurmukhanbetova, 2022).

Last but not the least, it is also worth discussing the aspects on the way how environmental information is communicated to the public may also shape society's level of environmental concern, level of awareness for problems, and level of knowledge about particular environmental problems in the country. Thus, shaping their way of thinking and process of how people govern and are governed (Rademakers, 2004). According to Ackland (1995), existence of a strong, active and professional environmental journalism as well as the availability of an insightful and objective information gives way to a more democratic society and would also contribute positively to good and sound public policies. This is particularly the case with countries that possess weak and low environmental policymaking elements, where environmental journalism can have greater impacts (Holanda et al., 2022).

What are the possible constraints for Kazakhstani environmental journalists?

There are many problems, constraints and limitations that environmental journalists may face when searching, collecting, assessing, analyzing, and disseminating information. According to Williams (2017), one of such obstacles that they may face include financial constraints, where constraints could be related to financial costs associated with the production of environmental coverage or travel-related concerns for getting interview respondents in hard-to-reach locations. Such constraints may discourage even some local environmental journalists in Kazakhstan to even start thinking about being interested in becoming environmental reporters, let alone make a career out of it.

Moreover, environmental journalists may also face difficulties in terms of encountering lack of data on specific environmental issues. For instance, while on some environmental problems in Kazakhstan various research studies have been able to conduct research and collect primary data findings such as those concerning air and water pollution aspects (Nugumanova et al., 2017; Aiman et al., 2018; Alimbaev et al., 2020), problems related to lack of environmental information on studies or data on the role of non-governmental organizations in promoting, shaping and developing environmental awareness or environmental education matters are still existent as mentioned by the study on *Access to environmental information in legislation of the Republic of Kazakhstan* presented by Tynybekov et al. (2014) as well as by Uedraogo (2018) on *Basic concepts of environmental journalism* in Kazakhstan. Another issue related to access to environmental information for the public and environmental journalists concerns the issue that there some environmental information can only be acquired via a request to respective government bodies (Tynybekov et al., 2014). The author also noted that environmental information such as on assessment of impact on environment and state assessments of these impacts are not available for the public, even if they are requested by the public (Tynybekov et al., 2014). This particular problem concerning limited access to information has also been confirmed by the Ministry of Information and Social Development of the Republic of Kazakhstan, who mentioned that the society has provided strong interest to share feedback on this matter by stating that the “*lack of detailed and complete information in response to official requests from individuals and legal entities, as well as the media*” has forced government bodies to take this situation into serious consideration (Official Information Source of the Prime Minister of the Republic of Kazakhstan, 2022: par. 14).

Similar findings were presented by Uedraogo (2018), who highlighted the issue that environmental journalists face when trying to publish about sensitive environmental problems, particularly when the research conflicts with the interests or damages the reputation of big state or private companies operating in construction of roads, buildings or public parks. According to Uedraogo (2018), the state may implement formal as well as informal barriers for researchers not to have adequate or ‘no access’ to some environmental data, which of course undermine the works of journalists.

According to another study conducted by Kumar (2022), who critically analyzed via a content analysis the literature on studies related to environmental awareness issues in Kazakhstan since 1990’s, the scholar found out that there is lack of research works and data concerning specific environmental topics such as on studies related to the role of NGOs and social institutions in developing environmental awareness processes; environmental behavior patterns; role of environmental movements as well as mass and social media discourse. Hence, environmental journalists may find it difficult to report on such matters if no prior or sufficient research has been done on it. This particular problem related to barriers of access to environmental information must be presented by environmental journalists to the public in order to raise this matter for public discussion and reach by this the political elite, which would ensure that this particular environmental issues will be given special attention on the highest governmental level. According to Tynybekov et al. (2014) it is suggested for government bodies to (1) decrease financial barriers to access to ecological information; (2) and create a transparent system of access to specific environmental problems to the public. All this should on the one hand increase the rights of citizens and by that environmental journalists to receive access to specific and unique environmental information, while on the other hand ensuring via lifting of barriers that citizens become more incentivized to file more and more requests over time.

Besides that, it should also be taken note of the possible issue that there is a high chance that not all environmental journalists in Kazakhstan may be able to understand, speak, write or read English at an adequate and academic level, which would allow them to read, comprehend and properly translate scholarly works in English to Russian and Kazakh. For instance, even concerning the environmental aspects related to studies focusing on environmental awareness matters in Kazakhstan in the study conducted by Kumar (2022), out of a total of 82 research works found on google scholars 34% were

written in English. Apart from that, environmental journalists may also encounter personal problems when using social networks for environmental research purposes. These include the following: (1) lack of usage in fact checking information and data; (2) environmental journalists may steal or plagiarize opinions, information and data without giving credits to the original source; (3) may not possess the analytical skills to analyze research papers in a critical but constructive manner (Nurmukhanbetova, 2022). Similar studies also found similar issues related to plagiarism (Kurambayev, 2020) and lack of professional mentorship (Kurambayev & Issenov, 2022).

Another more personal constraint that environmental journalists may experience concern their level of expertise in the specific environmental fields that they want to report on. Often, there is the issue that journalists themselves lack training in the issues they are covering, since environmental issues can be considered as often being complex in terms of grasping the whole picture of the problem, and may require broad and even specific level of knowledge on topic-related terminologies, concepts and prior theoretical aspects (Pezzullo, 2018). The same was also mentioned by Uedraogo's (2018) and Karimova et al. (2018) works, who pointed out the importance of journalists to understand the essence of the environmental problem, so that the society is properly informed which would make them think, worry and act about environmental problems. For instance, according to Knight Center for Environmental Journalism in their 2008 study, found out that only 12% among environmental journalists had obtained degrees in scientific or environmental fields (Wyss, 2018).

Besides that, environmental journalists may also face the problem of how to retell environmental stories or specific problems in such a way that would fit in the '*news hole dilemma*' while being able to tell long and complicated environmental stories with more in-depth information and enough conciseness (Friedman, 2004). Here, the term '*news hole*' is explained as the amount of space that is available in TV, traditional newspapers, or news online relative to other news, which would also put constraints to journalists as they would need to compete to make their news appealing while fighting for the same space for more publicity and increased number of news readers (Friedman, 2004). Even if environmental journalists possess the necessary professional qualifications and work experiences alongside good intentions and environmental virtues, environmental journalists may not always be able to provide meaningful reports and provide effective coverage due to aforementioned financial constraints and problem of '*news hole*' (Boykoff, 2011).

Moreover, the '*news hole*' dilemma also creates another vicious cycle problem, where environmental journalists would aim to shrink information by leaving out some important and in-depth analysis in order to create more simplified, sensationalist and dramatized stories, which may often be exaggerated, subjective and not objective enough (Friedman 2004). Thus, on the one hand increasing the chances for publication and making an impact within the society by affecting public perception (Friedman, 2004), while on the other hand deprioritizing to promote knowledge for the sake of '*sensationalism*' (Holanda et al., 2022). As a result of this highly competitive nature of modern media outlets, many environmental journalists prefer to avoid pursuing this path and instead may switch to other popular digital outlets such as social networking sites such as Twitter or within their own or community blogs, particularly with the latter allowing them to tell stories more in-depth as well as with greater freedom to maneuver with subjective and objective approaches of delivering and communicating information (Pezzullo, 2018).

What measures and strategies could raise the level of environmental journalism in Kazakhstan?

First, according to the arguments presented by Allan (2002), news media outlets must focus their attention on reshaping their way of selecting news in terms of their importance by posing questions such as "*Is this what we need to know?*" instead of "*Will this entertain?*". In other words, he suggests for news media to focus less on presenting conflict-related or entertainment-related news, but instead provide more news that is useful and beneficial for the public to know and be informed about, which must also be

accompanied by deeper reporting and discussion techniques in order to engage readers to be actively engaged in reading and not just simply on headlines (Allan, 2002). Therefore, the way how information is presented by journalists is immensely important, which must be well-constructed, preferably analytically rich, and factual while also at the same time intriguing to read. It must capture the attention of people in such a way to make them read in-depth the information presented and motivate them intellectually to be interested in the topic. From my own point of view, the most difficult part of a journalistic approach is not just simply to attain professional skills for presenting information in an effective manner, but to influence the reader in such a way to them become interested in the topic.

Second, according to Maignan et al. (1970), it is mentioned that the practice of ‘environmental reporting’ (aka environmental journalism) should be viewed like a tool, with its content evolving as society’s environmental values change for the positive side in terms of their aggregate understanding of human-environmental interrelationships. With that said, it can be argued that the government should tackle the problem of raising the level of environmental journalism with a complex approach, which encompasses whole-government policies and programs dedicated towards tackling various problems at the same time. For instance, these may include raising the level of media literacy among the society; launch more environmental awareness campaigns for young people in urban as well as remote areas; introduce amendments in national laws that address issues related lack of access to environmental information for both journalists and the public society; or strengthen and extend the responsibilities as well as influential capacities of environmental journalists within traditional and social media outlets. Such complex pro-environmental measures encompassing legal, societal and political reforms would bring in incremental changes that must then constantly be follow-up policies that add additional value, significance and improvement to previous policies that were implemented.

Third, according to Williams (2020), both environmental journalists as well as the public society with its citizens must develop their competence on news media literacy in this modern era. Here, news media literacy can be defined as a more complex approach to being literate with the “*proliferation of constantly emerging and evolving technologies*”, where literacy is not anymore understood only as being based on the way how we process or articulate information, but also to “*make sense of the current world and generate global development*” via ICTs (Williams, 2020: par. 1). This is particularly crucial and relevant for journalists, as they must on the one hand possess the professional qualities studying, analyzing and reporting about environmental events or problems, while at the same time be able to differentiate facts from fake news, misinformation, subjective viewpoints, and opinions. This particular problem of low level of news literacy in Kazakhstan among citizens as well as environmental journalists has been mentioned by several scholars such as Akhmetova et al., (2013), Laila (2016), Barlybayeva (2019), Williams (2020), or Mussayeva et al. (2020). In addition, according to the scholar, there is another issue related to this, where the government considers news literacy in terms of ‘computer usage’ and not ‘actual skills’, with the former standing at a 99.8% in Kazakhstan (Williams, 2020). According to the findings of OECD (2014: 87-88), the reason for a low level of news literacy also were due to the fact that Kazakhstan’s educational system is still being heavily influenced by the Soviet teaching traditions that were majorly dependent on ‘*theory rather than practice*’ with an emphasis on ‘*memorizing texts and facts*’. Besides that, the so-called low PISA results among school students of the secondary school system in Kazakhstan, also showed that young people in the educational sphere are not taught to reflect and evaluate texts when reading, or may not possess higher-order thinking skills (OECD, 2014).

Teaching media literacy skills to citizens will *kill two birds with one stone*, which will ensure on the one hand that people will be able to differentiate between reliable and unreliable news (e.g. fake news) as well as spread of disinformation, while on the other hand such measures also create the opportunity for journalists to be viewed by the society as significant societal educators, influencer and catalyzers for positive social changes. It is important to separate the idea of ‘IT skills’ from skills related to people’s ability to “*receive, process, use and transmit information*” (Melkote & Steeves, 2001: 263).

This has been stressed out also by the Minister of Information and Social Development Darkhan Kydyrali as of October 2022, who stated that the law on mass media will be amended that would as a result raise the status of journalists in the country by lifting restrictions concerning the access to information and providing journalists more responsibilities, informational resources alongside more accountability (Official Information Source of the Prime Minister of the Republic of Kazakhstan, 2022). It should be mentioned that for the period 2020-2021, special attention was given to train 4000 media specialists who were representing medical, religious, IT, and environmental fields (Official Information Source of the Prime Minister of the Republic of Kazakhstan, 2022). Besides, the government also plans to create media literacy educational schools for professional development purposes in the near future (Temirgaliyeva, 2022).

Raising the level of environmental literacy is also one of the other crucial measures that must be undertaken. For instance, in March 2021, more than fifty media professionals went through a five-day course to improve their level of both environmental literacy, by focusing on lecture topics covering environmental problems in the media, environmental education matters, waste disposal issues and concerning environmental protection aspects (Al-Farabi Kazakh National University, 2021). This five-day course was organized and financed by the Ministry of Information and Social Development alongside the Ministry of Ecology, Geology and Natural Resources as well as in cooperation with the Al-Farabi Kazakh National University (Al-Farabi Kazakh National University, 2021). Other training courses also included those conducted in 2012 by the OSCE in Karaganda city, where 25 journalists from three cities (e.g. Karaganda, Temirtau and Zhezkazgan) were taught about specific environmental aspects, particularly in terms of gaining knowledge on how to achieve effective environmental reporting, effective investigative journalism, and bolstering the journalist's legal environmental knowledge (OSCE, 2012). Other similar projects included those organized by OSCE in Atyrau city during May 2011 (Nurmaganbetova, 2011), and the creation of a website called MediaNet.kz, which was established by the NGO MediaNet International Centre for Journalism in 2004 (MediaNet, n.d.). The website's main objective was to provide regular journalism courses since it has been launched, with courses focusing on various types of journalistic activities (e.g. environmental journalism, investigative journalism, TV journalism, journalism ethics, financial journalism, blogging, gender problems in media, photo journalism, and principles of ethics in mass media) (MediaNet, n.d.). All these efforts to raise media literacy among citizens of the country also would then raise in tandem the level of awareness for environmental problems. According to Karimova et al. (2018), promotion of public awareness about environmental problems via media literacy would eventually help to improve environmental conditions and prevent emergence of more serious environmental problems as a result of stronger involvements of public movement with the problem and the environmental organizations supporting via projects.

It is also worth pointing out the fact that since information nowadays is available anywhere and anytime, Leu et al. (2013: 1161) noted that those who possess "the political, economic, religious or ideological stances" can influence the way how people present information to others. In other words, celebrities, influential public figures, social media influencers or prominent politicians would be able to promote awareness for specific environmental problems. Thus, not only environmental journalists may play a crucial role, but also non-experts with no professional experience as a journalist.

Last but not the least, it is suggested to continuously keep supporting environmental journalists on a legal level, particularly in terms of upholding the principles of the 'Aarhus Convention of the United Nations Economic Commission for Europe on Access to Information, Public Participation in Decision Making and Access to Justice' by bolstering rights on freedom of access (provision of information upon request) and active publication of information to the public via the web about state of environment (Karimova et al., 2018). According to the survey conducted by the scholar on 200 University respondents from Shakarim State University in Semey, 65% of young students in Kazakhstan believe that media highly influences the public concerning environmental problems, and 75% of respondents are interested

to be informed about state of the environment. Besides that, the survey also presented that the majority of respondents were interested in acquiring environmental information from the Internet (73%) with the rest focusing on TV (14%) and printing resources (2%) (Karimova et al., 2018). Such findings show that indeed the public considers the media, particularly the social media, as a crucial tool to inform by environmental journalists as well as a source to be informed about the state of environment in the country. Thus, strengthening the legal provisions and extending the responsibilities of environmental journalists via the Aarhus Convention would greatly benefit the public in raising their level of awareness for environmental issues.

Conclusion

In conclusion, it can be argued that environmental journalism is yet a new research stream in Kazakhstan that just within the last decade gained some level of academic trend. This paper highlighted first the importance of developing and strengthening environmental journalism for the society, the government and NGOs as it highlighted its role not only in terms of collecting, processing and disseminating environmental information, but also in educating the public and influencing them to generate positive societal changes and influence people's pro-environmental views and understanding. Using the traditional and social media outlets, Kazakhstani environmental journalists would be able to reshape environmental awareness levels within the society about various environmental issues, including aspects of air and water pollution, fauna endangerment, environmental education processes or legal aspects revolving around access to environmental information. Moreover, they could also inform the public about specific ongoing pro-environmental national programs such as the *Zhasyl Kazakhstan Program* as well as concerning the *New Environmental Code*. As a result, generating public support for such nation-wide pro-environmental programs and promoting their establishment.

Concerning the paper's second discussion topic, the authors have highlighted the possible constraints for Kazakhstani environmental journalists. Barriers such as the financial constraints with the production of environmental coverage or costs related to collecting data in hard-to-reach locations compromise the journalistic work immensely. Apart from that, the study also presents the argument that there is the constant national problem of lack of environmental data or studies for journalists as highlighted by both scholars Tynybekov et al. (2014) and Uedraogo (2018). This problem of lack of data is particularly present in terms of aspects related to assessment of state policy impact on environment. Moreover, the existing barrier of limited access to environmental information that were put by the government also complicates and creates difficult conditions for environmental journalists to work effectively in the country. As a result, local journalists would publish or present work of low quality. Another constraint that environmental journalists also faced and still face to date concerned their personal competencies in understanding and having sufficient knowledge to report and cover about specific environmental problems that often deal with complex concepts and terminologies. This can also be linked to the problem of journalists possessing low news media literacy and not having undergone any specific training program to raise their level of environmental knowledge. And lastly, the constraint related to the so-called existence of 'news hole dilemma', which is defined as the amount the amount of space that is available in TV, traditional newspapers, or news online relative to other news, which would also put constraints to journalists as they would need to compete to make their news appealing while fighting for the same space for more publicity and increased number of news readers (Friedman, 2004), would undermine their effective coverage on a given topic, limit their usage of analytical capabilities and deprioritizing knowledge transfer. Thus, environmental journalists may aim to simplify, dramatize and often exaggerate about the problem instead of objectively informing the public about it.

In terms of measures or strategies that could raise the level of environmental journalism in their effectiveness to improve public's environmental awareness level in Kazakhstan in Kazakhstan, the following can be concluded. Firstly, it is recommended for news media outlets to refocus their selection

of news based on more ‘useful and beneficial’ information instead of presenting news related to conflicts or entertainment business. This way, we can reshape the public’s views and attention away from unnecessary content. Secondly, in order to raise the level of environmental awareness via environmental journalism, it is recommended to approach it from a whole-government scale by raising public’s media literacy level; deregulate legal issues of inaccessibility to information; and launch more projects and programs of environmental awareness campaigns in hard-to-reach areas. Thirdly, environmental journalists must receive and be equipped with necessary news media literacy competences to gain more professional journalistic skills, that would enable them to create high-quality reports and better influence and inspire positively the society as catalyzers for social change. Fourth, environmental journalists would greatly benefit from environmental literacy campaigns and courses. Similar programs such as those carried out by the Ministry of Ecology, Geology and Natural Resources, CANEJ, OSCE or the NGO MediaNet International Centre for Journalism must be launched on a nation-wide scale. Fifth, the paper also pointed out the importance to involve celebrities, prominent politicians, social media influencers, or prominent public figures in promoting awareness for environmental problems, as their influence might even sometimes be higher than those of professionals due to their large outreach to public audiences. And lastly, legal reforms, particularly those outlined according to Aarhus Convention, should aim to deregulate restrictive legal measures and assign more legal responsibilities to journalists.

Future Research Suggestions & Limitations

In terms of future research suggestions, it is recommended for scholars to focus within the topic of environmental journalism in the context of Kazakhstan on assessing the effectiveness of state as well as NGO-based campaign or policy measures in raising the level of environmental awareness in Kazakhstan via environmental journalism projects. While Karimova et al. (2018) was the only local scholar who provided some specific examples with the so-called Central Asian Network of Environmental Journalists (CANEJ) by assessing its scope of activity and level of effectiveness in terms of provision of support for environmental journalists, no other paper has tried it with other similar projects, environmental policies or campaigns.

Moreover, only a handful of studies have studied so far the views of the public concerning the level of support and awareness for environmental journalistic activities in raising environmental awareness aspects, which included works such as those done by Karimova et al. (2018) or Nurmukhanbetova (2022). Here, a specific focus could be analyzing the effectiveness of social media outlets in raising the level of environmental awareness, whereby scholars could collect concerning which specific environmental problems were being covered in abundance while others in deficit.

In regards to this paper’s research limitation, one of the limitations concerns the paper’s lack of inclusion of work’s written in Russian and Kazakh languages. Hence, this paper might have left out some useful research works. The second major limitation concerns the issue that this paper mainly focuses its analytical discussion based only on secondary data. Thus, no primary data has been produced or collected with this study.

Acknowledgements

This research was supported by a Marie Curie Research and Innovation Staff Exchange scheme within the H2020 Program (Grant Acronym: NEW MARKETS – Project Number: 824027 - An Exploration into the changing nature of business environments, informal barriers and emerging markets in the post-Soviet region).

References

- Ackland, L. (1995). A phantom audience for environmental journalism. In *Contents of the 1995 Conference on Communication and our Environment Proceedings*, 248-255.

- Aigul, P., & Gaukhar, B. (2020). The Development Process of the Ecological Education in Independent Kazakhstan. *Journal of Intellectual Disability-Diagnosis and Treatment*, 8(3), 573-579.
- Aiman, N., Gulnaz, S., & Alena, M. (2018). The characteristics of pollution in the big industrial cities of Kazakhstan by the example of Almaty. *Journal of Environmental Health Science and Engineering*, 16(1), 81-88.
- Akhmetova, L., Verevkin, A., & Lifanova, T. (2013). Media Education in the Context of Development of Kazakhstan Journalism. *World Applied Sciences Journal*, 25(11), 1624-1629.
- Al-Farabi Kazakh National University (2021). Ecological Journalism within the goals of sustainable development. KAZNU, 24 March 2021. URL: <https://www.kaznu.kz/en/18932/news/one/24119/> (Accessed: 08 November 2022).
- Alimbaev, T., Mazhitova, Z., Omarova, B., Kamzayev, B., & Atanakova, K. (2020). Ecological problems of modern central Kazakhstan: challenges and possible solutions. In *E3S Web of Conferences* (Vol. 157, p. 03018). EDP Sciences.
- Allan, S. (2002). Media, risk, and science. Buckingham: Open University Press.
- Barlybayeva, S. (2019, October). Trends, formats of journalism and media education in Kazakhstan. In *Proceedings of the XI International Scientific Conference Communicative Strategies of the Information Society* (pp. 1-6).
- Boykoff, M. T. (2011). *Who speaks for the climate?: Making sense of media reporting on climate change*. Cambridge University Press.
- Dudinova, E. & Talgat, S. (2020). Environmental Discourse in the social networks of Kazakhstan: The construction of an imperative. KAZNU, *Journal of Journalism*, 56(2), 56-65.
- Freedman, E. (2009). Environmental journalism and ecological nongovernmental organizations in Kyrgyzstan and Kazakhstan. Too rarely shall the twain meet. In *Proceedings of the Annual Conference of the Central Eurasian Studies Society, Toronto, Ontario, Canada*.
- Freedman, E. (2011). Environmental journalism in Kyrgyzstan and Kazakhstan: Reporting scarce amid environmental and media problems. *Applied environmental education & communication*, 10(2), 126-134.
- Friedman, S. (2004). And the beat goes on: The third decade of environmental journalism. *The environmental communication yearbook*, 1, 175-1187.
- Frome, M. (1998). *Green ink: An introduction to environmental journalism*. Salt Lake City: University of Utah Press.
- Hendin, D. (1970). Environmental reporting... the shrill voices sometimes get more credence than they deserve. *The Quill*, 15-17.
- Holanda, J. S. P. D., Kääpä, P., & Costa, L. M. (2022). Environmental journalism: characteristics and interfaces in a developing field. *Intercom: Revista Brasileira de Ciências da Comunicação*, 45.
- Karimova, B. Z., Alimbekova, S. K., & Mukhatova, A. D. (2018). Ecological problems in mass media in Kazakhstan. *Journal of Pharmaceutical Sciences and Research*, 10(6), 1422-1427.
- Kumar, Y. & Makhmudova, G. (2022). Analysis of Kazakhstan's New Environmental Code: Focus on environmental awareness aspects. The 19th KIMEP International Research Conference, 440-457. URL: <https://www.kimep.kz/about/files/2018/02/KIRC-2022-Proceedings-final-1.pdf>
- Kumar, Y. A. (2022). Environmental awareness study in Kazakhstan: a critical literature review. KAZNU, *Journal of Psychology and Sociology*, 80(1), 112-127.
- Kumar, Y. A. (2022a). Analysis of new state documents on environmental awareness aspects in Kazakhstan. KAZNU. *Journal of Ecology*, 72(3), 4-21.
- Kurambayev, B. (2020). The causes and consequences of plagiarism by journalists in Central Asia. *Asian Studies Review*, 44(4), 691-708.
- Kurambayev, B., & Issenov, S. (2022). Aspiring journalists share practical obstacles in journalism professionalism. *Journalism Practice*, 16(7), 1327-1343.

- Kurmanbaeva, A. A. (2018). Features of environmental journalism in Kazakhstan. *KAZNU, Journal of Journalism*, 45(3), 76-80.
- Laila, A. (2016). Media Education in Kazakhstan: Work Experience. *Universal Journal of Educational Research*, 4(8), 1753-1756.
- Lobodenko, L., Perevozova, O., Anna, C., & Kharitonova, O. (2022, April). Analysis of the Environmental Media Impact on the Youth Audience. In *2022 Communication Strategies in Digital Society Seminar (ComSDS)* (pp. 3-12). IEEE.
- Maignan, M. F., Kuksenko, V., Shilov, A., Kiselev, V., & Seversky, I. (1970). Concept and implementation for a regional environmental reporting: Aral Sea coastal region (Kazakhstan). *WIT Transactions on Ecology and the Environment*, 29.
- MediaNet (n.d.) Medianet International Centre for Journalism. Medianet.kz, URL: <https://medianet.kz/about-us/?lang=en> (Accessed: 08 November 2022).
- Mussayeva, B., Shyngyssova, N., & Mukhametkaliyeva, S. (2020). MEDIA LITERACY IN KAZAKHSTAN: DEVELOPMENT AND PROSPECTS. *InterConf*.
- Nugumanova, L., Frey, M., Yemelina, N., & Yugay, S. (2017). *Environmental problems and policies in Kazakhstan: Air pollution, waste and water* (No. 366). IOS Working Papers.
- Nurmaganbetova, Zh. (2011) Training seminar on environmental journalism to bring Kazakh journalists together in Atyrau. Kazinform, 20 May 2011. URL: https://www.inform.kz/en/training-seminar-on-environmental-journalism-to-bring-kazakh-journalists-together-in-atyrau_a2381503 (Accessed: 08 November 2022).
- Nurmukhanbetova, G. A. (2022). The use of social media in environmental education: challenges and opportunities. *International Journal of Information and Communication Technologies*, Almaty, Kazakhstan.
- Official Information Source of the Prime Minister of the Republic of Kazakhstan (2022). In Kazakhstan, 92.43% of population covered by digital terrestrial television and radio broadcasting – Umarov. PrimeMinister.kz, 28 June 2022. URL: <https://primeminister.kz/en/news/kazakhstan-halkynyn-9243-y-cifryk-efirlik-teleradio-habarlaryn-taratumen-kamtylgan-a-omarov-2852315> (Accessed: 03 November 2022).
- OSCE (2012). OSCE Centre trains environmental journalists in Kazakhstan. OSCE Organization, 21 September 2012. URL: <https://www.osce.org/astana/93933> (Accessed: 08 November 2022).
- Pleasant, A., Good J., Shanahan J., & Cohen, B. (2002). The literature of environmental communication. *Public Understanding of Science*, 11(2), 197-205.
- Rademakers, L. (2004). Examining the handbooks on environmental journalism: A qualitative document analysis and response to the literature.
- Ronald, A. (2003). *Reader of the purple sage: Essays on western writers and environmental literature*. Reno: University of Nevada Press
- Soltys, D., & Orynassarova, D. (2013). Delivering environmental education in Kazakhstan through civic action: second-wave values and governmental responses. *Environmental Values*, 22(1), 101-122.
- Temirgaliyeva, A. (2022). Kazakhstan to promote media literacy, law on mass media to be amended – Minister. Inform.kz, 26 October 2022. URL: https://www.inform.kz/en/kazakhstan-to-promote-media-literacy-law-on-mass-media-to-be-amended-minister_a3994535 (Accessed: 03 November 2022).
- Tynybekov, S., Yerezhepkyzy, R., Berdibayeva, A. K., Esekeeva, A. A., Mynbatyrova, N. K., & Akopova, E. (2014). Access to environmental information in legislation of the republic of Kazakhstan. *Life Science Journal*, 11(SPEC. ISSUE 5), 231-238.
- Uedraogo, A. (2018). Basic concepts of environmental journalism. *KAZNU, Journal of Journalism*, 42(4), 230-234.

- Valenti, J.M (1998). Ethical decision making in environmental communication. *Journal of Mass Media Ethics*, 13(4), 219-231.
 - Williams, K. M. (2020). Point, Read, Think, Click: Expanding New Literacies in Kazakhstan and Mongolia. *International Journal of Education and Development using Information and Communication Technology*, 16(3), 16-34.
 - Willis, J. & Okunade, A.A. (1997). Reporting on risks: The practice and ethics of health and safety communication. Westport, Connecticut: Praeger.
 - Wyss, B. (2018). *Covering the environment: How journalists work the green beat*. Routledge.
 - Yerezhepkyzy, R., Tynybekov, S., Abikenov, A., & Aldashev, S. (2017). Access of the Public to Environmental Information in the Republic of Kazakhstan. *J. Advanced Res. L. & Econ.*, 8, 2267.
 - Yesdauletova, A., & Yesdauletov, A. (2015). Newspaper Coverage of Water and Other Ecological Issues in Kazakhstan During Perestroika and Today. *Environmental Crises in Central Asia: From Steppes to Seas, From Deserts to Glaciers*, 90.
 - Zhurtbay, N. & Zhumabaeva, A. (2018). Solution of environmental problems through the media: case of Kazakhstan. *KAZNU, Journal of Journalism*, 39(1), 79-82.
- Zhurtbay, N. T. (2014). Media on en

“Reassessing Legislation on Domestic Violence: The Perils of Protecting the Family Unit at the Expense of the Individual”

Shakhmaran Zholdaskali

KIMEP University
4 Abay avenue, Almaty, Kazakhstan
shakhmaran.zholdaskali@kimep.kz

ABSTRACT

Domestic violence is a serious legal and social issue that continues to plague many individuals and families around the world. Despite the growing awareness and legislative efforts to combat this type of violence, it remains a pervasive problem with devastating consequences. Domestic violence can have severe psychological consequences on its victims, including depression, anxiety, substance abuse and post-traumatic stress disorder. These effects can last long after the abuse has ended and can impact a person's ability to function in their daily life. The effects of domestic violence don't just stop there, it compromises the future of children and deteriorates finances and the economy of a given country.

One of the primary issues with current domestic violence laws, that this paper will center on, is the focus of keeping the family unit intact. While this may seem as a noble goal, it often overlooks the needs and interests of individual victims. Consequentially, in an effort to preserve the family as a unit, such laws may be too lenient and even overlook certain types of abuse such as emotional or verbal abuse. This fosters a sense of impunity among abusers, who believe they can get away with their actions without suffering any real consequences. Victims may also believe that their experiences are not being taken seriously or that they have no recourse for justice, and therefore refuse to even contact law enforcement.

KEYWORDS:

Domestic violence – situation in which someone you live with attacks you and tries to hurt you.

Intimate partner – spouses, former spouses, persons who share a child, persons presently or previously residing together who have or have had a dating relationship.

Impunity – freedom from punishment or from the unpleasant results of something that has been done.

Reconciliation – a situation in which two people or groups of people become friendly again after they have argued.

INTRODUCTION

The Seriousness of the Domestic Violence Problem in Kazakhstan:

In 2021, there were 157,884 reported offenses, with domestic violence accounting for 61,464 of them (39%). They are, however, solely reported cases. The true figure may be significantly greater, with most

victims afraid and reluctant to report their abusive partners, due to the ongoing trend of injustice when it comes to how domestic violence cases have been treated by the law.

Data from the Committee on Legal Statistics of the General Prosecutor's Office indicates that Kazakh courts reviewed 24,149 cases under Article 73 of the Code on Administrative Offenses in 2019, which penalizes "abusive language, offensive harassment, humiliation, damage to domestic items and other actions expressing disrespect to the persons being in family relations with an offender, violating their calm, committed in an individual residential house". This offence entails a maximum penalty of only five days of arrest. In case the offender commits the offense again within six months, the penalty is increased up to mere 10 days.

The Effects of Domestic Violence:

Research indicates that women who are subjected to partner violence experience psychological effects such as increased levels of depression, anxiety, and phobias, unlike those who have not experienced abuse. Additionally, there are higher rates of emotional distress, as well as thoughts or attempts of suicide among women who have experienced physical or sexual violence.

Intimate partner violence has also been linked to alcohol and substance abuse, eating disorders, sleep disorders, poor self-esteem, post-traumatic stress disorder, smoking, self-harm, unsafe sex practices and greater vulnerability to injuries. (Plichta SB et al., 1996)

In Golding's research that analyzed 11 studies on domestic violence victims, he discovered that 63.8% of women experienced posttraumatic stress disorder. Through meta-analysis, he also determined that 18.5% of abused women experienced alcohol abuse and 8.9% of them suffered from drug abuse. (Golding et al., 1999)

Domestic and intimate violence and abuse have an impact not only on adults but also on children in the family. According to Osofsky, studies have shown that in 60-75% of families where a woman is a victim of domestic violence, children are also abused. Her research found that in households where domestic violence occurs, children experience physical abuse and neglect at a rate 15 times higher than the national average. Some authors have identified adverse effects on the physical, cognitive, emotional, and social development of children exposed to violence.

Previous studies have linked child exposure to violence with emotional and behavioral disorders, even in the earliest stages of development. Such children have excessive irritability, immature behavior patterns, sleep disturbances, emotional distress, fear of being alone and may regress in their language and toileting development. Exposure to violence in the family hinders a child's normal development of trust and exploration behavior which leads to autonomy. (Osofsky 1999)

Studies under control conditions have shown that there are cognitive and emotional responses such as a higher level of internalizing symptoms (anxiety, social withdrawal, depression), reduced interest and social activities, preoccupation with physical aggression, withdrawal, and suicidal thoughts. Moreover, behavioral disorders such as aggressiveness, hyperactivity, conduct problems, along with reduced social competence, school issues like truancy and bullying may also arise. Excessive screaming, clinging behaviors, speech disorders are also some behavioral changes observed. Physical symptoms such as headache, bedwetting, disturbed sleeping patterns, vomiting, failure to thrive and diarrhea have also been identified. (Cambell et al., 1997)

Children who experience or witness domestic violence in their home are more likely to engage in violent acts themselves as adults, threatening overall public safety. (Moylan et al., 2010) This phenomenon was called as "intergenerational transmission of violence". (Murrell et al., 2007) The theory of social learning

proposes that a child not only acquires the knowledge on how to carry out violent actions, but also develops positive attitudes towards violence when he/she sees it being rewarded. Clearly the effects of domestic violence are overbearing, the issue should be addressed and treated properly.

The Intention of the Law is to Preserve the Family:

An effective law against domestic violence must be based on certain guiding principles that prioritize victim safety and protection of the victims while also emphasizing prevention strategies and accountability mechanisms for the perpetrators of abuse.

Unfortunately, in reality, of modern Kazakhstan, those laws are increasingly focused on preservation of family over the individual victims. The cost of preserving the family above all else is too high, as it means sacrificing the safety and wellbeing of individuals within that unit and leaving those impacted by abuse with little to no legal recourse or protection.

In recent years, the prevalence of domestic violence has been brought to the forefront of public discourse. As a measure for this issue, The Law of the Republic of Kazakhstan dated 04.12.2009 No. 214-IV titled "Concerning Prevention of Domestic Violence" has been created, which is an important step towards preventing and addressing domestic violence in the country. On paper, the law seems adequate, however in practice it has not been effective in preventing domestic violence in Kazakhstan.

There is an obvious problem with the intention and design of the law, Article 3(4) of the law clearly states that "support and saving of the family" is a principle that the legislation was based on. The problem with this principle is that it purposefully keeps the victim in a dangerous situation. As unless the abuser is ready themselves to make a change in their behavior, the violence most likely will not stop.

Domestic violence laws that focus on saving families rather than individual victims can lead to an overall disempowerment of individuals in abusive situations. If victims feel like their options are limited by law and that their individual needs are not being considered, this could lead them to feel overwhelmed and helpless. Furthermore, if perpetrators feel like they won't be punished for their actions due to these laws prioritizing the preservation of the family, this could give them an increased sense of power over their victims. Ultimately, this could lead to a situation where individuals are more vulnerable to further abuse and less likely to seek help or report it when it does occur. (Chesney-Lind & Shelden, 2004)

In 2021, Alexei Milyuk, deputy chairman of the administrative police committee of the Ministry of Internal Affairs, said that 60% of all initiated administrative proceedings related to domestic violence were terminated due to the reconciliation of the parties, this cannot be deemed as a good indication, as the offender did not receive any sort of a punishment and got to walk away free.

To better protect victims and ensure they receive justice, it is important that laws prioritize the safety and wellbeing of individuals rather than the preservation of family units. Laws should provide access to justice for all types of victims regardless of gender or socio-economic status so that everyone is able to receive help if they need it.

1. Lenient punishment (decriminalize offences; harm caused must be moderate)

The prioritization of preserving family over serving justice and protecting the individual can sadly be seen in the lenient punishments received by domestic abusers in Kazakhstan, where most domestic violence cases are classified as administrative rather than criminal offenses.

The most common domestic violence offences in Kazakhstan were penalized under two sections of the Kazakhstan Criminal Code until 2017: 108 (deliberate infliction minor bodily harm) and 109 (beatings). They provided for penalties such as arrest, fines, correctional or community service.

From 2017 beatings and intentional infliction of minor bodily harm were decriminalized. Reasoning behind decriminalization was the fact that the authorities believed that if the abuser was prosecuted for a criminal offense, reconciliation between the parties would become impossible, in other words the reason for decriminalization was to keep families together.

Between 2015 and 2021, 97.3% of all offenses related to domestic violence fell under administrative liability, which provides for substantially lighter penalties, and only 2.7% of offenses fell under criminal liability.

Under the current legislation, common offences related to domestic violence can be found in the Code of the Republic of Kazakhstan On Administrative Offenses and are charged under:

- Article 73-1 for minor harm to health (up to 15 days of arrest) and;
- Article 73-2 for beatings (up to 10 days of arrest).

According to Article 73-2 of the Code, beating or committing other acts of violence that caused physical pain, but did not result in minor bodily harm, entails a fine in amount of ten monthly calculation indices or an administrative arrest for up to ten days. However, since 2019, fines for domestic abuse have been replaced by a written warning. Hence, if those beatings took place in a domestic setting, it would only entail a warning or an administrative arrest for a term of up to ten days. If the offence is committed again within a year of the first offence, the punishment would be an administrative arrest for up to fifteen days.

Meaning that domestic abusers receive a more lenient punishment in a form of a “warning” for their actions compared to a fine received by perpetrators who did the same thing but were not personally connected to their victim.

This regrettably contributes to the sense of impunity offenders get which allows them to continue with their illegal actions. Impunity breeds permissiveness, which leads to more crimes committed in the future. Illustrating the inefficacy of domestic violence laws in Kazakhstan.

In order for domestic violence to be considered a criminal offense, the harm caused to the health must be at least moderate. This is determined by the duration of the illness, which should exceed 21 days. Therefore, if the victim is in the hospital for less than 21 days (a common situation - for example, a battered wife has no one to leave children with), then these injuries are considered as a minor harm to health even if the victim suffered a broken limb, jaw or concussion, the culprit will only receive a warning as per Article 73-2.

This is preposterous. First and foremost, a law against domestic violence should be centered on the safety of victims, protecting them from harm and ensure that they are able to access the necessary resources to help them escape violence and rebuild their lives. The law should strive for greater accountability by creating mechanisms to ensure that perpetrators are held responsible for their actions.

2. Inadequate preventative measures

The law establishes legal mechanisms for preventing and addressing domestic violence.

Article 19 established one of the preventative mechanisms - preventative conversation, which is held in the offices of the subjects of prevention of domestic violence, as well as at the place of residence, study, work, or directly at the place where domestic violence was committed and cannot last more than one hour, where the offender is warned about the need to stop illegal actions.

Article 20 established a protective order that resembles a written agreement of the offender to stop causing violence, stalking and contacting the victim. The agreement will be active for a period of only thirty days, with the offender being placed on a preventative account. Breaking the agreement will be an administrative offence, per Article 461 of the Code of the Republic of Kazakhstan on administrative offenses, breaching the protective order will result in either another warning or an arrest for 5 days.

It merely is a symbolic gesture, consisting of a document signed by the abuser, acknowledging the preventative conversation, but nothing more, a mere slap on the hand. Whereas it is an international practice to imprison abusers who break a similar protective order for up to five years.

The dangerous effects of protecting the family as a unit can be illustrated by provisions such as allowing an abuser to remain with their victim if they have no alternative housing after eviction, as per Article 22(3).

Other measures include prohibition of alcohol and drug usage. The ineffectiveness of these measures clearly demonstrates that these were not constructed to protect the victim, rather the family.

3. Not deemed as a stand-alone crime

Domestic violence is not a stand-alone criminal offence in Kazakhstan, as it is in many developed countries. Considering the effects and implications domestic violence has on the economy, as well as the victims, it should be treated and punished differently.

The Criminal Code already contains clauses for beatings, rape and etc. of minors and women, confirming that the perpetrators can be made liable for domestic violence. Such clauses, however, are overly broad and do not fully encompass all elements of domestic abuse. Hugh Williamson, director of the Europe & Central Asia for the Human Rights Watch informed the Kazakh authorities: international standards recommend that the States establish a separate criminal liability for domestic violence as an independent crime. Making domestic violence a distinct and a separate article of the Criminal Code can thereby improve the response to such crimes and provide specialized training for police, prosecutors, and courts on how to properly investigate such cases while protecting the victims.

Problems with the legislation

Additionally, it is an international practice that the prosecutor has the authority to take a domestic violence cases to the court and plead for the harshest punishment, even if the supposed victim declines to press charges or refuses to assist with the investigation and simply refuses to communicate with the police officers. (Allan F. Friedman). Cases are processed by the facts alleged in the police reports and the evidence of abuse. In Kazakhstan, however, the cases are pulled off the table as soon as the victim drops their charges, even if the fact of domestic abuse is undisputable and the victim is possibly coerced and pressured into dropping the charges.

In western countries, the restitution that the domestic abuser should pay is given to the victim, not the government. Such losses include medical or psychological care expenses, physical therapy, temporary housing, transportation, expenses related to childcare, lost income, attorney's fees, the cost of obtaining a civil protection order, and any other losses that the victim may suffer as a result of the offense. (US Attorney's office).

The law "Concerning Prevention of Domestic Violence" fails to provide any clear guidelines on how to identify domestic abuse. As a result, this lack of clarity renders identifying and prosecuting perpetrators of domestic abuse difficult for victims and those seeking to assist them. Unlike domestic violence legislation in other countries, our law does not include "intimate partner" into their definition of a domestic case.

In addition to this lack of clarity in definitions and prevention measures, there is also an absence of resources allocated towards victim protection such as shelters and counseling services. These resources are essential for providing safety and support for victims who are fleeing from their abusers and are key components in any comprehensive program against domestic violence. Without access to these resources then victims have no way of escaping their abusers or receiving help which further exacerbates their vulnerability in these situations.

The law should include training courses for the law enforcement, judges and social workers on how to treat this delicate issue. As, regrettably, the victims are encouraged to "turn a blind eye" to acts of domestic violence, in an effort to preserve the family. The sacrifice of self in favor of the family that is broken, cannot be deemed as a fair trade.

Leaving an abusive relationship is hard as it is

Leaving an abusive relationship is the most dangerous time for a victim of domestic violence.

U.S Department of Justice, published findings from the National Violence Against Women Survey, where it was shown through interviewing men who have killed their wives that either threats of separation or actual separation were most often the precipitating events that lead to the murder. Clearly, leaving an abusive household is dangerous and hard as it is for the victim, and the fact that one of the principles of the law is to prevent their family from separating doesn't make this any easier for the victims.

In cases where there is evidence of ongoing abuse or danger to the victim, preserving a family as a unit can often mean minimizing or even ignoring certain abuses that would otherwise be addressed in court. Furthermore, if courts prioritize keeping families together over providing justice or protection for victims, abusers may be able to get away with violent behavior and receive fewer consequences. This lack of legal accountability could make it easier for abusers to continue with their violent behavior and put victims at greater risk.

It should be made easier for victims of domestic violence to make the right choice and seek action in an effort to live a better life and be a contributing member of the greater society.

CONCLUSION

A law on domestic abuse should work to prevent further abuse by holding perpetrators accountable for their actions and encouraging intervention from those around them who may be aware of the abuse. Neglecting the rights of individuals in the name of domestic stability is not a way to tackle domestic violence.

REFERENCES

- Plichta SB, Violence, health and use of health services. Falik MM, Collins KS, eds. Women's health: health and care seeking behaviour. Baltimore: Johns Hopkins University Press; 1996. pp 237-270.
- Golding JM. Intimate partner violence as a risk factor for mental disorders: a meta analysis. J Fam Violence 1999;14:99-132.
- Osofsky JD. The impact of violence on children. The future of children. Domest Viol Child 1999;9:33-49.
- Cambell JC, Lewandowski LA. Mental health effects of intimate partner violence on women and children. Anger Aggression Violence 1997;20:353-74.
- Moylan CA, Herrenkohl TI, Sousa C, Tajima EA, Herrenkohl RC, Russo MJ. The Effects of Child Abuse and Exposure to Domestic Violence on Adolescent Internalizing and Externalizing Behavior Problems. J Fam Violence. 2010 Jan;25(1):53-63. doi: 10.1007/s10896-009-9269-9. PMID: 20495613; PMCID: PMC2872483. (Prevalence and Effects of Child Exposure to Domestic Violence John W. Fantuzzo, Wanda K. Mohr)
- Murrell AR, Christoff KA, Henning KR. Characteristics of domestic offenders: associations with childhood exposure to violence. J Fam Violence 2007;22:523-32.
- Girls, Delinquency, and Juvenile Justice Meda Chesney-Lind; Randall G. Shelden

Web sites:

(Allan F. Friedman) <https://www.allanfriedmanlaw.com/can-victims-of-domestic-violence-drop-the-charges.html>, accessed 20 April 2023

(US Attorney's office) <https://www.justice.gov/usao-ndga/victim-witness-assistance/federal-domestic-violence#:~:text=In%201994%2C%20Congress%20passed%20the,and%20local%20criminal%20justice%20system.>, accessed 15 April 2023

Economic Benefits of Foreign Tourism in Kazakhstan

Yakov Sadchikov

KIMEP University, Department of Social Sciences

2 Abai Avenue, Almaty, Kazakhstan

yakov.sadchikov@kimep.kz

1 INTRODUCTION

The paper analyzes how Kazakhstan and its economy can benefit from foreign tourists to increase the GDP of the country, enhance its brand image in the world and diversify from oil exports.

2 FOREIGN TOURISM IN KAZAKHSTAN

2.1 Number of Foreign Tourists in Kazakhstan

According to the Ministry of Culture and Sports of the Republic of Kazakhstan, 610 thousand foreign tourists visited Kazakhstan in the first nine months of 2022. That will imply that some 813 thousand foreign tourists visited Kazakhstan for the whole year 2022.

2.2 How Much Foreign Tourist Spend per Day in Kazakhstan

The average daily spend of a tourist in Kazakhstan can vary widely depending on factors such as the type of accommodation, mode of transportation, dining preferences, and activities undertaken.

According to the Kazakhstan Tourism Industry Association, the average daily expenditure of a foreign tourist in Kazakhstan is around \$200.

This includes expenses such as accommodation, food, transportation, entertainment, and shopping. It is important to note that this is an average estimate, and the actual amount a tourist spends per day in Kazakhstan can vary significantly based on individual choices and preferences.

2.3 How Long Foreign Tourist Stay in Kazakhstan

The length of stay for foreign tourists in Kazakhstan can vary depending on their travel itinerary and personal preferences. Some tourists visit Kazakhstan for a few days as part of a larger trip to the region, while others choose to stay for several weeks to explore the country in more depth.

According to statistics from the Kazakhstan Tourism Industry Association, the average length of stay for foreign tourists in Kazakhstan is 10 days.

However, this can vary depending on the purpose of the trip and the specific interests of the tourist. For example, if a tourist is interested in exploring the outdoors or undertaking a cultural tour, they may choose to stay for a longer duration. On the other hand, if a tourist is visiting Kazakhstan for business or a short city break, they may stay for a shorter period of time. Ultimately, the length of stay for foreign tourists in Kazakhstan depends on individual preferences and travel plans.

2.4 How Much Foreign Tourists Spend in Kazakhstan in Total

In total, foreign tourists spent over \$1.6 billion in Kazakhstan in 2022, which is derived from multiplying 813,000 tourists by \$200 spent per day and by 10 days per tourist per stay.

3 ECONOMIC BENEFITS OF FOREIGN TOURISM In KAZAKHSTAN

The specific economic benefits of foreign tourism in Kazakhstan include an increased revenue from inbound tourists, job creation, branding and promotion, improved infrastructure and increased cultural exchange.

3.1 Increase Revenue From Inbound Tourists

Foreign tourism brings in a large number of new visitors to Kazakhstan, who stay in local hotels, eat at local restaurants, and shop at local businesses. This leads to an increase in revenue for these businesses, as well as for local governments through taxes.

3.2 Job Creation

Foreign tourism creates new jobs in Kazakhstan in a variety of industries, such as hospitality, transportation, and retail.

3.3 Branding and Promotion

Events attracted to foreign tourists in Kazakhstan serve as a powerful tool for promoting a destination and attracting more visitors in the future.

Hosting a successful event can help to establish a destination's reputation as a vibrant and exciting place to visit.

3.4 Improved Infrastructure

Hosting events attractive to foreign tourists in Kazakhstan leads to improvements in infrastructure, such as upgrading of transportation systems and airports, construction of new sports facilities and hotels, as well as other amenities that can benefit both locals and visitors.

3.5 Increased Cultural Exchange

Foreign tourism in Kazakhstan fosters cultural exchange between different communities, promoting understanding and appreciation of different cultures, customs and traditions.

4 TOURISM IN KAZAKHSTAN AS PERCENTAGE OF GDP

Tourism is a relatively small but growing sector of Kazakhstan's economy, and its contribution to the country's GDP varies over time.

According to the World Travel and Tourism Council, in 2019 the travel and tourism sector in Kazakhstan directly supported 148,000 jobs (2.9% of total employment) and contributed KZT 1.7 trillion or 3.3% of GDP to the economy.

In comparison, the travel and tourism sector in countries neighboring Kazakhstan in 2019 accounted for 1.5% of GDP in Uzbekistan, 3.2% of GDP in Russia and 3.9% of GDP in Kyrgyzstan.

5 EXAMPLES OF FOREIGN TOURISM BENEFITING KAZAKHSTAN ECONOMY

5.1 Event Tourism as Example of Foreign Tourism in Kazakhstan

Event tourism is the practice of traveling to a specific location to attend a particular event, such as a concert, festival, sporting event, or conference.

This type of tourism can include both leisure and business travel and can have a significant impact on the local economy by bringing in visitors who may stay in hotels, eat at restaurants, and go shopping at local stores and street markets.

These events can also help to promote the travel destination and attract more visitors in the future.

5.2 Recent Cultural and Sports Events Visited by Foreign Tourists in Kazakhstan

5.2.1 Examples of recent cultural events that have been held in Almaty and attracted foreign tourists

Etno festival FOURE in the Almaty region in August 2022 attracted seven thousand participants and foreign tourists.

Dimash Kudaibergen's solo concert "Stranger" at Almaty Central Stadium in September 2022 attracted five thousand foreign tourists from 65 countries. According to the local tourist office "Visit Almaty", the hotels in the city were 80% booked at the time of the event.

5.2.2 Examples of recent sports events that have been held in Almaty and attracted foreign tourists

The Winter Universiade in Almaty in February 2017 attracted two thousand participants and fourteen thousand foreign tourists from sixty countries.

The Almaty Marathon in October 2022 attracted twelve thousand participants, which included foreign tourists.

The FIDE World Chess Rapid and Blitz Championships in Almaty in December 2022 attracted three hundred participants and several thousand foreign tourists from fifty countries.

6 CONCLUSION

The economy of Kazakhstan benefits from foreign tourism because the foreign tourism not only contributes to the country's GDP but also improves Kazakhstan's global brand and reputation and diversifies its oil-dependent economy.

Should I stay or should I go? Return migration or naturalization of Turkmen migrants in Kazakhstan

Gulshat Rozyyeva

KIMEP University

Almaty city, Kazakhstan

gulshat.rozyyeva@kimep.kz

ABSTRACT

The migration of the Central Asian population is not a new phenomenon. A lack of employment opportunities, socio-cultural liberties, and political freedom compelled Central Asian people to be mobile. For instance, the Russian Federation has been a primary destination for labor migrants coming from remittances-dependent Tajikistan and Kyrgyzstan. Meanwhile, working in Turkey has been the main source of income for Turkmen migrants due to the free-visa regime, along with South Korea and China being the main choice of Uzbek and Kazakh migrants (Khashimov, Zhandayeva, Nuranova & Aisarina, 2020). As it is a widespread process for the region, there is a large scholarly body on the subject matter. However, migration should be viewed not as a categorical factor, but as a continuous process. Hence, in this research I study secondary migration or better known as return migration. The subject of the study is migrants from Turkmenistan relocating in Kazakhstan, while the objective is to determine whether it is return migration or naturalization for Turkmen in Kazakhstan.

KEYWORDS: Return migration, transnationalism, naturalization, Turkmen migrants, Kazakhstan

1. INTRODUCTION

Turkmenistan is a land-located country with deteriorating economic situation, political freedoms, and socio-cultural liberties. Within three decades, approximately 1.6 million people from Turkmenistan have left the country either voluntarily or involuntarily (Prague Process, n.d.). Due to large economic recession and political suppression, migrant movements out of Turkmenistan are mostly seen as labor migrations or refugees and asylum seekers. Although I do not defy neither of the above-mentioned, I look at the different perspective on the topic of migration from Turkmenistan. I am willing to study Turkmen citizens who have already migrated (to Kazakhstan) and who decide either to return back to Turkmenistan or remain in Kazakhstan. Upon completing careful observations and thorough literature reviews, I spot that social and cultural factors have taken equally significant roles, along with political and economic factors, in the initial and secondary decisions of migrants on moving to and staying in the host country or returning to the country of origin. Therefore, in this research, I argue that though economic and political factors of home and host countries are vital, in the case of Turkmenistani migrants in Kazakhstan, socio-cultural factors are equally essential aspects to be considered in studying migrant decisions of whether to go back to Turkmenistan or remain in Kazakhstan.

Turkmen migrants in Kazakhstan can be grouped into two categories: Migrants with the aspirations of returning to Turkmenistan eventually (1), and with the capabilities of integrating and naturalizing in Kazakhstan (2). I believe as well there is the third group of Turkmen migrants who are equally comfortable returning and integrating/ naturalizing. While acknowledging the third group, my primary focus will be on the first two groups. By studying this matter, I will address the main question -

1. What **social and cultural factors** affect the **decision-making** of Turkmen migrants on remaining in Kazakhstan or returning to Turkmenistan?
 - 1.1. Who out of the identified **two groups, returning or naturalizing**, of Turkmen migrants in Kazakhstan is more likely to return home?
 - 1.2. Who out of the identified **two groups, returning or naturalizing**, of Turkmen migrants in Kazakhstan is more likely to remain and naturalize?

Subsequently, there will be side questions that will contribute to proving or defying my hypotheses provided below -

- 1.1. What is the role of education in the decision-making process of Turkmen migrants?
- 1.2. Who is more likely to return, female or male Turkmen migrants?
- 1.3. What is the impact of a migrant's age on their decisions of remaining or returning?
- 1.4. How prior and post marriage of a migrant can affect their decisions?

It should be noted that migration is a natural and normal process, thus, addressing it as either desirable or undesirable is misleading. Likewise, the focus of this research is not to analyze *factors of primary migration of people*, but *factors affecting their secondary or subsequent decisions to either to stay or to return*.

The first assumption is on education and it dictates that migrants with the initial purpose of studying are more likely to extend their stay. Turkmen students studying in Kazakhstan tend to continue further education via study visas and stay longer. The second assumption is on gender and states that female migrants are more likely to stay longer than males. I notice that women who came from Turkmenistan have already been exposed to some internationalization, therefore, they are more inclined to continue their lives and careers outside of Turkmenistan. Likewise, I notice that Turkmen male students or labor migrants tend to return to Turkmenistan as they have duties to continue the line of their generation. The third assumption is on age which dictates that the younger you move, the higher the chances of integrating, hence naturalizing. The final assumption is on the marital status of migrants. I spot that pre-existing marriage is a strong cause of returning to Turkmenistan after remitting enough money. On the other hand, getting married in Kazakhstan to any nationality is a strong predictor of remaining either in Kazakhstan or migrating further to the partner's country of origin.

The project's anticipated outcomes are more theoretical and academic than practical. That is, I believe that the publication of the paper will attempt to bridge the gap of literature on the subject matter; hence, professional publication is planned to be conducted upon finalizing and defending the thesis. Simultaneously, as the researcher's overall goal is to expand academic literature on Turkmenistan and Central Asia, further academic and professional publications in local and foreign journals are being put forward. The current study is in the English language, consequently, publication in regional or international journals will provide more valid and relevant information on the subject. Yet I also claim that a practical outcome is possible, for instance, during the data collection process, it is planned to identify the approximate number of Turkmen migrants in Almaty, therefore, the study is set to have an impact and addition to the data depository if the inquiry is successful. Lastly, as a result of this study, I wish to promote a platform for networking and support for Turkmen migrants in Kazakhstan.

A timeline of the activities for the current research is from September 2022 to May 2023, inclusively. The first Milestone is the proposal and approval of the thesis which was achieved in the period of September-October 2022. The second Milestone is identifying relevant theoretical frameworks and previous literature. As this part comprises a big portion of the work, November 2022 to February 2023 is dedicated for completion. Next Milestone is the empirical part which includes identifying participants, devising survey and interview questions, distributing surveys online, conducting interviews remotely and in-person, lastly analyzing gathered data. I will dedicate February-April 2023 period for this Milestone and move to the last Milestone which will be composed of discussions and some conclusions based on the empirical findings. Chapters of the thesis will be organized according to the milestones. The first draft is planned to be completed by the end of April and revised before the public defense. The study is planned to be presented and defended in front of the Hearing Committee in offline mode as a part of the Master level dissertation at KIMEP University.

Despite the fact that the research possesses the necessary tools to conduct the study, limitations may occur from the unwillingness of respondents to participate in surveys and interviews. Another limitation could emerge from the bias of the author due to familiarity. However, I will employ various instruments to avoid favorable interpretation and subjectiveness - I will use multiple people to code the data for relevant interpretation, have participants review the results (anonymously for security reasons), triangulate my findings against other data, and have peers and colleagues review the findings.

2. THEORETICAL FRAMEWORK

There is a set of theories that are used to explain the causes of initial migration as well as return migration and naturalization. International migration as a term means both entry or immigration to and exit or emigration from a country; and as a rule, it is understood in 'binary terms' - either in support of or against migration (Song, 2018). Several subgroups can also be essentially categorized into those binary groups: global egalitarians and libertarians are in favor of open borders and advocate freedom of movement for all humans. On the contrary, cultural nationalists, some social democrats, and economic nationalists support the restriction on international migration to protect the cultural identity of and economic opportunities for 'actual' citizens (*ibid.*).

Conventional views on migration are believed to be first advocated by John Rawls (1971), followed by Michael Walzer (1983). Rawls and Walzer are advocates of justice, freedom, and democracy; yet their theories are largely applicable within the nation-state, in other words, to those who are already members of the nation (Song, 2018). Walzer (1983) further explains that restrictions on entry migration are necessary to protect the liberty and welfare of a country's culture, nevertheless, the exit from the country is not restricted. However, aid of any kind to developing or under-developed countries is not affected by the restrictions, along with protection for persecuted or stateless persons (*ibid.*). Joseph Caren (1987) opposes Rawls and Walzer and advocates moral equality, the value of freedom, and economic aspects of international migration. Moral equality and equality of opportunities are ideals of liberal egalitarianism through which Caren claims that equality should not be limited to one's arbitrary characteristics, such as sex, class, race, and citizenship. Caren also argues that freedom of international migration is a logical extension of the fundamental freedom of movement, thus, the international movement is a human right. The author further explains that if the 1948 Universal Declaration of Human Rights¹⁸ provides the right to leave the country, the symmetrical right to enter a foreign country should be a fundamental human

¹⁸ Universal Declaration of Human Rights. Article 13, Section 2 - 'Everyone has the right to leave any country, including his own, and to return to his country', See at <https://www.un.org/sites/un2.un.org/files/2021/03/udhr.pdf>

right. Moreover, Caren argues that the notion of migrants limiting economic opportunities for domestic workers adopted by economic nationalists is fallacious the economist Michael Clemens (2011) argues that freedom of movement allows mobility from low-wage to high-wage regions resulting in a 20-60 percent increase in global Gross Domestic Product (ibid.).

Although there are independent authors' explanations for international migration, there is no universal or grand theory of migration. Salt (1987) and Castles and Miller (2009) claim that migration is 'too complex' and 'too diverse', thus there is a lack of universal theory. Nevertheless, Haas (2021) argues that (a) expecting a one-size-fits-all theory is shortsighted since there are various contexts leading to migration and (b) the complexity of a phenomenon is neither the cause nor the necessity to abandon the theory. Thus, Haas suggests categorizing existing theories into groups to advance a better understanding of global migration processes. Functionalist theories of migration include push-pull factors of migration, systematic migration, and migration networking models as migrants who belong to this category make decisions on cost-benefit calculations. Neo-Marxist conflict theory, the dependency theory of Frank, the world system theory of Wallerstein, the dual labor-market theory of Piore, critical globalization theory of Sassen are put into historical-structural theories as migrant decisions are influenced by economic and power inequalities within the society. Symbolic interactionist perspective theories dictate that migrant decisions are shaped by their daily experiences, perceptions, and identities, thus including the transnational model of Vertovec, diaspora studies of Safran, and the creolization model of Cohen. Meso-level theories attempt to explain the internal dynamics of migration and include the migration network and system models of Mabogunje, along with the cumulative causation theory of Massey (ibid.). Although four categories provide a more inclusive explanation of the migration process, they are still separated and studied separately.

Isolating migration motives from one another was the limitation of previous research, therefore, the current framework looks at meta-theory conceptualization of migration (in theory and practice) with functions of aspirations and capabilities. In order to apply, the meta-theory of migration considers economic, political, cultural, technological and demographic motives as one complex and inclusive intrinsic part of a broader social process. For instance, it considers the urbanization process that is fallaciously separated from the migration process. Rural to urban migration is a beginning of international migration which is caused by social change that could appear in the form above mentioned economic, political, cultural, technological and demographic motives. Conventional theoretical framework would see urbanization and migration simply as push and pull factors, yet meta theory considers both processes as parts of broader social change. Therefore, by adapting meta-theory, complex phenomena of migration can be studied deeper and better in the case of the Turkmenistan situation

After observing a Turkmen community and inquiring about families and home conditions of its members, I understood that simple economic and political push and pull factors cannot be applied successfully. For instance, a family from Turkmenistan migrated in 2019 and naturalized successfully in Kazakhstan (Almaty) despite earning 'quite a large sum of money' in Ashgabat (Turkmenistan). This is one of many cases, including my own, in which political and economic factors are not the major drivers of out-migration, on the contrary, the general aspirations of people increased. Similar case was presented by Hass' fieldwork in Todgha, Morocco, in which people were also largely out-migrating despite increase in local living conditions. Hass explains by general life aspirations of people growing faster than living conditions of Todgha, accompanied by 'role model migrants' and their stories of better life. Consequently, I adapt meta theory and its functions of aspirations and capabilities to provide better understanding of the decision-making process. In this theory, migration aspirations are identified as people's general life ambitions along with their geographical opportunities. Migration capabilities, in turn, are abilities to move into (Kazakhstan) or move out of (Turkmenistan) the particular country. From

considering meta theory, I will avoid oversimplifying or overgeneralizing factors that affect the decision making of Turkmen migrants on returning or naturalizing. Likewise, meta theory will help me to identify the likelihood of two outcomes, return or naturalize, as I consider aspiration and capability functions of Turkmen migrants.

3. LITERATURE REVIEW

In this section I look into the previous research on return migration and naturalization, and factors affecting decisions of migrants on either to return or remain. After close observation of a number of academic studies, I can conclude that literature on overall migration can be divided into two big groups. In the first group the focus of literature is determining the initial purpose of migration, hence they look into questions such as why people migrate to a particular country. The second group studies whether *those* migrants will return to their home countries or integrate and naturalize in the host countries. This group also studies transnational migrants. My interest largely coincides with the second group as I analyze factors affecting Turkmen migrants on their decisions of remaining in Kazakhstan or returning to Turkmenistan. Thus, I organize this part thematically first by looking at literature on return migration, transnationalism, and naturalization. Afterwards, I study factors influencing migrants either to return or settle, followed by focusing on patterns of migration and naturalization amongst Turkmen migrants in Kazakhstan. I will use academic literature as well as online news articles related to Turkmen migrants. I refer to the studies of notable researchers in the field of migration and Central Asia. The note-worthy researchers are Jørgen Carling, a research professor and a co-director of Peace Research Institute Oslo (PRIO) Migration Centre, Marta Bivand Erdal, whose academic focus is on transnational migration and citizenship, and Ceri Oeppen, studying return migration and transnationalism of diasporas. Hein de Haas is a leading author in migration studies whose migration theory is the basis for my current thesis. I also refer to Luca Anceschi and Adrienne Lynn Edgar who are leading scholars on Turkmenistan.

3.1. RETURN MIGRATION

Return migration is a movement of emigrants back to their country of origin at any given time to reintegrate permanently or temporarily (Gmelch, 1980). As migration is simply seen as zero-sum or bad or good, the return migration concept is overlooked in policymaking. However, there is a body of literature on return migration, and in this part, I will refer to this concept.

3.1.1. WHAT IS RETURN MIGRATION?

International Organization for Migration (IOM) defines return migration as an act or process of going back or being taken back to the point of departure. A return may occur voluntarily or involuntarily. Voluntary return, as the name suggests is an independent or assisted return to one's country of origin, to another, or a transit country based on the decision of the returnees. Voluntary return migration can also be spontaneous or assisted, in which the former occurs unexpectedly without the state's interference, while the latter state provides administrative, logistical, financial as well as reintegration support to migrants unable or unwilling to remain in the receiving country. Voluntary return can also be humanitarian return which is reintegration assistance in humanitarian settings usually due to migrants being stranded or detained. Forced return is defined as a migratory movement with state involvement which is usually force, compulsion, or coercion (Return Migration, 2022). Although return migration is subdivided into categories, observations show that it is empirically, hence analytically impossible for a migrant to have a clear-cut voluntary or forced decision to migrate (Erdal & Oeppen, 2017). For instance, asylum seekers whose applications are rejected sign up for 'assisted return' which entails a 'voluntary'

return since there is no coercion. However, they opt for it out of choicelessness. Intra-European migrants enjoy much higher mobility, however, they also experience constraints due to ‘economic imprisonment’ (Carling, Bolognani, Erdal, Ezzati, Oeppen, Sagmo, Paasche & Pettersen, 2015). Similarly, spouses and their children return to their home country despite wishing to stay, yet their case along with the two aforementioned cases is not considered a ‘forced return’, they grow attachments and identities to the settlement place and return against their will without the state coercion (ibid.).

3.1.2. BEHAVIORAL CHANGES AMONGST MIGRANTS

Although intentions to return may change over time, it is subject to behavior differences (Dustmann et al., 1996). A temporary migrant returns before retirement age and is concerned about the economic development of the home country. On the contrary, a permanent migrant is only interested in the economy of the host country. Likewise, there is a difference in consumption and savings behavior of temporary and permanent migrants - the former works hard and remits home, while the latter enjoys leisure activities in the host country despite their higher costs (ibid.). Furthermore, temporary migrants build houses in their home country (Erdal 2011, 2013). Any given migrant has a feeling to return, hence they may invest at home due to symbolic and practical reasons. For instance, Pakistani migrants in Norway building houses in Pakistan shows the symbolic nature of belonging to a certain community and having a safety net. Secondly, owning a house is a key component of a high standard of living which shows the migrant intentions of returning home. Lastly, migrants usually remit for ‘fancy houses’ thus increasing their potential exponentially and making their reintegration into their home country easier or smoother. Along with symbolic reasons, there are practical causes for building houses in the sending country. The majority of the Pakistani migrants in Norway remit to build, re-build or renovate their parents’ houses; or to build a ‘holiday house’ for themselves when they visit Pakistan in summer. The third practical reason is investment and migrants build houses to give them for rent, hence increasing their sources of income (ibid.). Whether they return or remain, migrants build houses in their country of origin due to the symbolic reasons of belonging and having a ‘proxy’ presence and practical reasons of having comfort and resource of income which makes return and reintegration a pleasant process. In conclusion, literature on return migration is abundant as it is ubiquitous for temporary migrants. Economically motivated migrants experience a high presence in their country of origin and return either after remitting enough or within five years. Politically motivated migrants may also return or migrate further if their applications are rejected. Consequently, returning is a common practice for all types of migrants.

3.2. TRANSNATIONALISM

With flows of international migration getting more complex, participants of this flow could no longer be labeled simply as stayers and leavers. In this section, I will briefly refer to transnationalism as Turkmen migrants in Kazakhstan could in fact belong to this category.

3.2.1. WHAT IS TRANSNATIONALISM

Along with returning migrants, there is a group known as transnationals or transnational migrants. In fact, migration is divided into three groups: returning, transnational, and naturalizing (Carling & Pettersen, 2014). Returning migrants, who were discussed above extensively, return to their sending country eventually after reaching their goals. These migrants usually are weakly integrated into the settlement places while keeping strong ties with their home countries. Returning migrants are not interested in learning the local language or curious about the political and economic development of the settlement place as they intend to return (ibid.). On the other hand, migrants who are strongly integrated

into the receiving country with weak belongingness to their countries of origin tend to remain permanently and naturalize eventually (ibid.). Transnational migrants have intermediate levels of integration in the receiving country and are subject to change in their decisions. They live in the host countries while maintaining ties with their home country. Transnationalism should be seen as an independent aspect of international migration and not as a consequence of migration (Carling et al. 2021). Although transnationalism is created from the ties between people migrating and remaining, there are some people who neither migrate nor remain, hence ‘living in two countries’; thus transnationalism is not a product of migration, but rather an alternative to it (ibid.). Transmigrants can be divided into four subgroups: lifestyle migrants, expatriates, temporary labor migrants, and international students. A majority of the immigrants are transmigrants as their ‘daily lives depend on interconnections across international borders’ and ‘their identities are configured in relation to more than one nation-state’. Consequently, transmigrants are not a challenge or consequence of migration, but simply a subgroup of immigrants (ibid.).

Transnationalism is studied through the integration-transnationalism matrix, for instance, migrants and their children living in Norway are studied on attachment to the destination country or the home country (Carling & Petersen, 2014). It is discovered that integration or stay is confined to the social and cultural practices of the host country, while transnationalism is to the social and economic ties of the home country. There is a negative relationship between integration and return intention with strongly integrated migrants being less likely to return to their country of origin. A positive relationship is discovered between transnationalism and returns as migrants with a strong social presence in their home country are more likely to return (ibid.). Although some scholars treat integration and transnationalism as a zero-sum game, two factors are intersecting dimensions as intentions could unexpectedly change. Transmigrants also practice ‘balancing acts’ to keep belonging to their country of origin, while living in the host countries (Erdal & Oeppen, 2013). Thus, it is believed that vital ties at home impact the integration of the migrants in the destination countries which means that integration and transnationalism are at odds with one another. However, the pragmatic approach to transnationalism demonstrates that integration-transnationalism is not a zero-sum game and due to the physical presence in the destination country, integration is inevitable with returning migrants balancing their acts (Carling & Pettersen 2014; Erdal & Oeppen, 2013). Integration-transnationalism show connection and interaction, for instance, using Bolognani’s push/retain - pull/repel framework, it is found that there is a balance and change as migrants’ decisions, in general, are subject to change, e.g. migration or death of relatives at home, return intentions, plans and experiences (Carling & Erdal, 2014). Lastly, it should be noted that interaction between integration and transnationalism is highly personal as individual migrants reflect upon their emotions and decide either to remain or return to the sending countries (ibid.).

3.2.2. REINTEGRATING AT HOME

It can be concluded that having high transnational ties to one’s home country may yield a return while feeling integrated into the settlement place results in remaining in the destination country. Despite returning home intentionally, many returnees have traumatic and unpleasant experiences. I acknowledge the necessity to consider after-returning scenarios as some returning Turkmen migrants may undergo similar experiences. Thus, in the next part, I will briefly mention the problems that returnees experience despite this issue not being the focus of my study. Returnees go through readjustment and reintegration which may be more challenging than initial migration. Returnees may lack labor opportunities, and have economic challenges as well as psychological obstacles of feeling lonely, stigmatized, failed, and not being understood by relatives. Furthermore, returnees may experience traumatic migratory experiences due to the mistreatment by border and local authorities, especially in illiberal countries. The process of reintegration after returning is unique, yet prevalent (Majidi, Oeppen, Kasavan & Barratt, 2022). Thus,

social workers and mentors in home countries should serve as a bridge between the returnees and their communities, as well as their local authorities and other governmental and non-governmental agencies. Acknowledging the need to address the issue on the national level, policymakers propose to provide social and economic reintegration and readjustment programs for all kinds of returnees (Arowolo, 2000). The term ‘all kinds’ should explicitly be highlighted as former refugees and defectors may face bitter treatment from the government or other agencies. Thus, a long-term plan, instead of hoc committees, should be implemented to have an effective reintegration process (ibid.). A long-term plan is especially necessary in the cases of Afghan - American and other returnees who were displaced due to wars (Oeppen, 2013). Likewise, in the case of Turkmen migrants, a reverse remittance-based platform should be implemented to oversee their peaceful and successful reintegration into Turkmen society.

3.3. NATURALIZATION

Naturalization is the highest form of integration and assimilation with the receiving country as it gives all the benefits and the privileges a regular citizen could enjoy (Politi, Bennour, Lüders, Manatschal & Green, 2021). As of 2000, Europe and the USA are the leading regions in accepting new citizens; for instance, OECD countries have granted 783,682,530 applicants a citizenship, followed by the United States - 217,165,205 (*Immigrants by citizenship and age*, 2002). Within the OECD region, Italy (48,892,559), France (48,068,377) and the UK (47,684,484) have the highest numbers of non-native born citizens, while Ireland, New Zealand and Luxembourg account to the lowest numbers, 3,034,605, 2,889,633 and 356,342, respectively (ibid.). In the CIS, Russia has the highest numbers for immigrants with residence permits and naturalizing immigrants. As of 2022, Russia approximately has 5.99 million foreigners and 91 percent belongs to the CIS countries, Central Asia being the top one, followed by Ukrainians (Gurevich, Drobyshevsky, Mau & Sinelnikov-Murylev, 2022). In this section, I look into patterns of migrant naturalization focusing on Europe and North America (mostly US) as they are the leading countries with naturalizing migrants. In the case of the focus of my research, Kazakhstan, the country is getting popular for Central Asian migrants, largely from Uzbekistan (34.4), followed by Russia (30.6) and China (10.7) (Makhanov, 2020). The majority of people migrating to Kazakhstan are ethnic Kazakhs, commonly known as Kandasdar or Oralmandar. As of 2006, Kazakhstan is home for 1.1 million immigrants, of which 464,000 are Kandasdar (*Status of Oralmans in Kazakhstan*, 2006). The country is also home for approximately 3 thousand Turkmens residing mostly in the cities of Almaty and Astana as well as in the regions of Mangistau, Karaganda and Kostonay (*How many Turkmens live in Kazakhstan?*, 2021).

3.3.1. CHALLENGES AND OPPORTUNITIES

Overall, foreign-born residents have weaker social, economic, legal and political potentials than foreign-born citizens and natives, thus acquiring citizenship is an economic integration (Peters, Schmeets & Vink, 2019). Although migrants have different motives to naturalize and motives are dependent on the country of origin, entry status and visa and receiving countries, naturalized migrants show a positive link in the labor market. Citizenship removes restrictions from occupations in public sector, law and military, likewise, employers do not pay administrative fees to employ migrants, and migrants experience higher selection rate for jobs as they present less risk (ibid.). Consequently, there is a so-called citizenship premium in the labor market. Social aspect of acquiring citizenship is present as well. In other words, characteristics of an individual acquiring citizenship in relation to their country of origin, country of destination and integration process of the receiving community are positively correlated and result in citizenship (Peters, Vink, & Schmeets, 2016). That is, individuals who migrated at a young age and individuals with either native or naturalized Dutch partners are more likely to naturalize. Moreover, both partnership of marriage or cohabitation leads to naturalization of both or one partner. This study

emphasizes on the social aspects of decision making and highlights that ignoring this aspect will result in inconsistencies in the analysis (ibid.). A cross-national study on 13 Western European countries shows tangible economic aspects for foreign-born residents in acquiring citizenship. A positive relationship is present for naturalizing men and their employment probabilities and for naturalizing women and their occupational status (Hoxhaj, Vink, & Breuer, 2020). Along with opportunities, there are certain challenges in the process of naturalization. In the study of Peter, Vink and Schmeets, challenge occurs from a revised Dutch Nationality Act of 2003 with more restrictive regulations. The Act enforces migrants, especially from developing and politically unstable countries, to acquire citizenship under stricter regulations which decreases the numbers of applicants and non-native citizens (ibid.). In the case of the UK, language and fees pose challenges as migrants with little knowledge of English have lower chances of acquiring citizenship, while citizenship fees in the UK equal 1,330 pounds as of 2018, compared to 268 pounds in 2005 (Fernandez-Reino & Sumption, 2022). Similar fee change is present in the US, from 330 to 595 USD for adults and from 225 to 460 USD for children, yet the increase in fee does not decrease the numbers of applicants for citizenship in the US (Passel, 2007).

3.4. CONVENTIONAL PUSH AND PULL FACTORS

Push and pull factors of migration were first conceptualized by Everett S. Lee as a ‘Theory of Migration’ which defined migration as a permanent or semipermanent change of residence, without any restrictions on the distance or nature of the act, and hence broadly speaking there is no distinction between moving apartments across the hall or migrating from Bombay, India to Cedar Rapids, Iowa (p. 49). Lee (1966) identifies four factors influencing the decision-making of migrants: factors associated with the area of origin and of destination, intervening obstacles and personal factors. These four factors result in either pushing people away from or pulling them into the area along with personal characteristics and intentions of a migrating individual and challenges faced in sending and receiving countries. Urbański (2022) further develops economic, social and political pull and push factors. Economic pull factors of a destination include better employment opportunities and occupational status, while social and political aspects may offer improved healthcare facilities, religious tolerance and freedom from persecution. Meanwhile, push factors of the home country are, but not limited to, low standards of living, lack of employment, food, shelter, healthcare, as well as religious intolerance, war or terrorism, unfair legal system and other factors (ibid.). After its development, pull and push factors of migration have been applied in academia. For instance, the study on physicians working in the United Arab Emirates show importance of pull factors, mainly income, quality of life, work-life balance, multicultural environment, proximity to extended family, political stability, personal and family safety, and visa policy for a 10 year period for medical workers (Ibrahim, Al Sharif, Satish, Hassen & Nair, 2019). Politico-economic pull and push factors of receiving and sending countries demonstrate an interaction in the case of Kurdish migrants in Germany (Doerschler, 2006). Large and vocal Kurdish population of Germany seek economic stability and are displaced due to political push factors at home (ibid.). Likewise, the study on the push and pull factors for the construction workers in Bangalore show that around 85 percent of decisions to migrate and stay in Bangalore are made due to political push factors. Whereas, the pull factors are largely economic, such as better employment opportunities, higher wages, and better working conditions (Shamala, 2021). Although Lee’s pull and push factors of migration provide multiple aspects of primary and secondary migration, it is difficult to determine the exact factors influencing migration, return, and reintegration. For instance, Urbański’s study of bilateral migration between Poland and Romania demonstrates insignificant push factors as only two of six push factors show a big influence on migrant decisions. Secondly, economic, sociocultural, and political factors interact with one another, thus it is hard to identify the strongest predictors. Lastly, with the changing nature of demography and migration, more people are being conscious of environmental politics and/ or energy politics, hence Lee’s

Theory of Migration may not offer factors influencing the decision making of Turkmen migrants either to stay in Kazakhstan or to return to Turkmenistan. Thus, in the next section, I will look at the case of Turkmen migrants in Kazakhstan and their decision-making processes.

3.5. DECISION MAKING OF TURKMEN MIGRANTS

3.5.1. MIGRATION PROCESS IN TURKMENISTAN

Turkmenistan is one of a few countries with strict emigration regulations which place migration-oriented Turkmen in a difficult position. The State Migration Service of Turkmenistan (SMST)¹⁹ regulates both emigration and immigration, but unlike its counterparts, representative embassies and consulates of Turkmenistan overseas do not issue renewing of international passports for Turkmen migrants abroad. Turkmenistan's Law on Migration²⁰ dictates that Turkmen citizens are required to renew and obtain their passports in Turkmenistan which creates a series of problems for Turkmen migrants. Firstly, traveling citizens may be banned from leaving their country, secondly, the process of renewal is extensive and arduous for selected individuals to delay or ban their exit, and lastly, citizens' passports may be confiscated under various circumstances to prevent their exit from Turkmenistan (Palwanova, 2022). Reportedly, in 2021, around 20,000 of the returned individuals have been restricted from traveling on political grounds (The U.S. Department of State, 2022). Banned individuals include civic activists, students sponsored by foreign governments and any individuals whose activities abroad 'contravene national security' (ibid.). Consequently, a number of Turkmen labor migrants, students, asylum seekers and refugees abroad consider permanent migration and naturalization in the host countries.

3.5.2. PRIMARY MIGRATION PATTERNS

A general trend for Turkmen is to leave the country either on a study or work visa and stay in the receiving countries permanently. Therefore, primary emigration from Turkmenistan is pushed by economic and political factors, while decisions to stay/ naturalize or to mobilize further are influenced by social and cultural factors in the receiving country. Overall push and pull factors for Turkmen migrants are shown in Table 1. It can be observed that along with economic and political factors, socio-cultural factors as well as environmental aspects show increasing influence on Turkmen migrants (Khashimov et al., 2022; Palwanova, 2022).

Table 1. Pull and push factors of migration in Turkmenistan

	Push factors	Pull factors
Economic	Poverty, high taxes and unemployment	Wealth, high income and better paid jobs abroad

¹⁹ State Migration Service of Turkmenistan. Available at <https://migration.gov.tm/en/>

²⁰ Turkmenistan's Law on Migration/ Türkmenistanyň migrasiya hakyndaky kanunçylygy. Available in Turkmen at <https://www.mfa.gov.tm/tk/articles/79> / Translation available at https://www.vertic.org/media/National%20Legislation/Turkmenistan/TM_Law_on_Migration.pdf

Political	High level of corruption, discrimination and repression	High level of freedom and democracy, freedom of speech and religion
Socio-cultural	Existing tensions between certain groups, nepotism	Presence of already migrated families and friends
Environmental	Natural catastrophes, e.g. flooding, drought and pollution that are not addressed	Environmentally friendly communities, clean and beautiful sceneries

Furthermore, Russia and Turkey dominate as a destination for the initial migration. Russia offers affordable prices to study for transnational migrants and issued 141,629 study visas in 2019 (Table 2), while Turkey provides better labor opportunities due to visa free regimes between two countries, as such in 2019, over 133,000 Turkmenians are reported to reside in Turkey with around 80,000 of them having either residence permit or work permits (Table 3) (Khashimov et al., 2022; Palwanova, 2022; *Turkmenistan - Prague Process*, n.d.).

Table 2. Study visas issued to the citizens of Turkmenistan

Host countries	2016	2017	2018	2019	Total
Russia	22,401	29,792	39,992	49,444	141,629
EU	475	481	559	566	2,081
The USA	235	247	192	166	840
Canada	10	16	21	23	70
South Korea	10	8	11	10	39
Japan	26	26	27	33	112
Year total	23,157	30,570	40,802	50,242	144,771

Table 3. Work visas issued to the citizens of Turkmenistan

Host countries	2016	2017	2018	2019	Total
Turkey	-	-	-	133,000	133,000

Russia	2,085	1,951	2,779	4,813	11,628
EU	176	193	245	346	960
USA	23	28	33	13	97
Canada	0	10	0	10	20
South Korea	11	10	10	18	49
Japan	5	6	6	7	24
Year total	2,300	2,198	3,073	138,207	145,778

Apart from Russia and Turkey, regional countries of Iran (1,5-3 million), Iraq (3 million), Syria (3 million), Afghanistan (2 million) and Kazakhstan (7000-8000) have a big concentration of Turkmen migrants (*Turkmenistan - Prague Process*, n.d.). Furthermore, both primary migration and return or naturalization decisions are influenced by age, gender, marital status and education of the migrants. All migrating Turkmen are aged 18 to 59, while Turkmen seeking education opt for former USSR countries, followed by the USA (Figure 1) (*How Does the Brain Drain Impact Turkmen Society?*, 2021).

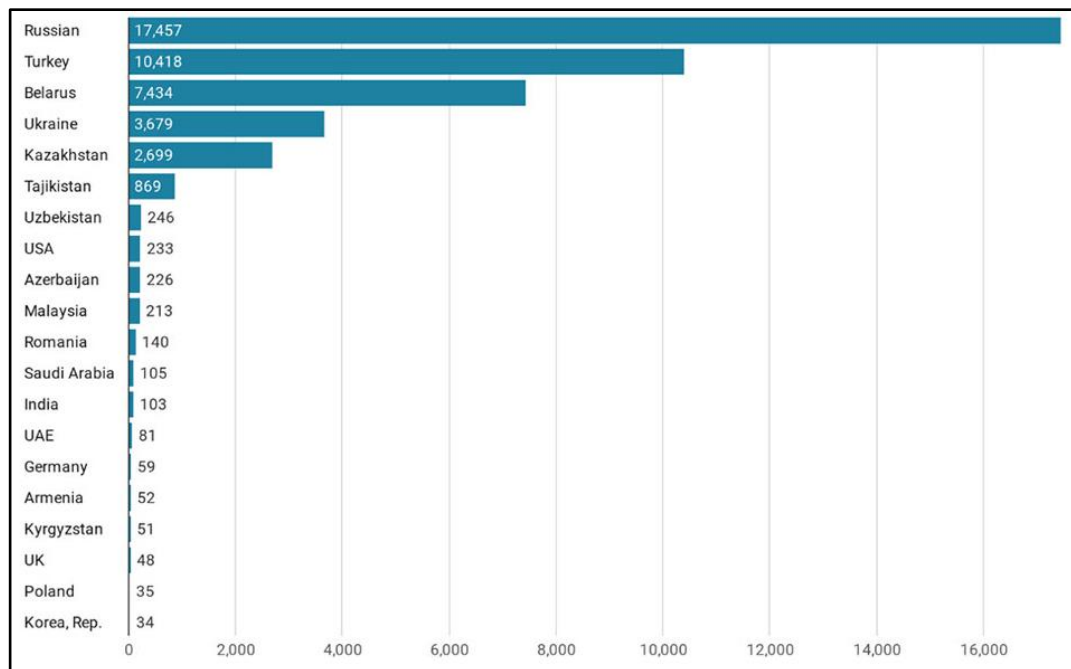


Figure 1. Top 20 countries for Turkmen students

Gender of a migrant is a predictor of the destination country and female Turkmen migrants mobilize to the countries with higher socio-cultural integration, while males prefer better economic opportunities (Figure 2) (*Where Are Turkmen Moving To?*, 2021).

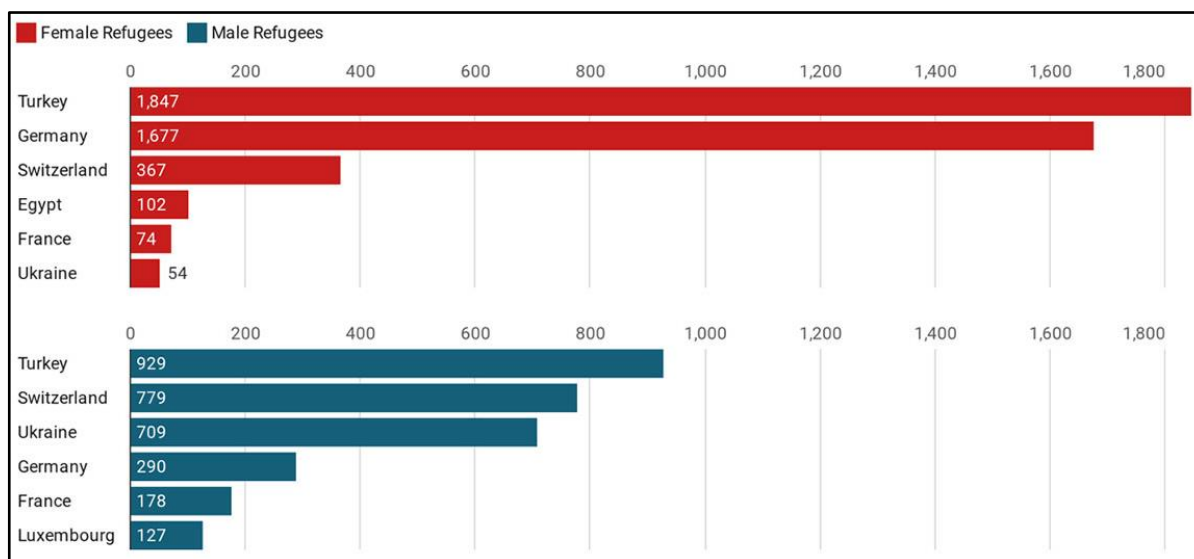


Figure 2. Destination places for Turkmen migrants by gender

Although comprehensive academic research on Turkmen migrants getting married abroad lacks, there is a study on male Turkmen migrants living in Northern Afghanistan and informally working in Turkey and their decisions on getting married. It is reported that males tend to follow norms of ideals, masculinity and marriage, hence male migrants work unofficially and hard in order to become providers and breadwinners in their communities (Hakimi, 2020). It is also indicated that male Turkmen migrants have already integrated in their receiving communities, hence marriage intentions demonstrate their motives to remain permanently (ibid.).

3.5.3. RETURNED MIGRANTS

Although many Turkmen migrants intend to remain in their receiving countries, there is a group of individuals who decide to return. Their return could be forced or voluntary, for instance, expiration of international passports, request from families to return or personal motives. There is a big gap in literature which studies Turkmen migrants, yet one of reliable academic articles is conducted by Hofmann (2017). Hofmann analyzes the motives of Turkmen students on returning or remaining in the receiving countries. The study includes 93 respondents (41 men, 52 women) who studied either in or outside of Turkmenistan with the age from 24 to 44. Overall, 75 (out of 93) participants studied abroad and their intentions to return are gendered; 80 percent of men and only 25 percent of women who studied abroad returned within the graduation year (Figure 3). Majority of the remaining males showed an eventual return to Turkmenistan (60 percent) with 25 percent who will definitely return and 10 percent of male participants having no desire to return. Female Turkmen students were equally divided in their responses - 30, 40 and 30 percent, respectively (ibid.).

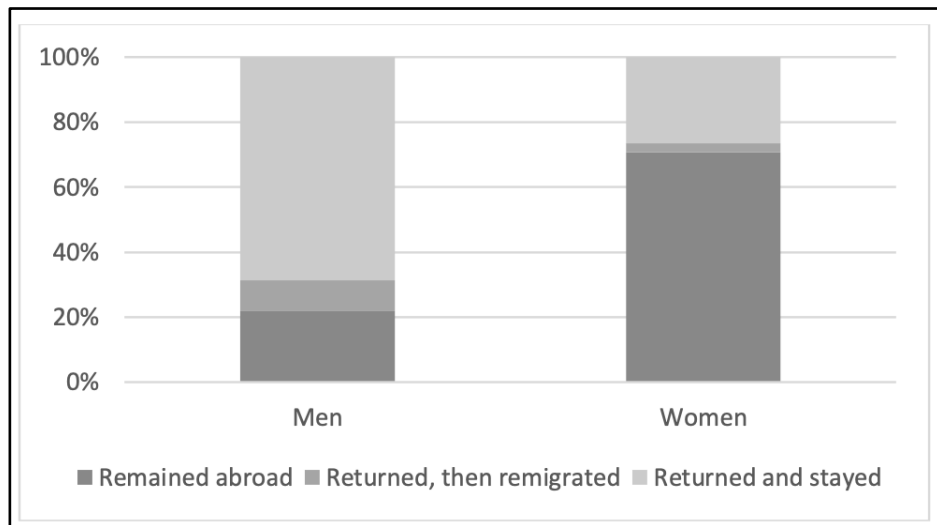


Figure 3. Decisions of Turkmen transnational migrants

Motives to return for men are identified as family and career opportunities as Turkmen men are more traditional and are believed to have duties before families (ibid.). Women tend to create new ties and families in the receiving countries hence they show lower tendency to return. Marital status of participants of the study also show importance as 83 percent of male and female returners have spouses in Turkmenistan. Hufmann's analysis demonstrates that education is not necessarily a 'stepping stone' for permanent stay as for education migrants with intentions to remain education abroad is not a pull factor. Likewise, for returning migrants who were educated abroad, the employment rate was 83.3 percent, thus the likelihood of having a career is still present for graduates of foreign universities (*Progres Online*, 2023). Unlike education, family ties and integration at home are strong pull factors for a return migration aligned with expected quality of life and career in Turkmenistan. Lastly, as previously mentioned, decisions are gendered, and men are more pulled to return back than their female counterparts due to the masculine associations of patriotism, while women may fear discrimination in Turkmenistan due to ongoing policies affecting women's rights (ibid.). In conclusion, Hufmann's study is exploratory and small in scale, yet it shows important factors of return or remain that will be highlighted further in my study.

3.5.4. DIASPORAS ABROAD

There are approximately 10 million ethnic Turkmen living outside of Turkmenistan and mostly concentrated in Uzbekistan, Russia, Tajikistan, Iran, Afghanistan, Iraq, Turkey, Syria, China and Kazakhstan (Palwanova, 2022a). Despite having bigger diasporas abroad than population inside the country, Turkmenistan is the only country in Eurasia that has not addressed diasporas in the legal framework (Tittel-Mosser, 2021). Likewise, Turkmen communities abroad are disconnected and have a fear of being deported or followed by the members of consulates or embassies abroad (Palwanova, 2022a). Consequently, Turkmen diasporas' weak interconnection abroad creates a difficulty to conduct research and collect data.

3.5.5. TURKMENS IN KAZAKHSTAN

Kazakhstan with its close proximity geographically and culturally has remained as a favorable destination for the last five years accumulating around 3000 Turkmen labor immigrants, 3500 Turkmenistani students and 518 refugees in the country (Migrants & Refugees, 2020) Most of the immigrants live in the regions of Mangystau, Karaganda, Kostanay, and Almaty, as well as in the cities

of Almaty and Astana (*How Many Turkmens Live in Kazakhstan?*, 2021). Furthermore, for the first quarter of 2022 the number of incoming Turkmens has increased six-fold, thus placing Kazakhstan as close as Russia in terms of migration destination (Number of Immigrants in Kazakhstan Grows, 2022). In the legal framework, Kazakhstan and Turkmenistan, as well as Kazakhstan and Uzbekistan, do not have bilateral agreement on labor migration, unlike Kazakhstan and Kyrgyzstan or Kazakhstan and Tajikistan. It makes the issue of migration and remittances arduous for the Turkmen migrants. Kazakhstan is initially selected as a study destination due to the affordable prices leading to extended stay through work visa or spousal visa. As the country is semi-democracy, migrant Turkmens are unlikely to be motivated by political pull factors. Nevertheless, due to feasible and accessible governmental services, Kazakhstan has remained to be an ideal place.

4. BIBLIOGRAPHY

- Rawls, John. (1999). *A Theory of Justice: Revised Edition*. Harvard University Press. JSTOR, <https://doi.org/10.2307/j.ctvkjb25m>
- Walzer, Michael (1983). *Spheres of Justice: A Defence of Pluralism and Equality*. Robertson, Oxford
- Carens, J. H. (1987). Aliens and Citizens: The Case for Open Borders. *The Review of Politics*, 49 (2), 251–273. <http://www.jstor.org/stable/1407506>
- Clemens, M. A. (2011). Economics and Emigration: Trillion-Dollar Bills on the Sidewalk? *Journal of Economic Perspectives*, 25(3), 83–106. <https://doi.org/10.1257/jep.25.3.83>
- Salt, J. (1987). Contemporary Trends in International Migration Study. *International Migration*, 25(3), 241–251. <https://doi.org/10.1111/j.1468-2435.1987.tb00586.x>
- Castles, S., & Miller, M. J. (2009). *The Age of Migration: International Population Movements in the Modern World* (4th ed.). Basingstoke: Palgrave MacMillan
- Rose, M. (2020, July 8). Andre Gunder Frank & Dependency Theory. *Our Politics*. <https://ourpolitics.net/andre-gunder-frank-dependency-theory/>
- Sorinel, C. (2010). Immanuel Wallerstein's World System Theory. *Annals of Faculty of Economics*, 1(2), 220–224. <https://doaj.org/article/34cdb5bd176e41a8b2ce98662f814f9e>
- Wallerstein, I. (1974). The modern world system I: Capitalist agriculture and the origins of the European world economy in the sixteenth century. New York: Academic.
- Wallerstein, I. (1980). The modern world system II: Mercantilism and the consolidation of the European world-economy, 1600–1750. New York: Academic.
- Bulow, J. I., & Summers, L. H. (1986). A Theory of Dual Labor Markets with Application to Industrial Policy, Discrimination, and Keynesian Unemployment. *Journal of Labor Economics*, 4(3), 376–414. <http://www.jstor.org/stable/2535059>
- Robinson, W. H. (2009). Saskia Sassen and the Sociology of Globalization: A Critical Appraisal. *Orfalea Center for Global & International Studies*. <https://robinson.faculty.soc.ucsb.edu/Assets/pdf/Saskia%20Sassen.pdf>
- Sassen, S. (1991). The global city: New York, London, Tokyo. Princeton: Princeton University Press.

- Vertovec, S. (2004). Migrant Transnationalism and Modes of Transformation. *International Migration Review*, 38(3), 970–1001. <https://doi.org/10.1111/j.1747-7379.2004.tb00226.x>
- Safran, W. (1991). Diasporas in Modern Societies: Myths of Homeland and Return. *Diaspora: A Journal of Transnational Studies* 1(1), 83-99. <http://doi.org/10.1353/dsp.1991.0004>
- Cohen, R. (2010). *Emphatic beginnings: from culture contact to creolization*. Max Planck Institute for the Study of Religious and Ethnic Diversity. <https://www.mmg.mpg.de/43962/blog-cohen-creolization>
- Mabogunje, A. L. (2010). Systems Approach to a Theory of Rural-Urban Migration. *Geographical Analysis*, 2(1), 1–18. <https://doi.org/10.1111/j.1538-4632.1970.tb00140.x>
- Massey, D. S., Arango, J., Hugo, G., Kouaouci, A., Pellegrino, A., & Taylor, J. E. (1993). Theories of International Migration: A Review and Appraisal. *Population and Development Review*, 19(3), 431–466. <https://doi.org/10.2307/2938462>
- Massey, D. S. (1990). Social structure, household strategies, and the cumulative causation of migration. *Population Index*, 56(1), 3–26.
- Goodwin, J., & Green, A. I. (2008). Revolutions. *Encyclopedia of Violence, Peace, & Conflict*, 1870–1880. <https://doi.org/10.1016/b978-012373985-8.00156-2>

5. REFERENCES

- Acquisition of citizenship statistics*. (2022, November 21). Eurostat. Statistics Explained. Retrieved February 17, 2023, from <https://ec.europa.eu/eurostat/statistics-explained/SEPDF/cache/29886.pdf>
- Aptekar, S. (2015). Making Sense of Naturalization: What Citizenship Means to Naturalizing Immigrants in Canada and the USA. *Journal of International Migration and Integration*, 17(4), 1143–1161. <https://doi.org/10.1007/s12134-015-0458-5>
- Arowolo, O. O. (2000). Return Migration and the Problem of Reintegration. *International Migration*, 38(5), 59–82. <https://doi.org/10.1111/1468-2435.00128>
- Azose, J. J., & Raftery, A. E. (2019). Estimation of emigration, return migration, and transit migration between all pairs of countries. *Proceedings of the National Academy of Sciences of the United States of America*, 116(1), 116–122. <https://doi.org/10.1073/pnas.1722334116>
- Bevelander, P., & Veenman, J. (2006). Naturalisation and Socioeconomic Integration: The Case of the Netherlands. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.908239>
- Bloemraad, I., Korteweg, A., & Yurdakul, G. (2008). Citizenship and Immigration: Multiculturalism, Assimilation, and Challenges to the Nation-State. *Annual Review of Sociology*, 34(1), 153–179. <https://doi.org/10.1146/annurev.soc.34.040507.134608>
- Carling, J., Bolognani, M., Erdal, M. B., Ezzati, R. T., Oeppen, C., Sagmo, T. H., Paasche, E., & Pettersen, S. V. (2015). Possibilities and realities of return migration. *Peace Research Institute Oslo (PRIO)*, 1. https://dlwqtxts1xzle7.cloudfront.net/38540692/Carling_et_al_2015_Possibilities_and_Realities_of_Return_Migration-libre.pdf?1440242010=&response-content-disposition=inline%3B+filename%3DPossibilities_and_Realities_of_Return_Mi.pdf&Expires=167608

[8056&Signature=BBkeX6irDcTLgLRjlldbXNiSXgJoTthbhNqSmL4Dk3WqQTqLXiq9KH2XGnRDtV8BbOM-tv2LRV3qolkx2iO8ab0GJjxpR0u07ttJh0u0X6QjgOG7YYxT3niEfNqJ3IYZipzkRBESyIQcbfZ24w7oZJlniNKjuM6HPqsSUFLrA0Aydxn0W9K1fBZuK0mKcRmsN2ilkVsHRjqFBA1bkWNtnOQDV2-JpdoJcL8J~7esLZVIAxcqcdktROXc4gzZwu8-plu~gzxWIP15zQJiUrCskfH8icjHpK61tg7f1W4kk5VohNNWb07KJVmtPMt5yHf7PgEOiEVhbdGUdTA2ED8Omw_&Key-Pair-Id=APKAJLOHF5GGSLRBV4ZA](https://doi.org/10.1111/imig.12180)

Carling, J., & Erdal, M. B. (2014a). Return Migration and Transnationalism: How Are the Two Connected? *International Migration*, 52(6), 2–12. <https://doi.org/10.1111/imig.12180>

Carling, J., & Erdal, M. B. (2014b). Return Migration and Transnationalism: How Are the Two Connected? *International Migration*, 52(6), 2–12. <https://doi.org/10.1111/imig.12180>

Carling, J., Erdal, M. B., & Talleraas, C. (2021). Living in two countries: Transnational living as an alternative to migration. *Population, Space and Place*, 27(5). <https://doi.org/10.1002/psp.2471>

Carling, J., & Pettersen, S. V. (2014). Return Migration Intentions in the Integration–Transnationalism Matrix. *International Migration*, 52(6), 13–30. <https://doi.org/10.1111/imig.12161>

Castles, S., & Miller, M. J. (2009). *The Age of Migration: International Population Movements in the Modern World* (4th ed.). Basingstoke: Palgrave MacMillan.

Clemens, M. A. (2011). Economics and Emigration: Trillion-Dollar Bills on the Sidewalk? *Journal of Economic Perspectives*, 25(3), 83–106. <https://doi.org/10.1257/jep.25.3.83>

Cohen, R. (2010). *Emphatic beginnings: from culture contact to creolization*. Max Planck Institute for the Study of Religious and Ethnic Diversity. <https://www.mmg.mpg.de/43962/blog-cohen-creolization>

Countries - Turkmenistan - Prague Process. (n.d.). <https://www.pragueprocess.eu/en/countries/424-turkmenistan>

De Haas, H. (2021). A theory of migration: the aspirations-capabilities framework. *Comparative Migration Studies*, 9(1). <https://doi.org/10.1186/s40878-020-00210-4>

Della Puppa, F., & Sredanovic, D. (2017). Citizen to Stay or Citizen to Go? Naturalization, Security, and Mobility of Migrants in Italy. *Journal of Immigrant & Refugee Studies*, 15(4), 366–383. <https://doi.org/10.1080/15562948.2016.1208316>

Diehl, C., & Blohm, M. (2003). Rights or Identity? Naturalization Processes among “Labor Migrants” in Germany. *International Migration Review*, 37(1), 133–162. <https://doi.org/10.1111/j.1747-7379.2003.tb00132.x>

Doerschler, P. (2006). Push-Pull Factors and Immigrant Political Integration in Germany. *Social Science Quarterly*, 87(s1), 1100–1116. <https://doi.org/10.1111/j.1540-6237.2006.00418.x>

Dustmann, C., Bentolila, S., & Faini, R. (1996). Return Migration: The European Experience. *Economic Policy*, 11(22), 213. <https://doi.org/10.2307/1344525>

Dustmann, C., & Weiss, Y. (2007). Return Migration: Theory and Empirical Evidence from the UK. *British Journal of Industrial Relations*, 45(2), 236–256. <https://doi.org/10.1111/j.1467-8543.2007.00613.x>

- Education Migrants and Their Success in the Turkmen Labor Market. (2023, February 2). *Progres Online*. Retrieved February 21, 2023, from <https://progres.online/en/society/education-migrants-and-their-success-in-the-turkmen-labor-market/>
- Erdal, M. B. (2011). 'A Place to Stay in Pakistan': Why Migrants Build Houses in their Country of Origin. *Population, Space and Place*, 18(5), 629–641. <https://doi.org/10.1002/psp.1694>
- Erdal, M. B. (2013). Migrant Transnationalism and Multi-Layered Integration: Norwegian-Pakistani Migrants' Own Reflections. *Journal of Ethnic and Migration Studies*, 39(6), 983–999. <https://doi.org/10.1080/1369183x.2013.765665>
- Erdal, M. B., & Oeppen, C. (2013). Migrant Balancing Acts: Understanding the Interactions Between Integration and Transnationalism. *Journal of Ethnic and Migration Studies*, 39(6), 867–884. <https://doi.org/10.1080/1369183x.2013.765647>
- Erdal, M. B., & Oeppen, C. (2017). Forced to leave? The discursive and analytical significance of describing migration as forced and voluntary. *Journal of Ethnic and Migration Studies*, 44(6), 981–998. <https://doi.org/10.1080/1369183x.2017.1384149>
- Fernandez-Reino, M., & Sumption, M. (2022, May 9). Citizenship and naturalisation for migrants in the UK. *Migration Observatory*. <https://migrationobservatory.ox.ac.uk/resources/briefings/citizenship-and-naturalisation-for-migrants-in-the-uk/>
- Gathmann, C., & Monscheuer, O. (2020). Naturalization and citizenship: Who benefits? *IZA World of Labor*. <https://doi.org/10.15185/izawol.125.v2>
- Goodwin, J., & Green, A. I. (2008). Revolutions. *Encyclopedia of Violence, Peace, & Conflict*, 1870–1880. <https://doi.org/10.1016/b978-012373985-8.00156-2>
- Haas, H. D. (2021). A theory of migration: the aspirations-capabilities framework. *Comparative Migration Studies*, 9(1). <https://doi.org/10.1186/s40878-020-00210-4>

A Postcolonial Perspective on the Question of Russian NATO membership 1992–1996

Teresa Reilly

KIMEP University, College of Social Sciences

Abay Ave 2, Almaty, Kazakhstan

teresa.reilly@kimep.kz

EXTENDED ABSTRACT

This paper will analyse the deterioration of Russia-NATO relations through a postcolonial lens in order to provide insight into the power dynamics shifting within the international political and security sphere during the early to mid 1990s. Following the immediate collapse of the USSR, the Russian Federation's optimism for its future was on full display. In its burgeoning foreign policy as the Russian Federation, there was openness to eventual NATO membership, and public declarations of support were made by both entities. However, by the mid 90's, NATO membership no longer seemed possible for Russia, who viewed Russia-NATO collaboration as the closest relationship possible. If the liberal West and the Russian Federation had both been open to Russian membership in NATO, what had changed? Why did the Russian Federation move away from seeing NATO membership as compatible with post-Soviet Russia? Membership stopped becoming a possibility for Russia *during* the democratisation transition, and not after, suggesting that Russia's failure to fully democratise was not the factor that caused things to fall apart. States that did end up joining NATO in the 90's had not 'finished' their democratisation process either (albeit they were further along and more enthusiastic than Russia was). Still, Russia had shown a surprising level of optimism regarding its future with NATO, considering its past. While there is discussion as to why Russia did not join NATO from realist, liberalist, and social-constructivist perspectives, discussion from a postcolonial lens on this phenomenon remains slight or non-existent. Therefore, in my paper, I offer a postcolonial perspective on Russia-NATO relations, in order to explain why Russia ultimately rejected NATO membership, and by extension, full acceptance into the Western world order.

This article will be a Single Case Study of the Russian Federation's relations with NATO. It will be factor-oriented and aim to provide further insight into the power relations between the two entities during the early to mid-90's. There has been significant academic investment into the outcomes of this relationship, especially considering the contemporary state of the relations between Russian and NATO. Yet, there lacks in-depth analysis of Russia's perception of NATO in the early to mid 90's as a reflection of not only the ongoing democratization process, but the underlying post-colonial power dynamics between Russia, NATO and the West. The paper will follow a loose chronological structure

beginning in 1992 with the new year, following the formal dissolution of the USSR on the 26th of December 1991. It will end with the resignation of Minister Andrei Kozyrev from the post of Minister of Foreign Affairs and Yeltsin's appointment of Yevgeny Primakov as Kozyrev's successor in early 1996.²¹ Each chapter will focus on a particular development of Russia-NATO relations, aiming to trace the evolution of the relationship and demonstrate shifts in foreign policy goals by the Russian Federation while also considering NATO's perspective.

This paper is situated at the nexus between political science, International Relations, and history, with some consideration toward security studies. This article will contribute to ongoing discussion within IR on the postcolonial nature of Russia and its relations with the West. When it comes to discussion on Russia and NATO, there has been an overwhelming focus on the international tensions and security implications between the two entities, which is often seen as a litmus test for general Russian relations with the West—often from an oppositional perspective. However, this paper will not discuss the relationship from the collapse up until now; instead, it will closely engage with the advent of perceived incompatibility of Russia's formal inclusion into NATO and how postcolonial theory helps explain that view. It aims to contribute to the growing literature on postcolonial perspectives in IR, and outline how this perspective can reveal power dynamics, political and cultural identities regarding Russia and NATO—a relationship of that is only becoming more antagonistic.

²¹ It is important to note that Russia-NATO relations are not generally considered to have deteriorated significantly by this time. The general academic consensus regards the 1999 NATO airstrikes of Kosovo as the 'point of no return' for Russia-NATO relations. However, this paper is concerned with when the possibility of Russia's membership no longer became a possibility, which seems to have happened *much earlier* than 1999, sometime between the Partnership for Peace programme and the appointment of Yevgeny Primakov. At that point, the relationship between Russia and NATO appears to have morphed into a collaborative one, where Russia and NATO would work together, but it was not a relationship that considered Russia's membership a possibility—even long term.

The Impact of Migration on Well-being and Marriage Market: the case of Tajikistan

Manizha Shohnazar

KIMEP

4 Rue de Riom, Clermont-Ferrand, France

Manizha.shohnazar@kimep.kz

ABSTRACT

As globalization increases the mobility of labour force, migration nowadays has become a common and large-scale phenomenon. The number of people leaving Tajikistan for the past few years has dramatically increased, reaching new proportions. The “move” is increasing for economic, political, humanitarian, and other reasons, where men are often the primary migrants. This possesses great impact on income of the household; however, the situation negatively effects on the well-being and marriage market in Tajikistan.

Exploring previous studies on this topic, I have used local representative household surveys of DHS Programs starting from 2017 to observe the trends on this matter. It was discovered that the migration of the head of the family, due to low income in native country has a significant effect on the probability of divorce and decreases the well-being of the family to a certain level. My research findings based on statistical analysis indicate that migration has a great impact on the marriage market and divorce rates, due to which the well-being of the family becomes challenging.

KEYWORDS: labour force, marriage market, divorce rates, well-being

1 INTRODUCTION

External labour migration is a relatively new phenomenon in the Republic of Tajikistan, the emergence of which is due to the events that took place in the newest period of the country's history after independence. The issues of labour migration are very relevant, and their rational solution contributes to stability and a safe stay of labour migrants in new realities. In the Republic of Tajikistan, migration of the population, both external and internal remain in high demand due to high growth rates of population and the limited domestic labour market (Kurbanov, 2013). The study is conducted taking into consideration the process of migration and its effects of the pre-pandemic period.

The main factors behind the push of the labour force from the country to the international market labour are: high level of unemployment; especially structural which is due to the lack of skilled workers, low wages, big gap between the poor and rich, and chronic poverty (Azimov, 2015).

According to the Migration Service under the Government of the Republic of Tajikistan in 2012, the total number of migrants was 877335 people, from those 753328 men and 124007 women. Labour migration of men has a huge impact on the family, given the fact that migration often causes serious

problems for women and family members of the migrant workers. Tajikistan is alarmed by the increase in the number of divorces. Speaking about this phenomenon, experts attribute it to the consequences of labour migration of the male population (Kuddusov, Crestani, Bardak, 2010). Men, leaving to work in Russia, lose touch with their relatives, and often just forget about their wives and children. According to the International Organization for Migration, there are about 14000 women in Tajikistan who were abandoned by their husbands only in 2014, leaving to earn money abroad.

Most female migrant family members face difficulties in the absence of a husband, or if for some reason he ceased to send family money. It is very difficult for women to find a decent job besides working in the agriculture, which is heavy and underpaid. Besides the emotional difficulties there is an increasing in responsibilities of woman after leaving husband (increased workload on raising children, caring for the elderly families and provision of vital functions of the household). The labour migration of men also has a serious impact on the situation of children, including the deterioration of their education and spread of child labour. Studies show that not only 30% of unmarried migrants from Tajikistan marry but also 50% of married men enter into a fictitious marriage (Kurbanov, 2013).

Migration, or moving to a new location, can place a strain on a relationship and can contribute to the breakdown of a marriage. This is particularly true if one spouse is unwilling to move or if the move separates the couple from their support systems, such as friends and family. Additionally, the stresses and adjustments that come with living in a new location, such as finding a new job or adjusting to a different culture, can also contribute to relationship problems. Overall, the relationship between migration and divorce is complex and can depend on a variety of factors.

Divorce can have a significant impact on the financial well-being of a family. The process of divorce often involves the division of assets and debts, which can be a complex and emotionally charged process. It is not uncommon for couples to experience a decline in their standard of living after a divorce, as they may have to adjust to living on a single income or may have to pay for expenses that were previously shared, such as childcare or housing.

Additionally, divorce can have a long-term impact on financial well-being, as it can affect an individual's ability to save for retirement or to provide for their financial needs later in life. For example, a spouse who was not working or who had a lower income during the marriage may have difficulty establishing financial independence after the divorce.

A study published in the *Journal of Marriage and Family* in 2010 used data from the 2002 and 2003 waves of the National Survey of Family Growth in the United States to analyse the relationship between migration and divorce among couples. The authors used a linear regression model to estimate the strength of the relationship between these two variables and found that couples in which one spouse had migrated were more likely to divorce than couples in which neither spouse had migrated (Bumpass, 2010).

Another study published in the *Journal of Population Economics* in 2012 used data from the 1990 and 2000 rounds of the Demographic and Health Surveys in Ghana to analyse the relationship between migration and divorce among couples. The authors used a logistic regression model to estimate the strength of the relationship between these two variables and found that couples in which one spouse had migrated were more likely to divorce than couples in which neither spouse had migrated (Kwabena, 2012).

The Journal of Family Issues in 2016 used data from the Mexican Family Life Survey to analyse the relationship between migration and divorce among couples in Mexico. The authors used a multivariate model to analyse the relationship between these two variables and found that couples in which one spouse had migrated were more likely to divorce than couples in which neither spouse had migrated (Teruel, 2016).

The present research is devoted to the current problem of interrelation between economy and socio-demographic problems. It is hypothesized that the migration of the head of the family, which is caused because of the low-income level has a significant effect on the probability of divorce and decrease in well-being of the family. The research aim is an analysis of the effects of migration into marriage market in general and divorce rates specifically, also an analysis of the well-being of the family of migrants is proposed. My research questions are as follows:

- 1. How migration affects the divorce probability for the whole population?*
- 2. How the structural changes in the family due to divorce can affect the well-being of the family?*

2 LITERATURE REVIEW

Migration has many centuries of history, and for the past two hundred years there has been free mass migration. The reasons for this movement are not a big mystery: today, like two hundred years ago, people are trying to improve their lives. Therefore, theoretical models suggest that there is relative relationship between migration and divorce:

The stress and adaptation model: This model suggests that migration can be a stressful event that can put strain on relationships and lead to an increased risk of divorce. According to this model, couples who migrate may experience stress related to adapting to a new environment, adjusting to different cultural norms, and establishing a new social network. This stress may be particularly pronounced if couples face challenges related to language barriers, discrimination, or difficulty finding employment (Amato, 1980).

The cultural and social exchange model: This model suggests that migration can lead to changes in couples' social and cultural environments that may impact their relationships. According to this model, couples who migrate may be exposed to different cultural norms and expectations regarding relationships and gender roles, which may lead to conflicts or misunderstandings within the relationship. Additionally, couples who migrate may also experience changes in their social network, which may lead to a loss of social support or an increase in social isolation (Everett, 1966).

The selection effect model: This model suggests that couples who migrate may be more likely to divorce because they are more open to change and more willing to take risks. According to this model, couples who migrate may be more open to trying new things and may be more willing to leave behind familiar social and cultural norms. This openness to change may also make them more likely to consider divorce as a way to address conflicts or problems in the relationship (Granovetter, 1985).

In the last two decades, migration has effected the economic trends of the world that lead to develop theories to explain the reasons of migration. One of widely regarded early theorist in this field is Ernest Ravenstein. In his work “Laws of Migration” (1889) he developed the push-pull model of migration. This model differentiates between push factors that drive people to leave home, from pull factors that attract migrants to a new location. Push factors occur within sending states, such as lack of safety, high crime, lack of jobs, poverty, war and etc. While pull factors occur within receiving states, that is, states that receive immigrants from sending states abroad. The reason why people may move to other places can be higher standards of living, labour demand, political and religious freedom, clean environment and others (EASO, 2016).

Many theorists have followed in Ravenstein's footsteps, and the dominant theories in contemporary scholarship are more or less variations of his conclusions. Everett Lee (1966) reformulated Ravenstein's theory to give more emphasis to internal (or push) factors. Lee also outlined the impact that intervening obstacles have on the migration process. He argued that variables such as distance, physical and political barriers, and having dependents can impede or even prevent migration. Lee pointed out that the migration process is selective because differentials such as age, gender, and social class affect how persons respond to push-pull factors, and these conditions also shape their ability to overcome intervening obstacles. Furthermore, personal factors such as a person's education, knowledge of a potential receiver population, family ties can facilitate or retard migration.

Several theories have been developed to treat international patterns of migration on their own terms, but these too are variants of push-pull theory. First, neoclassical economic theory (Sjaastad, 1962; Todaro 1969) suggests that international migration is related to the global supply and demand for labour. Nations with scarce labour supply and high demand will have high wages that pull immigrants in from nations with a surplus of labour. Second, segmented labour-market theory (Piore, 1979) argues that First World economies are structured so as to require a certain level of immigration. This theory suggests that developed economies are dualistic: they have a primary market of secure, well-remunerated work and a secondary market of low-wage work. Segmented labour-market theory argues that immigrants are recruited to fill these jobs that are necessary for the overall economy to function but are avoided by the native-born population because of the poor working conditions associated with the secondary labour market. Third, world-systems theory (Sassen, 1988) argues that international migration is a by-product of global capitalism. Contemporary patterns of international migration tend to be from the periphery (poor nations) to the core (rich nations) because factors associated with industrial development in the First World generated structural economic problems, and thus push factors, in the Third World (Massey, 1993).

Thus, increasingly poorer potential migrants, living farthest from high-wage labour markets, managed to escape from the poverty trap over time. First of all, external labour migration is of great macroeconomic importance for the countries-exporters of the labour force and for the countries of the foreign labour force. The economic consequences of remittances are formed through a number of channels (Umarov, 2010). They are reflected in the reduction of poverty, in the reduction of unemployment, in reducing property inequality among households.

Migration has a big impact on the well-being of the country, however when it comes to consequences of migration the so called “missing men” phenomenon arises (Al-Jazeera, 2013). Most migrants are males; the massive migration has affected the role of women in the family. First, migration creates a gender imbalance in the country. Secondly, it forces women to empower, playing the role of

the head of the family. In case of Tajikistan 80% of the migrants are males, and because of the civil war of 1992-1997 the country is suffering from gender imbalance (IOM, 2009).

For many years, the economy of Tajikistan relies on the remittances of a huge number of labour migrants. However, the continued absence of a large part of the male population leads to the emergence of social problems, such as many divorces and a reduction in household incomes.

3 METHOD AND DATA DESCRIPTION

To analyse the data, we will use STATA output 2011, which is specialized software package for running regressions, statistical analysis, data management and programming. To address the aim of this thesis, a qualitative literature study was made through reviewing theoretical background in the field of effect of migration and divorce issues on economy. The data comes from the Demographic and Health surveys (DHS) for Tajikistan in 2017.

The DHS program is responsible for collecting and disseminating accurate, nationally representative data on health and population in developing countries every 5-7 years. The DHS program uses stratified cluster sampling to select a representative sample of households and individuals for its surveys. We will use the data from variety of respondents in order gather comprehensive information. We will use the individual members survey for women and men aged 18-59 who are selected to participate in the survey based on the certain criteria, such as age, gender, and relationship to the head of the household for a sample of database containing 6036 observations.

The program uses stratified cluster sampling to select a representative sample of households and individuals for its surveys. In stratified cluster sampling, the population is first divided into strata, or subgroups, based on certain characteristics such as geography, socioeconomic status, or other factors that are relevant to the research. Within each stratum, several clusters, or smaller groups of households, are selected at random. The households within each selected cluster are then surveyed.

This sampling method is used because it is often more practical and cost-effective to survey clusters of households rather than individual households, especially in developing countries where infrastructure may be limited. Stratified cluster sampling also helps to ensure that the sample is representative of the population being studied, because the strata are chosen based on characteristics that are relevant to the research and the clusters are selected randomly within each stratum.

As shown in the models mentioned above, migration can affect the relationship in the family and highly affect its structure and well-being. In the cultural and social exchange model, migration can lead to changes in couples' social and cultural environments that may impact their relationships. According to this model, couples who migrate may be exposed to different cultural norms and expectations regarding relationships and gender roles, which may lead to conflicts or misunderstandings within the relationship. Therefore, it can lead to divorce and further decreasing in the well-being of the household.

In the first part to estimate the dependency of divorce and migration we will use the following variables:

Dependent variable:

Among all the variable included in the full database, divorced families were chosen as the dependent variable. DIV – divorced, variable used to describe the current marital status, where if Y=1 divorced, Y=0 others (number of single parents that are divorced).

Independent variables:

MIG – migrant, variable that stands for family with at least one parent being in migration

MEDU – education of the father in the household

WEDU – education of the mother in the household

NCHILD – number of living children in the house

AGE – respondents current age

Model 1:

$$DIV = \beta_1 + \beta_2MIG + \beta_3MEDU + \beta_4WEDU + \beta_5NCHILD + \beta_6AGE \quad (1)$$

. regress DIV MIG MEDU WEDU NCHILD AGE					
Source	SS	df	MS		
Model	146.683265	5	29.336653	Number of obs =	6036
Residual	2354.9052	6030	.390531543	F(5, 6030) =	75.12
Total	2501.58847	6035	.414513417	Prob > F =	0.0000
				R-squared =	0.0586
				Adj R-squared =	0.0579
				Root MSE =	.62493

DIV	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
MIG	.318788	.0167623	19.02	0.000	.2859279	.3516481
MEDU	-.0120407	.0144368	-0.83	0.404	-.040342	.0162606
WEDU	.0187113	.0147223	1.27	0.204	-.0101496	.0475722
NCHILD	-.0062742	.0086692	-0.72	0.469	-.023269	.0107206
AGE	.0033557	.001936	1.73	0.083	-.0004396	.0071509
_cons	.9387261	.0589902	15.91	0.000	.8230842	1.054368

Figure 1: Regression analysis of model 1

The R-square value is 0,0586 and the Root MSE is 0,62493, which means the independent variables explain about 5% of the variance in the response or 5% of Y is explained by X. In general, R-squared is a measure of the proportion of the variance in the response that is explained by the predictors in the model. An R-squared value of 0,05 is relatively low, and it may indicate that the model is not a good fit to the data. However, it is important to consider other factors such as the p-values of the coefficients and the magnitude of the standard errors in order to assess the overall quality of the model. The p-value is the probability of observing the test statistic (in this case, the t-statistic) if the null hypothesis is true. If the p-value in a STATA regression output is equal to 0, it means that the corresponding predictor is significantly associated with the response at the 0,00 level.

In this case, the coefficient for MIG is 0,32, which means that in the households where, at least one member of household is migrated the probability of divorce increase. Therefore:

The variables MEDU and NCHILD have a negative coefficient indicates that there is an inverse relationship between the independent variables and the dependent variable. This means that as the value of the independent variables increases, the value of the dependent variable decreases, and vice versa. Therefore, these variables are 0. Thus, a year increase in the education of the father in the household will decrease the divorce by 0,012 and 1 increase in number of children, it decreases the level of divorce by 0,006.

More interestingly, however, if an increase in year of education for mother in the household will increase the divorce by 0,019. So, the more educated is the mother in the family, the more is the family to the risk of being divorce.

Lastly, it is the age of the respondent, so a 1-year increase in the age will increase the divorce by 0,003 units.

For estimation of the dependency of divorce on the income of the family and its well-being, we must run simple OLS in STATA by choosing the income per capita as the dependent variable.

Dependent variable:

WEL – is the wealth index of the household combined; smaller numbers indicate less income

Independent variables:

MIG – migrant, variable that stands for family with at least one parent being in migration

DIV – variable that is used to describe divorced migrant families, number of single parents that are divorced

MEDU – education of the father in the household

WEDU – education of the mother in the household

AGE – respondents current age

Model 2:

$$WEL = \beta_1 + \beta_2MIG + \beta_3DIV + \beta_4MEDU + \beta_5WEDU + \beta_6AGE \quad (2)$$

. regress WEL MIG DIV MEDU WEDU AGE						
Source	SS	df	MS			
Model	887.670466	5	177.534093			
Residual	11656.5674	6030	1.93309576			
Total	12544.2379	6035	2.07858126			
					Number of obs =	6036
					F(5, 6030) =	91.84
					Prob > F =	0.0000
					R-squared =	0.0708
					Adj R-squared =	0.0700
					Root MSE =	1.3904
	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
MIG	-.1750694	.0383814	-4.56	0.000	-.2503107	-.0998282
DIV	.0411664	.0286498	1.44	0.151	-.0149974	.0973302
MEDU	.4424215	.0321084	13.78	0.000	.3794777	.5053654
WEDU	.3025058	.0322406	9.38	0.000	.2393027	.3657089
AGE	-.0274437	.0034058	-8.06	0.000	-.0341203	-.0207671
_cons	2.307111	.1334032	17.29	0.000	2.045593	2.568629

Figure 2: Regression analysis of model 2

The results of the table show linear regression with our two predictors and one response variable. The F-statistics for the model is 91,84 with the probability of 0, which means the model is significant at the 0,00 level, indicating the predictors are able to explain a significant amount of the variance in the response. The R-squared is 7% of the variable WEL is explained by the regression.

So, the variable MIG is negative, which means it is inversely related to the dependent variable. In the households with at least one member of household migrated, thus will decrease the financial health of the family by 0,17 units.

However, 1 unit increase in divorce could increase the financial health of the family by 0,04 units.

A 1-year increase in the education of man in the household increases the wellbeing by 0,44 units and accordingly a year increase in the education of woman in the household increases the wellbeing by 0,30 units.

And lastly, one year increase in the age of the respondent decrease the wellbeing by 0,02.

The two hypotheses here shown the probability of divorce that is of dependency on migration, also we defined how the well-being of the family depends on the migration. Based on the outcomes, it is necessary to give relative conclusion and discuss the findings.

4 DISCUSSION AND CONCLUSION

The main goals of this study were to understand the migration process and to examine how marriage practices are affected by migration. Both qualitative and quantitative data were collected through field, as well as through the review of secondary sources such as books, articles, and the internet. This study was conducted within the constraints of limited resources and focused on the themes of migration, divorce, and well-being, in order to achieve its objectives.

This study found that the main reason people migrate is to improve their quality of life. The "pull" factors of the destination, such as access to education, healthcare, and employment, and the "push" factors of the origin, such as natural disasters, conflict, and a lack of resources, are the dominant forces driving migration. However, a lack of access to basic necessities such as healthcare, education, and employment is also a key factor that prompts people to leave their homes.

The generated model evidences the effect of migration on the divorce and well-being of the family in Tajikistan. Our results reflect that there is a significant effect based on the outcomes we have received. That is, if a member of the family is in migration it can contribute to the risk of divorce and in a long run can worsen the financial health of the family. The findings suggest that the diversity of partnership dynamics among immigrant groups is influenced by a range of factors. There were found some evidence to support each of these hypotheses. For example, the rates of divorce among many immigrant groups may be due to the disruption of family life that results from migration, as well as the stress and exposure to new social norms that migration can bring.

REFERENCES

- Aydemir, A., C. Robinson (2008). 'Global labor markets, return and onward migration', *Canadian Journal of Economics* 41: 1285–1311.
- Azimov, A. (2015). 'Some ways of improvement of regulations of migrational processes in Tajikistan', *Cyberleninka*, 65.240.7: 3-4.

- Bumpass, L., (2010). 'National Survey of Families and Households', *Journal of Marriage and Family*, 3: 12-15.
- Dollar, D., Gatti, R. (1999), 'Gender inequality, income and growth. Are good times good for women?', *The World bank development research group/poverty reduction and economic management network*, 1: 1-42.
- Djajić, S. (2008). 'Immigrant parents and children: An analysis of decisions related to return migration', *Review of Development Economics* 12: 469–485.
- Dustmann, C., Y. Weiss (2007). 'Return migration: Theory and empirical evidence', *British Journal of Industrial Relations* 45: 236–256.
- East 101, (2013). 2013. 'Tajikistan's missing men', *Aljazeera*. Available at: www.aljazeera.com. Last accessed: 24th November, 2022.
- European Asylum Support Office, (2016). 'The push and pull factors of asylum-related migration', *International Organization of Migration*,: 10-15.
- Everett, (1966). 'A theory of migration', *Population Association of America*, 3.1: 47-59.
- Hill, J. (1987). 'Immigrant decisions concerning durations of stay and migratory frequency', *Journal of Development Economics* 25: 221–234.
- Kuddusov, J., Crestani, F., Bardak, U., (2010). 'Migration survey. Migration and skills in Tajikistan', *ETF*,: 19-25.
- Kurbanov, S., (2013). 'Gender shape of labor migration in the Republic of Tajikistan' *Agency for statistics under the President of the Republic of Tajikistan*,: 4-7.
- Kwabena, E., (2012). 'Trends in total fertility rate in Ghana by different inequality dimensions from 1993 to 2014', *BMC Women's Health*, 49: 2-10
- Malyuchenko, I., (2015). 'Labor migration from Central Asia to Russia: economic and social impact on the societies of Kyrgyzstan, Tajikistan, and Uzbekistan', *Norwegian Institute for International Affairs*,: 10-13.
- Massey, S., Joaquin A., Graeme H., Ali K., Pellegrino A., Taylor J. (1993). 'Theories of international migration: a review and appraisal', *Population council*, 19: 36-40.
- Nivalainen, S. (2004). 'Determinants of family migration: Short moves vs. long moves', *Journal of Population Economics* 17: 157–175.
- Poletaev, D., (2013). 'The relationship of labor migration to Russia and divorces in the Central Asian counties', *UKAID*,: 4-12.
- Ravenstein, G., (1889). 'The laws of Migration', *Journal of statistical society of London*, Available at: www.cla.umn.edu. Last accessed: 14th July, 2022.
- Teruel, G., (2016). 'The Healthy Migrant Effect: New Findings From the Mexican Family Life Survey', *American Journal of Public Health*, 98(1): 78-84.
- Umarov, Kh., (2010). 'Tajik labor migration and the global financial crisis: reasons and consequences', *International Organization for Migration*,: 11-33.

Civil Society and NGOs in Kazakhstan and Uzbekistan: A Critical Review of Progress and Challenges

Aynura Aytmuratova

KIMEP University

Kraslavas, 27, Latvia, Riga

aynura.aytmuratova@kimep.kz

ABSTRACT

This article provides an overview of the civil society and NGO sector in Kazakhstan and Uzbekistan. It looks at the background and stages of development of CSO in various nations, the legislative frameworks that govern the industry, and the opportunities and difficulties that civil society faces. While the two nations face similar issues with restrictive legislation and political pressure, the comparison reveals that Kazakhstan has a more robust and varied civil society component than Uzbekistan. Nonetheless, both nations have room for improvement and development in a number of areas, including lobbying and cooperation with foreign allies. In conclusion, this paper emphasizes the crucial part that NGOs and civil society organizations play in advocating for democracy, human rights, and social welfare in Central Asia.

KEYWORDS: Kazakhstan, Uzbekistan, civil society, NGO, legal framework, challenges, opportunities, development, overview, historical background

INTRODUCTION

The promotion of democracy, human rights, and sustainable development is a major task for non-governmental and civil society organizations (CSOs) in many nations. The civil society and NGO sectors have been developing in distinct ways in Kazakhstan and Uzbekistan in Central Asia, influenced by their respective historical settings, political environments, and legal systems.

Being former Soviet republics, Kazakhstan and Uzbekistan have a history of authoritarian, centralized government that has hampered the development of a free civil society throughout the Soviet era. The political and economic courses taken by both nations after the fall of the Soviet Union in 1991, however, have been distinct, and this has had an impact on how their civil society sectors have developed.

The first ten years of Kazakhstan's independence were characterized by a relatively liberal political and economic climate, which facilitated the creation of a variety of CSOs and NGOs, particularly in the fields of human rights, the environment, and health. Nevertheless, in the 2000s, the government began to exert more control over civil society by passing stringent rules and regulations that restricted NGOs' ability to freely associate and express themselves. As a result, there is less room for independent CSOs and NGOs, particularly those that are critical of the government, and there is an increasing reliance on official financing and support for organizations that share the government's interests.

Contrarily, Uzbekistan under the late president Islam Karimov adopted a more authoritarian and isolationist stance toward civil society, which severely constrained the creation and expansion of

independent CSOs and NGOs. In order to limit the operations and funding of CSOs and NGOs, Karimov's administration enacted a number of laws and policies that were seen as possible threats to both its authoritarian authority and national security.

Nevertheless, since President Shavkat Mirziyoyev took office in 2016, Uzbekistan has started a number of reforms aimed at enlarging the nation's international presence and enhancing the situation with regard to human rights and governance. These changes have included steps to loosen the legal restrictions on CSOs and NGOs, such making the registration process simpler and enabling foreign funding. The number and variety of CSOs and NGOs have increased as a consequence, while there is still little room for critical voices in Uzbekistan.

CSOs and NGOs in Kazakhstan and Uzbekistan have contributed significantly to the social, economic, and political growth of their nations despite the difficulties and limitations they have encountered.

The purpose of this article is to present an overview and comparison of the CSO/NGO sectors in Kazakhstan and Uzbekistan, with an emphasis on their historical history, legal systems, present conditions, difficulties, and potential.

HISTORICAL BACKGROUND OF CIVIL SOCIETY IN KAZAKHSTAN AND UZBEKISTAN

Both Kazakhstan and Uzbekistan, civil society and the nongovernmental organization (NGO) sector have a complicated history formed by their Soviet past and subsequent independence. NGOs were almost nonexistent and civil society was highly limited and controlled by the state throughout the Soviet era. Any attempt to organize social or political affairs outside of the control of the state was met with harsh punishment.

In Kazakhstan and Uzbekistan, the formation of civil society was significantly influenced by the Soviet heritage. There was limited possibility for the emergence of civil society under the Soviet administration since it was governed through a centralized structure. Every independent political or social activity was repressed, and the only permitted political party was the Communist Party. As a result, there was little civic participation, and the civil society remained fragile and undeveloped.

Since independence, both countries have undergone significant changes in their political and social systems. The development of civil society and NGO sectors in Kazakhstan and Uzbekistan has been marked by significant milestones and events over the years. Both countries have undergone significant political and economic changes since gaining independence from the Soviet Union, and these changes have had a profound impact on the development of civil society and NGO sectors.

In Kazakhstan, the government began to encourage the development of civil society organizations in the mid-1990s. The Law on Non-Governmental Organizations was passed in 1995, which provided legal recognition and protection for NGOs. This led to a significant increase in the number of registered NGOs, which grew from 10 in 1990 to over 12,000 in 2016 (USAID, 2018).

In Uzbekistan, the situation was different. Under President Islam Karimov, who ruled from 1989 to 2016, the government was highly authoritarian, and civil society organizations were tightly controlled. NGOs were required to register with the government and were subject to strict regulation. However, since the election of President Shavkat Mirziyoyev in 2016, there has been a significant shift towards greater openness and liberalization. The government has taken steps to reform the legal framework for NGOs and to encourage their development.

Development of Civil Society and NGO Sectors in Kazakhstan

Stage 1 (1991-1999): The early 1990s marked the emergence of NGOs in Kazakhstan, following the country's independence from the Soviet Union. The government of Kazakhstan initially viewed civil society organizations with suspicion, and it was not until 1995 that a law on public associations was adopted, providing a legal framework for the registration and operation of NGOs. During this stage, the focus of NGOs was primarily on humanitarian aid, education, and environmental issues (Chen, 2009).

Stage 2 (2000-2005): In the early 2000s, the civil society sector in Kazakhstan continued to grow, with a focus on human rights, good governance, and environmental issues. The government introduced new laws to promote transparency, including the Law on Public Procurement and the Law on Access to Information. The United States Agency for International Development (USAID) and the United Nations Development Programme (UNDP) provided support for capacity building and advocacy efforts. In 2004, the Kazakhstan Union of Lawyers and the Association of NGOs were established to represent the interests of civil society organizations in the country (ICNL, 2014).

Stage 3 (2006-2010): During this period, the Kazakhstani government began to take a more cautious approach to civil society. In 2009, the government adopted a new law on public associations that increased state control over NGOs and imposed restrictions on their activities. The government also targeted human rights activists and civil society organizations critical of its policies. Despite these challenges, civil society in Kazakhstan continued to be active, particularly in the areas of environmental protection and social welfare (ICNL, 2014).

Stage 4 (2011-2019): The government began to take a more positive view of civil society during this period, introducing laws to promote public participation and social accountability. In 2012, the Law on Charity was adopted, providing a legal framework for charitable activities and encouraging the development of volunteerism. The government also launched the "100 Concrete Steps" program in 2015, which included measures to support the work of NGOs and increase public participation in decision-making. However, the government continued to restrict freedom of expression and association, and civil society organizations faced challenges related to access to funding and resources (Freedom House, 2021).

Stage 5 (2020-2021): The COVID-19 pandemic had a significant impact on civil society in Kazakhstan, with many organizations shifting their focus to providing humanitarian assistance to those affected by the pandemic. The government provided financial support to NGOs working on COVID-19 response efforts, and civil society organizations played an important role in monitoring the government's pandemic response. However, there were also concerns about restrictions on freedom of speech and the targeting of civil society organizations critical of the government (Freedom House, 2021).

In Kazakhstan, the government has played a significant role in fostering the development of civil society, particularly in the areas of social welfare and environmental protection. International organizations such as USAID and the UNDP have also played a crucial role in supporting civil society organizations and building their capacity. Local communities have been active in advocating for their rights and organizing grassroots movements, particularly around environmental issues. However, civil society in Kazakhstan continues to face challenges related to restrictions on freedom of speech and limited access to funding and resources.

Development of Civil Society and NGO Sectors in Uzbekistan

Stage 1 (1991-2001): Following Uzbekistan's independence from the Soviet Union, the government began to take steps to support the development of civil society. In 1992, a law on public associations was

adopted, providing a legal framework for the registration and operation of NGOs. During this stage, the focus of NGOs was primarily on humanitarian aid, health care, and education. However, the government maintained strict control over civil society organizations, and there were concerns about restrictions on freedom of association and expression (ICNL, 2014).

Stage 2 (2002-2006): In the early 2000s, the Uzbekistani government introduced a series of laws to promote transparency and accountability, including the Law on the Protection of Private Property and the Law on State Procurement. International organizations such as the UNDP and the European Union provided support for civil society organizations, particularly in the areas of human rights and governance. However, the government continued to restrict freedom of expression and association, and there were concerns about the harassment and persecution of human rights activists (ICNL, 2014).

Stage 3 (2007-2016): During this period, the Uzbekistani government became increasingly hostile towards civil society organizations critical of its policies. In 2012, a new law on NGOs was adopted, increasing state control over their activities and imposing restrictions on their ability to receive foreign funding. Human rights activists and civil society organizations faced harassment, intimidation, and imprisonment. Despite these challenges, civil society in Uzbekistan continued to be active, particularly in the areas of environmental protection and social welfare (Freedom House, 2021).

Stage 4 (2017-2020): In 2016, Uzbekistan underwent a political transition following the death of President Islam Karimov, and a new government led by President Shavkat Mirziyoyev took power. The new government signaled a more positive view of civil society, with President Mirziyoyev calling for greater transparency and accountability in government. The government adopted a series of laws to promote civic participation, including the Law on Public Hearings and the Law on Public Councils. International organizations such as the UNDP and the World Bank provided support for capacity building and advocacy efforts. However, civil society organizations continued to face challenges related to restrictions on freedom of expression and the ability to operate independently (Freedom House, 2021).

Stage 5 (2021-Present): The COVID-19 pandemic had a significant impact on civil society in Uzbekistan, with many organizations shifting their focus to providing humanitarian assistance to those affected by the pandemic. The government provided financial support to NGOs working on COVID-19 response efforts, and civil society organizations played an important role in monitoring the government's pandemic response. However, there were also concerns about restrictions on freedom of expression and the targeting of civil society organizations critical of the government (Freedom House, 2021).

In Uzbekistan, the government has played a significant role in fostering the development of civil society, particularly in the areas of social welfare and environmental protection. International organizations such as USAID and the UNDP have also played a crucial role in supporting civil society organizations and building their capacity. Local communities have been active in advocating for their rights and organizing grassroots movements, particularly around environmental issues. However, civil society in Uzbekistan continues to face challenges related to restrictions on freedom of speech and limited access to funding and resources.

The development of civil society and the NGO sector in Kazakhstan and Uzbekistan has been shaped by their Soviet legacy and subsequent independence. Both countries have made significant progress in recent years, but there are still many challenges facing the sector.

[Kazakhstan.](#)

In Kazakhstan, there is a legal framework for the establishment and operation of CSOs and NGOs, which is outlined in the Law on Non-Profit Organizations (NPOs) of 1998, as amended in 2016 (Law of the Republic of Kazakhstan, 1998; Law of the Republic of Kazakhstan, 2016). The law regulates the registration, funding, and activities of NPOs and is aimed at creating an enabling environment for their operation.

To establish an NPO in Kazakhstan, the organization must register with the Ministry of Justice. The registration process is straightforward and involves submitting the organization's charter, a list of founding members, and the registration fee (Ministry of Justice of the Republic of Kazakhstan, n.d.). Once registered, NPOs are granted legal status and can operate freely. However, the law imposes some restrictions on NPOs' activities, such as limiting their involvement in political activities, which is prohibited under the law (Law of the Republic of Kazakhstan, 1998; Law of the Republic of Kazakhstan, 2016).

The Law on NPOs also regulates the funding of NPOs in Kazakhstan. It requires all NPOs to disclose their funding sources to the Ministry of Justice, which maintains a public registry of all registered NPOs and their funding sources (Law of the Republic of Kazakhstan, 1998; Law of the Republic of Kazakhstan, 2016). The law prohibits foreign funding of NPOs involved in political activities. NPOs that receive foreign funding must report the source and amount of funding to the Ministry of Justice (Law of the Republic of Kazakhstan, 1998; Law of the Republic of Kazakhstan, 2016).

The law also provides for tax exemptions for NPOs. Registered NPOs are exempt from corporate income tax, value-added tax, and customs duties on imported goods used for their activities. However, they are required to pay social security taxes for their employees (Law of the Republic of Kazakhstan, 1998; Law of the Republic of Kazakhstan, 2016).

The Law on NPOs also provides for the dissolution of NPOs. NPOs can be dissolved voluntarily by their members or by court order if they violate the law or their charter. The law also allows the Ministry of Justice to suspend or revoke the registration of NPOs that violate the law or engage in activities that pose a threat to national security or public order (Law of the Republic of Kazakhstan, 1998; Law of the Republic of Kazakhstan, 2016).

Despite the legal framework for the operation of NPOs in Kazakhstan, some organizations face challenges in their operation. There have been cases of NPOs facing harassment and restrictions on their activities by the government. For example, in 2018, the Ministry of Justice suspended the registration of the Kazakhstan International Bureau for Human Rights and the Rule of Law for alleged violations of the law (United States Department of State, 2021).

To address these challenges, the government of Kazakhstan has taken steps to engage with civil society organizations. In 2019, the government established the National Council of Public Trust, a platform for dialogue between the government and civil society organizations. The council aims to promote cooperation and dialogue between the government and civil society organizations on issues of mutual concern (National Council of Public Trust, n.d.).

Kazakhstan has a legal framework for the establishment and operation of NPOs. The Law on NPOs provides for the registration, funding, and dissolution of NPOs and is aimed at creating an enabling

environment for their operation. However, despite the legal framework, there have been challenges to the operation of NPOs in Kazakhstan. To address these challenges, the government has taken steps to engage with civil society organizations

Uzbekistan.

The Law on Non-governmental Non-profit Organizations (NNOs) in Uzbekistan was adopted in 1998 and has been amended several times since then to reflect changes in the legal and regulatory environment for non-profit organizations in the country (National Association of Non-Governmental Non-Profit Organizations of Uzbekistan, 2021). The law provides a legal framework for the establishment and operation of NNOs in Uzbekistan, including the procedures for registration, the rights and obligations of NNOs, and the mechanisms for oversight and control of their activities.

Under the law, NNOs are defined as non-commercial organizations established by citizens or legal entities to pursue social, charitable, cultural, educational, scientific, environmental, human rights, or other socially useful goals. NGOs can be created in the form of public associations, foundations, and institutions (National Association of Non-Governmental Non-Profit Organizations of Uzbekistan, 2021).

To register an NNO, the organization must submit an application to the Ministry of Justice, which must be accompanied by the organization's charter, a list of its founders, and other supporting documents. The law specifies the requirements for the governance structure of NNOs, including the composition of their governing bodies and the procedures for their appointment or election (National Association of Non-Governmental Non-Profit Organizations of Uzbekistan, 2021).

Once an NNO is registered, it is required to submit regular reports to the authorities on its activities and financial operations. NNOs are also subject to inspections by government authorities to ensure compliance with legal requirements. In addition, the law outlines the procedures for the suspension and dissolution of NNOs in cases of non-compliance with legal requirements or violations of the law (National Association of Non-Governmental Non-Profit Organizations of Uzbekistan, 2021).

The law provides for the rights and obligations of NNOs, including the right to engage in activities related to their stated goals and objectives, to receive funding from domestic and international sources, and to participate in decision-making processes at the local and national levels. NNOs are also required to comply with certain regulations related to their financial management, including the maintenance of accounting records and the preparation of financial statements (National Association of Non-Governmental Non-Profit Organizations of Uzbekistan, 2021).

The law also provides for the taxation of NNOs in Uzbekistan. NNOs are exempt from certain taxes, such as value-added tax (VAT), but are still required to pay other taxes, such as income tax, if they generate revenue from their activities. The law also allows for tax deductions for individuals and companies that make donations to NNOs.

In recent years, the legal and regulatory environment for NNOs in Uzbekistan has been evolving, with a number of new laws and regulations being introduced to support the development of civil society and the non-profit sector. For example, in 2019, a new Law on Public Procurement was introduced, which requires public authorities to consider the participation of NNOs in public procurement processes (National Association of Non-Governmental Non-Profit Organizations of Uzbekistan, 2021).

The Regulation on Coordination Between NNOs and Public Authorities in the Implementation of International Grant Projects, also known as Regulation #328, was passed by the Cabinet of Ministers on June 13, 2022. In order to implement international grant projects using funds obtained from foreign governments, international and foreign organizations, citizens of foreign states, or from other persons acting on their behalf, local NNOs and public administration bodies ("national partners") must coordinate their efforts. In order for the national partner to effectively assist a NNO grantee in implementing its grant project and be in charge of creating its implementation plan and overseeing its execution, the Ministry of Justice appoints a public administration body for NNOs involved in each international grant project (ICNL, 2022).

However, there are also some concerns about the legal and regulatory environment for NNOs in Uzbekistan, particularly around the restrictions on freedom of association and the limited space for independent civil society organizations to operate. Human rights activists have raised concerns about the harassment and persecution of NNOs and their members by the authorities, particularly those involved in advocacy work on sensitive issues such as human rights and corruption (Organization for Security and Cooperation in Europe, 2019; Radio Free Europe/Radio Liberty, 2020).

In conclusion, the Law on Non-governmental Non-profit Organizations in Uzbekistan provides a legal framework for the establishment and operation of NNOs in the country and aims to promote the development of civil society and the non-profit sector more broadly. While there are some positive developments in the legal and regulatory environment for NNOs in Uzbekistan, there are also some challenges and concerns that need to be addressed to ensure that NNOs can operate freely and effectively in the country. It is important that the authorities in Uzbekistan continue to work towards creating an enabling environment for civil society organizations to operate, and address the concerns raised by human rights activists and other stakeholders.

THE OVERVIEW OF NGO AND CIVIL SOCIETY SECTOR IN KAZAKHSTAN AND UZBEKISTAN

Kazakhstan. According to the Ministry of Justice of Kazakhstan, as of April 2022, there were 17,044 registered and active NGOs in the country, including public associations, and foundations (Ministry of Justice, 2022).

The distribution of local NGOs by sector or field is quite diverse. The main activities of the civil sector, working under the state social order, are related to the support of socially vulnerable segments of the population, the protection of rights, and youth policy. According to the Ministry of Information and Social Development of the Republic of Kazakhstan, more than 27% of all NGOs work in these areas.

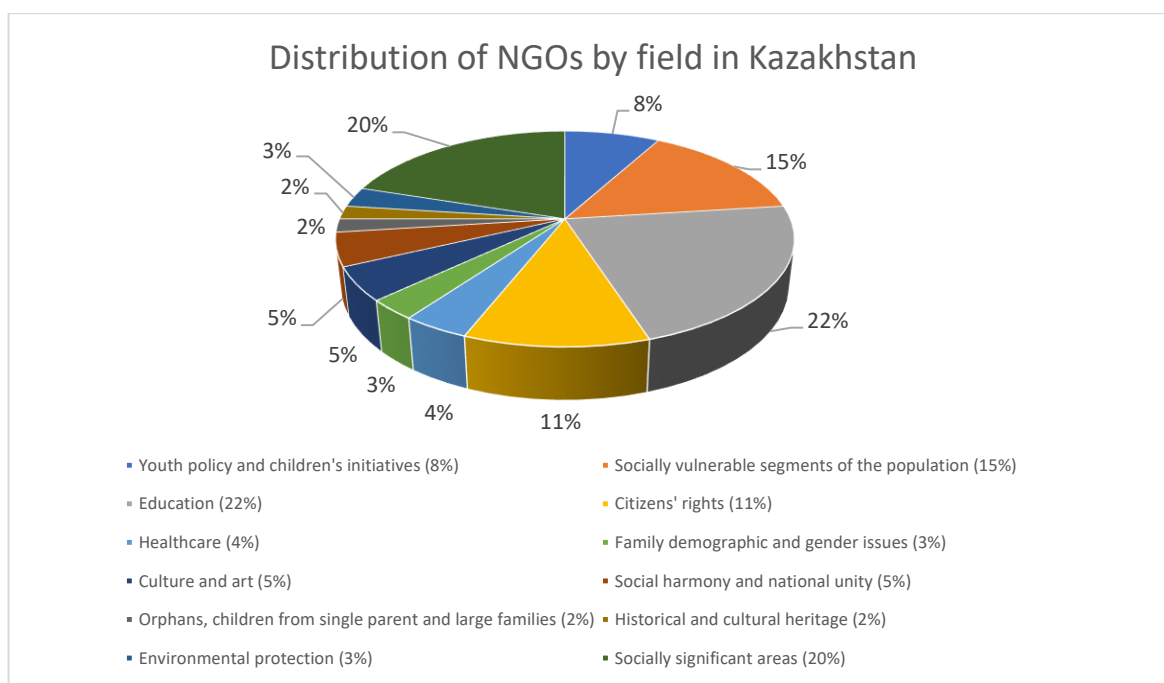


Figure 1. Distribution of NGOs by field of activity. *Data source: Ministry of Justice of Kazakhstan, 2022*

The most common sectors are education (22%), socially significant areas (20%), socially vulnerable segment of population (15%) and citizens' rights (11%) (Ministry of Justice, 2021). These NGOs work on a range of issues, from poverty alleviation to gender equality to environmental protection. Only 3% and 0.5% of NGOs, respectively, take the topics of ecology and the quality of public services as the basis for their activities (Ministry of Justice, 2022).

Apart from the sectoral distribution, local NGOs in Kazakhstan can be categorized into different types based on their legal status, source of funding, and operational scope. The three main types of NGOs in Kazakhstan are non-profit organizations (NPOs), public associations (PAs), and foundations. NPOs constitute the majority of registered NGOs in Kazakhstan, accounting for about 76% of the total number of NGOs (United Nations Development Programme Kazakhstan, 2021).

NPOs in Kazakhstan operate on a non-profit basis and are mostly funded by donations and grants from international organizations, corporations, and individuals. These organizations are governed by the Law on Non-Commercial Organizations, which provides a legal framework for their registration, operation, and dissolution (European Commission, 2021). NPOs in Kazakhstan work in various fields, including social welfare, healthcare, education, and human rights.

The impact of local NGOs in Kazakhstan is significant. These organizations play an important role in promoting social and economic development, strengthening civil society, and advancing human rights and democracy. For example, advocacy NGOs have successfully advocated for legal reforms, such as the adoption of new laws to protect women from domestic violence and to promote transparency in government (USAID, 2018).

Uzbekistan. In Uzbekistan, the number of Non-Governmental Organizations (NGOs) has been growing rapidly in recent years. According to data provided by Ministry of Justice of Uzbekistan, as of January

2023, the number of NNOs registered makes up 10745 that are working across a wide range of sectors and fields.

Local NGOs in Uzbekistan are engaged in various fields or sectors, including social services, human rights, education, environment, health, and culture. According to the data from the Ministry of Justice of Uzbekistan, the largest proportion of local NGOs are engaged in social services (36%), followed by education (19%) and culture and art (17%) (Ministry of Justice, 2021). These local NGOs work towards addressing various issues such as poverty, unemployment, gender inequality, domestic violence, and disability. NGOs mostly work to support entrepreneurship and agriculture (21.2%), sports development (13.7%), and enhancing democratic institutions (9%), among other areas. Since many NGOs are involved in carrying out complicated duties that span numerous fields, it is challenging to provide a strict breakdown of NGOs by area of activity. For instance, more than 65% of women's NGOs work on educational initiatives that cover topics including women's rights, reproductive health, gender education, career development and retraining for women, small business and private entrepreneurship, environmental preservation, etc.

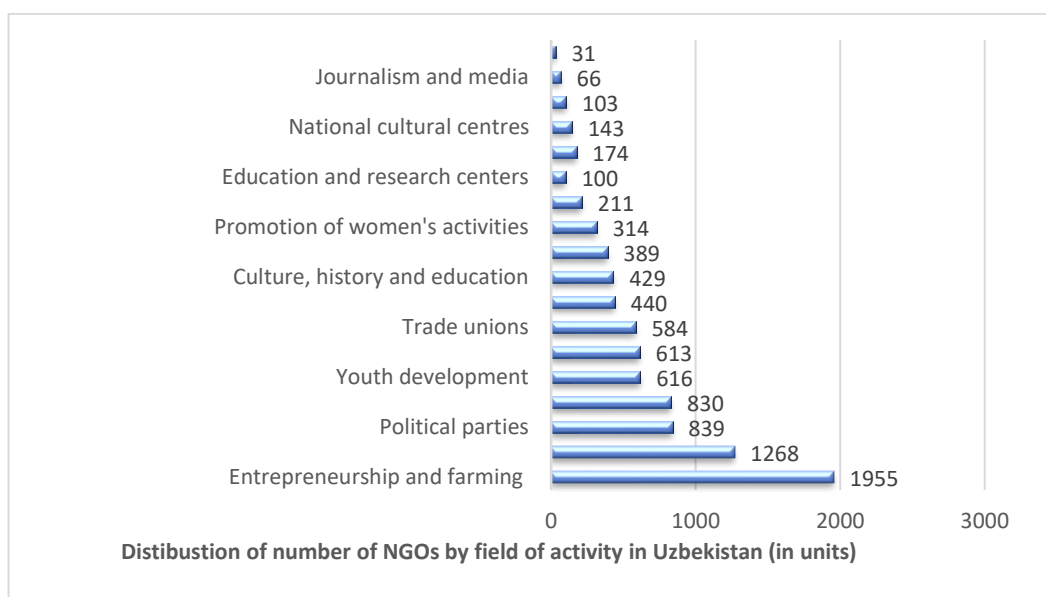


Figure 2. Distribution of NGOs by fields of activity in Uzbekistan. *Data source: The Foreign Policy Centre (FPC), Challenges NGOs in Uzbekistan are still facing, 2020. <https://fpc.org.uk/challenges-ngos-in-uzbekistan-are-still-facing>*

The Ferghana Oblast recorded the highest number, while Navoi Oblast recorded the lowest. The examination of NGOs operating across the nation's regions reveals that not all of the groups registered with the justice authorities are completely operational. There are often 10 to 20 NGOs that have not been active for a while in each region (Shayakubov, 2022).

The impact of local NGOs on society and the country has been significant. Local NGOs have played a crucial role in promoting democracy, protecting human rights, and advocating for social justice. For instance, local NGOs such as the Uzbekistan Human Rights Society, Ezgulik, and the Human Rights Alliance of Uzbekistan have been actively monitoring and documenting human rights abuses and advocating for justice and accountability (Human Rights Watch, 2021). Local NGOs have also been

involved in providing social services to marginalized communities, including the elderly, children, and people with disabilities.

Challenges and opportunities that Civil society sector have in Kazakhstan and Uzbekistan

[The challenges and opportunities faced by civil society sector in Kazakhstan and Uzbekistan.](#)

Despite the progress made, the civil society sector in Kazakhstan and Uzbekistan still faces significant challenges, as well as opportunities for further development.

Kazakhstan. Civil society and NGOs in Kazakhstan face a range of challenges that limit their ability to operate effectively and achieve their goals:

Government interference and pressure on Civil Society Organizations: The government often interferes with the activities of NGOs and pressures them to align with its political agenda. For example, the government has used the Law on Public Associations to dissolve CSOs that criticize state policies or engage in political activities (Iskakova & Sosimbaeva, 2019). In recent years, the government of Kazakhstan has increased its efforts to regulate the internet and social media platforms, which has created new challenges for NGOs and civil society organizations. Online platforms have become an important tool for NGOs to mobilize public support and disseminate information, but increased censorship and surveillance have made it difficult to operate freely online (Hug, 2021). Moreover, the government-organized non-governmental organizations (GONGOs) are created and controlled by the government to mimic the activities of independent CSOs. GONGOs often receive government funding and have close ties with government officials, which gives them an advantage over independent NGOs in obtaining funding and government support (Iskakova & Sosimbaeva, 2019). The presence of GONGOs limits the ability of independent NGOs to operate independently, engage in advocacy, and promote human rights and democracy.

Limited financial sustainability: NPOs face limited financial sustainability due to the lack of diversified funding sources, weak fundraising skills, and the government's restrictive policies on foreign funding. Most of them rely on grants from international donors, such as the United Nations, the European Union, and the US Agency for International Development (USAID) (Iskakova & Sosimbaeva, 2019). However, these funds are often project-based and not sustainable, leaving CSOs struggling to maintain their activities and pay their staff. Additionally, the government's restrictive policies on foreign funding limit the ability of NGOs to seek funding from international sources (Human Rights Watch, 2020).

Lack of capacity building and institutional support: there is a lack of capacity building and institutional support, which limits their ability to develop organizational and management skills, engage in advocacy and public awareness campaigns, and access new technologies. The lack of capacity building and institutional support also limits the ability of to coordinate and collaborate with each other (Ibraeva, 2021).

Limited public trust and awareness of the role of civil society: another difficulty is lack of awareness and limited public trust of their role in promoting social development, democracy, and human rights. The lack of public trust is partly due to the government's negative portrayal of CSOs as foreign agents or enemies of the state (Iskakova & Sosimbaeva, 2019). Additionally, the public perception of NGOs is often limited to charitable activities, such as providing social services, rather than advocacy and civic

activism (Human Rights Watch, 2020). This limited public trust and awareness limit the ability of NGOs to mobilize and engage citizens in social and political issues.

Opportunities:

Growing public demand: There is a growing awareness of the importance of civil society in promoting democratic governance and human rights in Kazakhstan, presenting an opportunity for civil society organizations to mobilize public support and to advocate for greater space for civil society activities (Iskakova & Sosimbaeva, 2019; Sadovskaya, 2019).

Social entrepreneurship and innovation: Another this is growing interest in social entrepreneurship and innovation in Kazakhstan, which presents an opportunity for civil society organizations to explore new ways of addressing social and environmental issues (Davila-Poblete & Urazova, 2021; Sadovskaya, 2019).

It is essential for the government to recognize and support the critical role of CSOs in the country and create an enabling environment that allows them to operate independently and effectively.

Uzbekistan. Rashidova and Tokhtakhodjaev (2018) suggest that civil society in Uzbekistan has faced historical challenges as well, such as the suppression of independent organizations during Soviet rule and the legacy of authoritarianism under former President Islam Karimov.

Legal and Regulatory Challenges: The legal and regulatory environment for NGOs in Uzbekistan remains challenging. The government has restrictive laws and regulations that limit the activities of NGOs, including complicated registration processes and strict reporting requirements. NGOs are required to register with the government, which involves a lengthy and difficult process. Furthermore, the government can revoke registration at any time, making it difficult for NGOs to plan and operate effectively. Additionally, the government has strict laws that regulate NGOs' ability to receive foreign funding, making it challenging for them to sustain their operations. These regulations are often used by the government to suppress the activities of NGOs that are seen as critical of the government. (Ahmedov, 2021; Ismailov, 2019; Yusupov, 2021)

Financial Challenges: NGOs in Uzbekistan face significant financial challenges. The government imposes strict regulations on their ability to receive foreign funding, making it difficult for them to access resources to sustain their operations. Furthermore, the lack of a culture of philanthropy in Uzbekistan means that domestic funding is often limited, and NGOs are forced to rely on international funding. The government has also been known to freeze the assets of NGOs, making it difficult for them to carry out their work. (Ismailov, 2019; The Advocates for Human Rights, 2019; Yusupov, 2021)

Institutional and Organizational Challenges: NGOs in Uzbekistan face institutional and organizational challenges that limit their effectiveness. The lack of a strong civil society tradition in Uzbekistan means that NGOs are often under-resourced and lack the expertise and experience necessary to carry out their work effectively. Many NGOs in Uzbekistan struggle to raise funds and have limited resources, which can make it challenging for them to carry out their activities effectively and limit their impact (Barrie, 2017). Additionally, many NGO leaders and staff in Uzbekistan lack the necessary skills and knowledge to run effective organizations. This can limit the ability of NGOs to carry out their activities and make it difficult for them to attract funding and support (Rakhimova-Sommers & Sommers,

2017). NGOs also face challenges in recruiting and retaining qualified staff, as the government places strict limitations on their ability to operate. (The Advocates for Human Rights, 2019; Ahmedov, 2021; Ismailov, 2019). Lastly, NGOs in Uzbekistan have limited access to training and capacity-building opportunities, making it difficult for them to develop the skills and knowledge they need to operate effectively (Yusupov, 2021).

Societal and Cultural Challenges: Societal and cultural challenges also impact the ability of NGOs to carry out their work effectively in Uzbekistan. There is often a lack of awareness and understanding among the general public about the role and importance of NGOs, which can limit their ability to mobilize support for their work. Additionally, traditional cultural norms in Uzbekistan often prioritize loyalty to the state over individual rights and freedoms, making it challenging for NGOs to advocate for human rights and political freedoms. (Ahmedov, 2021; The Advocates for Human Rights, 2019). Many people in Uzbekistan do not understand the role of NGOs or the value of civil society. NGOs are often perceived as Western-funded organizations that seek to undermine the government, making it difficult for NGOs to gain support from the general public.

Political and Security Challenges: NGOs in Uzbekistan also face political and security challenges that limit their effectiveness. The government is known to suppress political dissent and limit freedom of expression, and NGOs that are seen as critical of the government can face harassment, intimidation, and even arrest. Furthermore, there is a lack of protection for human rights defenders and NGOs, making them vulnerable to attacks by state actors and non-state actors. Finally, the ongoing conflict and instability in neighboring Afghanistan pose security challenges for NGOs operating in Uzbekistan. (Ismailov, 2019; The Advocates for Human Rights, 2019; Yusupov, 2021).

There is also a limited access to information can also be a challenge for NGOs in Uzbekistan, as it can be difficult to obtain accurate and up-to-date information on relevant issues or activities. The government of Uzbekistan has established a number of so-called "GONGOS" (government-organized non-governmental organizations) that are intended to serve as a substitute for independent NGOs. These GONGOS are often given preferential treatment by the government, including access to funding and other resources, while independent NGOs face significant legal and regulatory barriers to operating in the country. Yusupov (2021) notes that GONGOS are often criticized by independent NGOs and civil society activists for their lack of independence and transparency, as well as for their failure to represent the interests of ordinary citizens.

Opportunities NGOs in Uzbekistan:

Despite the numerous challenges facing CSOs and NGOs in Uzbekistan, there are also some opportunities that exist for these organizations. One of the significant opportunities is the increasing interest of the international community in supporting civil society and democratization in Uzbekistan. In recent years, the Uzbek government has made efforts to improve its international image and attract foreign investment, leading to a more open approach towards civil society (Barrie, 2017). This has led to increased support from international organizations, including the United Nations, the European Union, and the United States, which have provided funding and technical assistance to NGOs and civil society groups (Yusupov, 2021).

Furthermore, the current government under President Shavkat Mirziyoyev has implemented several reforms aimed at improving the human rights situation and promoting civil society in Uzbekistan. For example, in 2019, the government adopted a new law on the activities of NGOs, which aimed to simplify the registration process and provide greater protection for the activities of NGOs (Barrie, 2019). Additionally, the government has created a new agency, the Agency for the Development of Civil Society, which aims to provide support and assistance to NGOs and other civil society organizations (Yusupov, 2021).

Lastly, the growing use of technology and social media in Uzbekistan provides an opportunity for NGOs to reach a wider audience and promote their activities. The internet and social media platforms are becoming increasingly accessible in Uzbekistan, and NGOs can use these platforms to raise awareness about their activities and connect with supporters (Rakhimova-Sommers & Sommers, 2017).

The future of civil society both in Kazakhstan and Uzbekistan will depend on the government's willingness to continue these reforms and address the structural challenges that have historically constrained the sector.

Discussion

Kazakhstan and Uzbekistan share a similar historical background and have both experienced significant changes in their political systems since the collapse of the Soviet Union. These changes have had a significant impact on the development of civil society organizations (CSOs) and the legal framework governing their activities in both countries.

In terms of historical background, both Kazakhstan and Uzbekistan have had limited experience with independent civil society organizations prior to independence. During the Soviet era, civil society organizations were tightly controlled by the government, and independent organizations were few and far between. After independence, both countries saw a surge in the number of new organizations, many of which were focused on social and economic issues.

However, the development of civil society organizations in Kazakhstan and Uzbekistan has followed different paths. In Kazakhstan, the CSO sector has developed relatively quickly and has been able to establish a relatively strong presence in society. This can be attributed, in part, to the country's relatively open political system, which has allowed for greater freedom of expression and assembly. In contrast, Uzbekistan has been more restrictive towards the development of civil society organizations, with the government maintaining tight control over the sector.

In terms of the legal framework, both countries have adopted laws regulating the activities of CSOs and NGOs. In Kazakhstan, the Law on Non-Profit Organizations was adopted in 1995, providing a legal framework for the registration and operation of non-profit organizations. In Uzbekistan, the Law on Public Associations was adopted in 1991, and the Law on Non-Governmental Organizations was passed in 1998, providing a legal framework for the registration and operation of NGOs. However, in practice, the legal framework in Uzbekistan has been used to restrict the activities of NGOs, with the government using a range of tactics to harass and intimidate organizations that are critical of government policies.

In terms of the overview of the sector, both countries have a relatively diverse CSO sector, with organizations operating in a wide range of fields, including human rights, the environment, and social

services. In Kazakhstan, the CSO sector is relatively well-established and includes a number of prominent organizations that have played a key role in advocating for democratic reforms and human rights. In Uzbekistan, the CSO sector is less developed, with many organizations operating in a challenging environment characterized by government harassment and restrictions on funding.

Finally, the challenges and opportunities faced by civil society and NGO sectors in Kazakhstan and Uzbekistan are also different. In Kazakhstan, the main challenges facing the sector include restrictions on freedom of assembly and expression, as well as government pressure on independent media outlets. However, there are also opportunities for the sector, including a growing demand for advocacy and service delivery, and a relatively open political system. In Uzbekistan, the main challenges facing the sector include government restrictions on funding, as well as a lack of access to information and limited opportunities for engagement with the government. However, there are also opportunities for the sector, including a growing interest in social issues and a relatively new government that has expressed support for civil society.

In conclusion, while Kazakhstan and Uzbekistan share a similar historical background and legal framework for CSOs and NGOs, the development and current state of their respective sectors are quite different. Kazakhstan has a more developed and diverse CSO sector, while Uzbekistan's sector faces more challenges and restrictions. However, both countries have opportunities for growth and development, and it will be important to continue to monitor the evolution of civil society in these countries in the coming years

CONCLUSION

In conclusion, civil society and the NGO sector play an important role in promoting democracy, human rights, and good governance in Kazakhstan and Uzbekistan. The historical background and stages of development of CSO in both countries have been shaped by their Soviet past, but they have followed different paths in terms of their legal frameworks and levels of government support. Kazakhstan has a more developed legal framework and a higher level of government support for the NGO sector, while Uzbekistan has undergone significant reforms in recent years to improve the legal framework and create a more enabling environment for civil society.

Despite progress made in recent years, both countries face significant challenges in promoting the growth and sustainability of civil society and the NGO sector. Challenges include restrictions on freedom of association and expression, limited funding opportunities, and lack of capacity building and networking. However, there are also opportunities for civil society and NGOs to play a more prominent role in driving social and political change, including through the use of social media and online platforms, engagement with youth and marginalized communities, and collaboration with international partners.

Moving forward, it is important for Kazakhstan and Uzbekistan to continue to prioritize the development of a vibrant and independent civil society and NGO sector. This can be achieved through reforms to legal frameworks, increased funding opportunities, and capacity-building initiatives for civil society actors. Additionally, governments can play a more supportive role in facilitating partnerships between civil society and the private sector, as well as promoting greater collaboration with international organizations and donors. Ultimately, the success of civil society and the NGO sector will depend on the continued commitment of governments, civil society actors, and the broader community to promote democratic values, human rights, and good governance in both countries.

ACKNOWLEDGEMENTS

This article was supported by a Marie Curie Research and Innovation Staff Exchange scheme within the H2020 Programme (New Markets, no: 824027). The authors would like to thank the coordinators at KIMEP, Dublin City University and University of Latvia for their support.

REFERENCES

- Ahmedov, F. (2021). Non-governmental organizations in Uzbekistan: Development, legal and financial challenges. *Global Journal of Human-Social Science: G Linguistics & Education*, 21(1), 1-6.
- Barrie, K. (2017). The Status of NGOs in Uzbekistan. *Journal of International Affairs*, 70(2), 163-174. <https://jia.sipa.columbia.edu/status-ngos-uzbekistan>
- Chen, Y. (2009). Civil Society and the Environment in Kazakhstan: An Overview. *International Journal of Sociology and Social Policy*, 29(7/8), 383-395.
- Davila-Poblete, A., & Urazova, D. (2021). The State of Civil Society in Kazakhstan. Carnegie Endowment for International Peace. <https://carnegieendowment.org/2021/03/16/state-of-civil-society-in-kazakhstan-pub-84014>
- Freedom House. (2021). Freedom in the World 2021: Kazakhstan. Retrieved from <https://freedomhouse.org/country/kazakhstan/freedom-world/2021>
- Freedom House. (2021). Uzbekistan country report. Retrieved from <https://freedomhouse.org/country/uzbekistan/freedom-world/2021>
- Human Rights Watch. (2021). Kazakhstan: Civil Society Under Assault. Retrieved from <https://www.hrw.org/news/2018/10/22/kazakhstan-civil-society-under-assault>
- Human Rights Watch. (2020). Uzbekistan: Authorities Targeting Civil Society. Retrieved from <https://www.hrw.org/news/2018/02/27/uzbekistan-authorities-targeting-civil-society>
- Human Rights Watch. (2020). World report 2020: Kazakhstan. Retrieved from <https://www.hrw.org/world-report/2020/country-chapters/kazakhstan>
- Ibraeva, E. (2021). Civil society in Kazakhstan: Opportunities and challenges. Retrieved from https://www.merics.org/sites/default/files/2021-07/210713_Policy_Paper_Ibraeva_Civil_Society_Kazakhstan.pdf
- International Center for Not-for-Profit Law. (2022). Uzbekistan. <https://www.icnl.org/countries/uzbekistan>
- International Center for Not-for-Profit Law. (2014). Uzbekistan. <https://www.icnl.org/countries/uzbekistan>
- International Center for Not-for-Profit Law. (2020). Kazakhstan. <https://www.icnl.org/research/country/kazakhstan>
- Iskakova, G., & Sosimbaeva, Z. (2019). Challenges and opportunities for civil society in Kazakhstan. *Journal of Eurasian Studies*, 10(1), 1-8.

Ismailov, E. (2019). Challenges for non-governmental organizations in Uzbekistan. CBU International Conference Proceedings, 7, 116-121.

Law of the Republic of Kazakhstan. (1998). On Non-Profit Organizations. <https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/58381/111269/F2106545347/KAZ58381.pdf>

Law of the Republic of Kazakhstan. (2016). On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Issues of Non-Profit Organizations and Socially Responsible Business. <https://www.akorda.kz/upload/LAW%20KAZAKHSTAN%20NO.%20138-VI%20D-06%20EN.pdf>

Law on Non-Governmental Non-Profit Organizations. (1998). Retrieved from http://www.lex.uz/pages/getpage.aspx?lact_id=219370

Law on Non-Governmental Organizations. (1996). Retrieved from http://adilet.zan.kz/rus/docs/Z960000097_

Law on Public Associations. (1991). Retrieved from http://www.lex.uz/pages/getpage.aspx?lact_id=190358

Law on Public Associations. (1995). Retrieved from http://adilet.zan.kz/rus/docs/Z950000019_

Law on Socially Important Activities. (2008). Retrieved from http://adilet.zan.kz/rus/docs/Z080000063_

Ministry of Justice of Kazakhstan. (2021). The number of non-profit organizations in Kazakhstan increased by almost 8,000 in a year. <https://m.egov.kz/m/articles/view/7246?lang=en>

Ministry of Justice of the Republic of Kazakhstan. (n.d.). Non-Profit Organizations. http://adilet.zan.kz/eng/docs/Z980001272_#z10

Ministry of Justice of the Republic of Kazakhstan. (n.d.). Register of NGOs and Public Associations. Retrieved from <https://e-qonaq.kz/en/>

Ministry of Justice of the Republic of Uzbekistan. (n.d.). Procedure for registration of non-governmental non-profit organizations. Retrieved from <https://minjust.gov.uz/en/documents/view/740>

Ministry of Justice. (2021). Registered NGOs. Retrieved from http://www.minjust.gov.kz/eng/activities/nko/nko_registry/

National Association of Non-Governmental Non-Profit Organizations of Uzbekistan. (2021). Legislation. Retrieved from <https://nno.uz/en/legislation/>

National Council of Public Trust. (n.d.). About the National Council of Public Trust. <https://ncpt.gov.kz/en/about-ncpt/>

Organization for Security and Cooperation in Europe. (2019). Human rights defenders raise concerns about Uzbekistan's legal framework for non-governmental organizations. Retrieved from <https://www.osce.org/odihr/415399>

Radio Free Europe/Radio Liberty. (2020). Uzbek rights activists say harassment by state continues. Retrieved from <https://www.rferl.org/a/uzbekistan-rights-activists-say-harassment-by-state-continues/30364745.html>

Rakhimova-Sommers, E., & Sommers, M. (2017). Civil Society and Human Rights in Uzbekistan: Progress and Challenges. *Asia & the Pacific Policy Studies*, 4(3), 427-437. <https://doi.org/10.1002/app5.169>

- Rakhimova-Sommers, Elena & Sommers, Marc (2017). "Civil Society Development in Uzbekistan: Challenges and Prospects". *Journal of Contemporary Central and Eastern Europe*. 25 (1-2): 46-60.
- Rashidova, S., & Tokhtakhodjaev, S. (2018). Civil Society in Uzbekistan: Past, Present, and Future. *Central Asian Affairs*, 5(4), 437-453. doi: 10.1080/22142290.2018.1554491
- Sadovskaya, Y. (2019). *Civil Society in Central Asia: The Role of NGOs in Kazakhstan, Kyrgyzstan and Tajikistan*. Routledge.
- Shayakubov, S. S. (2022). The State of the "Third Sector" in Uzbekistan: Realities and Development Prospects. *International Journal of Special Education*, 37(3), 3556.
- The Advocates for Human Rights. (2019). *Uzbekistan: Briefing paper for the UN Committee against Torture*. Retrieved from https://www.theadvocatesforhumanrights.org/uploads/uzbekistan_shadow_report_on_torture.pdf
- United Nations Development Programme. (2021). *Uzbekistan*. <https://www.undp.org/content/undp/en/home/countryinfo/uzbekistan.html>
- United Nations Development Programme. (2021). *Kazakhstan*. <https://www.undp.org/content/kazakhstan/en/home/operations/projects/non-governmental-organizations>
- United States Department of State. (2021). *Kazakhstan 2020 Human Rights Report*. <https://www.state.gov/reports/2020-country-reports-on-human-rights-practices/kazakhstan/>
- USAID. (2018). *Kazakhstan Civil Society Assessment*. Retrieved from <https://www.usaid.gov/sites/default/files/documents/1860/Civil%20Society%20Assessment%20in%20Kazakhstan.pdf>
- USAID. (2018). *Kazakhstan civil society program*. Retrieved from <https://www.usaid.gov/kazakhstan/civil-society-program>
- USAID. (2020). *Uzbekistan civil society program*. Retrieved from <https://www.usaid.gov/uzbekistan/civil-society-program>
- Yusupov, D. (2019). Challenges NGOs in Uzbekistan are Still Facing. In R. Sabirova (Ed.), *Spotlight on Uzbekistan* (pp. 40-44). London: Foreign Policy Centre.
- Yusupov, D. (2021). Challenges NGOs in Uzbekistan are Still Facing. *CABAR.asia*. <https://cabar.asia/en/challenges-ngos-in-uzbekistan-are-still-facing>
- Yusupov, R. (2021). Legal and institutional challenges facing non-governmental organizations in Uzbekistan. *Asia & the Pacific Policy Studies*, 8(1), 135-148.

Nostalgia and Politics of Memory on Russian Television: A Literature Review

Maryam Agharabi

College of Social Sciences, KIMEP University

Almaty, Kazakhstan

Maryam.Agharabi@kimep.kz

ABSTRACT

Nostalgia for the USSR has been a constant phenomenon in Post-Soviet Russia. Series of survey results over the past decades confirm that even among the younger generation who have had no first-hand experience of the Soviet life, still a significant portion of the population regrets the collapse of the Soviet Union. This suggests that a certain institutionalized narrative of the past is positively influencing the majority of the population's attitude toward the life in the USSR, raising the question of how the modern nostalgic view of the Soviet period is constructed and mediated –a question that falls within the field of cultural memory studies.

While cultural memory is manufactured and transmitted through various media, many scholars of the field believe that television is the most powerful medium for narrating the past to a wide variety of viewers and influencing their cultural memory. It can be added that the implicit nature of politically charged narratives of the past in non-journalistic television content such as movies or TV series elevates them above other genres of televised takes on history, such as historical documentaries or talk shows with explicit political leanings, in terms of their memory-making power.

With this in mind, the aim of this literature review article is to investigate the current state of scholarly work on the memory-making role of television in today's Russia, and to make a case for the need for further inquiries into the dynamics and politics of remembering and forgetting on Russian television, particularly in case of the rather popular, federal, state-affiliated TV channels that can be considered as a constantly evolving strategic lever for promoting a particular vision of the past that reinforces the present political agenda.

KEYWORDS: Politics of Memory, Cultural Memory, Television, Soviet Nostalgia

1. INTRODUCTION: Memory, Nostalgia, Politics

Politics of memory refers to the ways in which societies remember, commemorate, and interpret the past. It involves the selective process of choosing which events and figures are celebrated or condemned, and how they are remembered in public discourse, cultural production, and historical narratives. The ways in which a society's collective memory operates are important because they not only shape a society's collective identity and worldview, reflecting its values, beliefs, and goals, but they also have a significant influence on its present and future. It is because of its socio-political implications and

contribution to the identity, values and goals of a community that collective memory is always a contested site, and memory entrepreneurs ranging from the media to state actors to a variety of interest groups are always at work, competing for a larger share in the *production* of public memory.

While the use of the term *Collective Memory* and studying it as a modern subject of inquiry goes back to the 1920s and the works of Aby Warburg and Maurice Halbwachs (Erl, 2011), it is only thanks to the memory studies boom of the post-1980s that we witness scholars distinguishing between the different ways in which communities of people develop a collective way of remembering. Jan Assmann and John Czaplicka (1995), for example, help us distinguish between communicative memory, as a non-institutionalized form of shared memory that is transferred from one generation to the next mainly in oral form, as opposed to cultural memory, which is institutionalized, and mediated through carriers or sites of memory available to the public (A. Assmann, 2008; J. Assmann, 2008). Unlike communicative memory, cultural memory is the part of collective remembering that does not require the existence of a human narrator or a storyteller from the older generation and is instead mediated by carriers of memory such as novels, monuments, pictures, films, TV productions, and so on (Wijermars, 2019). Cultural memory, in other words, can be defined as a socially constructed and mediated process that involves the production, transmission, and reception of cultural narratives and representations of the past. It is a multidimensional and dynamic phenomenon that is shaped by a range of factors, including social and political institutions, cultural practices, media technologies, and global flows of people and culture. This would also mean that cultural memory is not a fixed entity, but is constantly evolving and contested, subject to ongoing negotiations and struggles over the meanings and significance of past events.

Nostalgia, on the other hand, can be defined as a sense of longing for a narrated or fictitious version of the past, or '*a time that never was*' (Sielke, 2019). Nostalgia is a form of reaction that can occur toward all forms of individual or collective memory. Just as the people can feel nostalgic toward memories of their individual lived experiences, they can develop similar senses about memories of communicative (social) or cultural (mediated) nature. Like memory, the collective sense of nostalgia can also lead to certain social or political outcomes. The other point of difference between memory and nostalgia, according to Oleg Gorbachev, is the intensity of the emotions involved in nostalgia. '*Deep emotions are invoked when a gap exists between the "happy past" and the unsatisfactory present*' (Gorbachev, 2015). In case of Russia, regular surveys have confirmed the persistence of nostalgia among the population for the Soviet period, with respondents citing economic security, a sense of belonging to a great power, and socio-cultural factors such as social trust, closer family ties, and a sense of *being at home* across the Soviet landscape as the main reasons driving this sense of longing for the past (Levada Center, 2021).

2. TELEVISION IN RUSSIA

Not only in Russia, but throughout the world, television has always been one of the most accessible media, widely available, and often free-to-air requiring minimal equipment. In the case of Russia, despite the relative diversification of media consumption patterns over the last decade and the increasing popularity of social media and online platforms, Levada Center's media landscape survey series from multiple years confirms that television remains the primary source of information for the majority of the Russian population, with the older generation strongly leaning toward TV consumption while the younger generations prefer the internet and social media for their source of news. (Levada Center, 2022; Volkov et al., 2021).

But television is not all about the news. Changing the focus from *TV as a news source* to non-journalistic programs, other surveys that have specifically covered film and TV series consumption show that watching films or TV shows is by far the most popular leisure activity among Russians, with 53% of the population reporting that they watch movies and series every day and another 26% doing so at least once a week, bringing the total portion of *regular* film and series viewers to 79% in a hybrid world of online and offline TV (Levada Center, 2019). While online streaming TV has its own unique features and characteristics, such as the ability to watch shows on-demand and without advertisements, it shares many similarities with traditional television, meaning that in terms of cultural implications and for the purposes of this article, watching online streaming TV can be treated as an extension of television viewing culture. Among the younger generations who prefer online platforms, TV productions in the form of films or series are also available on streaming platforms, which are gaining more subscribers year after year in a market dominated by domestic companies and production houses since the departure of Western companies from Russia ²².

Taken together, and regardless of whether they are accessed offline or online, the ability of movies and TV shows to shape collective perceptions and attitudes toward historical events and cultural memory makes them a powerful tool for the political elite. From the viewers' point of view, films and TV series that deal with a bygone era can, as William Guynn says, evoke '*affective dimension of the past*' and the '*atavistic emotions that belong to myth and ritual*' (Guynn, 2016). From the vantage point of the political elite, however, they can be used to influence public opinion and advance political interests, shape public discourse, reinforce certain agendas through the promotion of specific political or social messages and censorship, and suppress or discredit alternative narratives. Many scholars including Oates (2007), Hutchings & Rulyova (2009), Beumers (2009), Hutchings & Tolz (2015), and Wijermars (2019) have noted that since the beginning of Putin's first term in the Kremlin, not only have new restrictive measures against the media been put in place, but there has also been a significant tendency, particularly among the state-affiliated media, to pay more attention to the production of programs about Russia's history, which predominantly offer a narrative of the Tsarist or Soviet past that favors and reinforces the political agenda of the ruling elite. It is also noted that the top-performing, well-budgeted state-influenced TV channels have become increasingly narrower in their political diversity (Oates & McCormack, 2010).

3. CURRENT LITERATURE: Nostalgia, Memory, Power & Television

There are a number of important books written on the subject of television, its role as a top agenda setting medium in Russia, and the Kremlin's relationship particularly with federal TV stations during Putin's presidency that can be considered essential reads for any inquiry into the dynamics of television, power (politics), memory (culture), and nostalgia in Russia.

Among the earlier works, Oates (2007), Mickiewicz (2008), and Oates & McCormack (2010) have discussed the increasingly authoritarian nature of the Kremlin's approach to television in the 2000s, with a focus on the journalistic, news, and political commentary aspects of TV programs. They address a wide range of topics such as media structure and modeling, the increasingly narrow scope of news coverage, censorship of opposition voices on television, intimidation of journalists, and public opinion

²² See Washington Post (2022) and Vedomosti (2022) on Netflix's loss of about a million subscribers caused by its exit from the Russian market, and Rambler&Co. (2022) on a surge in subscriptions to Russian online cinema (streaming) services.

manipulation during election campaigns in the early to mid-2000s. Although none of these works explicitly deal with the question of cultural memory, Ellen Mickiewicz's book, *"Television, Power, and the Public in Russia"* (2008), a major research project with focus groups of 158 participants from four different cities in Russia, includes a chapter on memory of the participants of television in Soviet and Post-Soviet Russia. This is perhaps one of the earliest major studies that notes the intersection of collective memory, nostalgia, and television in Russia, with adult participants that are divided into two focus groups –those who have been young children during the last years of the USSR, and the older generation who have been adults during the collapse of the Soviet Union. Her findings show that the first, younger group, despite having very little first-hand experience (if any), has a very negative attitude toward the Soviet era and recalls the old style of TV programs as the party's loudspeaker, a propaganda machine, filled with themes of censorship and subordination to power. They view Russian television at the time of the survey in a positive light. In contrast, those who have experienced the last years of the USSR as adults, expressed greater feelings of nostalgia, with an emphasis on the economic stability, which appears to have prevailed as a top driver behind Soviet nostalgia until this day.

Hutchings's and Rulyova's book, *"Television Culture in Putin's Russia: Remote Control"* (2009) examines the development of television culture during the first two terms of Vladimir Putin's presidency. The book covers various aspects of development of television culture in Russia, including reception and audience, TV programs, production, distribution, and the fabric of the industry. The authors make it clear from the beginning that their approach to finding the place of Television in Russian society is from a Cultural studies point of view and they are interested in the processes of creating cultural meanings through television. The main puzzle, as they see it, is hidden in the subtitle of the book, "the remote control" – a metaphor for the innate constant negotiation between the two sides of television and how the illusion of control and choice among the viewers is paired with the state's desire for controlling the form, content, messaging, and behavior of the medium. According to them, this has created a situation in which, while the contents of television programs appear increasingly Western and distanced from the Soviet style of the past, the medium as a whole is subject to constant meddling and control from the center(s) of power. With a focus on reception and the viewers and to substantiate this observation, the authors present analyses of several TV programs from journalistic and non-journalistic genres throughout the book. Similarly, Tina Burrett's book, *"Television and Presidential Power in Putin's Russia"* (2011) also focuses on Putin's first two terms as president and his relationship with television, but its case studies are structured around the editorial practices and news coverage of three elections, 2000 and 2004 Presidential elections, and the 2003 State Duma elections, on main federal channels. *Nation, Ethnicity, and Race on Russian Television: Mediating Post-Soviet Difference* (2015) by Hutchings and Tolz continues in the footsteps of Hutchings's and Rulyova's 2009 book in both methodological and theoretical terms. It focuses on the multi-ethnic fabric of the Russian society, the ups and downs of Kremlin's efforts to define Russian-ness as an ethnically inclusive identity, and how this gets reflected on television in a paradoxical way where on the one hand, ethnic diversity is praised as a unique feature of the Russian society, and on the other, issues such as extremism or violence are associated with particular ethnic groups. The 2-year fieldwork based on which the book is written involves interviews with prominent Russian journalists as well as analysis of how issues of identity, ethnicity and religion are dealt with on Television programs, particularly during high times such as 2010 terror attack in Moscow, coverage of protests, presidential elections, and so on.

One important publication by the Russian sociologist Boris Dubin, who for a long time focused on the ways in which memory is constructed and contested in public discourse and how this process shapes

Russia's national identity and political culture, was published around the same time. In *"Russia of the 2000s: Political Culture, Historical Memory, Everyday life"* (2011), Dubin puts forward not only a major analysis of how contemporary Russian society has dealt with its Soviet past during the 1990s and the 2000s, but he also touches upon many important characteristics of the development of national identity in Russia. He points out, for instance, the issue of Russia's relation (or lack of such relations during the later years) with a constitutive *other*, he visits important concepts from cultural trauma studies and looks into how the Russian media's post-2000 obsession with films and serials depicting WWII is pushing for the rise of a new Cold War mentality. This mediated representation, he believes, has cemented the cultural memory of the whole of the Soviet era in the 2000s, meaning that decades of Soviet history have been narrowed down and reduced to the memory of a few *useful* episodes, such as the Great Patriotic War. Based on his experience as a chief researcher at the Levada Center, he points out that many unpleasant episodes from Soviet history seem to have been wiped out of the collective memory of Russian society, and this has left the people longing for a *golden age* manifested in memories of Brezhnev's years –a Utopian image of unity, equality, and happiness. Dubin traces these phenomena back to the works of media and television which he calls a *"soft iron curtain"*, excessive use of memory politics, and the authority of the political elite over media outlets. Interestingly, almost all these concepts are revisited over and again by the other works discussed here, the majority of which are written in English.

"Memory Politics in Contemporary Russia: Television, Cinema, and the State" (2019), Marille Wijermars' work on contemporary Russian memory politics, is the most recent book of this volume that deals with the subjects of power, memory, and media. While most of the aforementioned books (with the exception of Dubin's) mainly focus on form, structure, agenda setting, and the journalistic aspect of TV and the relationship between the Kremlin and news media, this one is a seminal work dealing directly with the themes of cultural memory that focuses on the contemporary mediated image of *Russian statehood* in the past and present, and how the Russian administration under Putin has actively sought to shape a particular narrative of a *Russian style of statesmanship* since the mid-2000s. The book dives deep into four case studies of mythmaking and memory crafting about Petr Stolypin, Aleksandr Nevskii, the Time of Troubles, and Ivan the Terrible. Wijermars' main discussion is on how the media, especially television, paired with political statements and even physical spaces housing new monuments, have been used to create myths and narratives around these four cases. According to her, Russian politics under Vladimir Putin heavily draws on Russian history to justify policy decisions, particularly in the context of portraying a narrative of a *Great Russia* under attack by internal and external forces. Wijermars explores the political implications of historical television programs in Russia, which she argues play a crucial role in shaping people's understanding of history and its relevance to contemporary politics. She concludes from her extensive research that in the case of Putin's administration, the state's legitimacy has been built on historical narratives, the dissemination of which relies on Television more than any other carrier of cultural memory, and therefore, controlling the past and the collective memory of the society has become critical to the state's survival.

To a large extent, the scholarly papers that deal with the nexus of television, power, nostalgia and memory politics in Russia draw from the concepts discussed by Dubin and Wijermars. Stephen Norris's 2007 paper *"Guiding stars"* looks at a defining moment for the post-Soviet cultural memory-making of WWII when Karen Shakhnazarov decided to re-enact the great patriotic war for the silver screen and hired Nikolai Lebedev to direct the 2002 film *Star (Zvezda)* based on Emmanuil Kazakevich's 1947 novella of the same name. The film became a turning point for both Russian cinema and television, as it

led to the production of 15 more films and 8 TV series on WWII within just three years. Norris contends that this relatively swift turn toward re-enacting WWII for the Russian audience indicates a popular desire for a ‘*new sense of national identity*’ paired with a fear of the threat that Western or American culture posed to Russian values –an idea that is also rather extensively covered by Dubin (2011). He notes that the shared image of heroism and the evocation of patriotic nostalgia that is present in all these productions soon coincided with the launch of Zvezda TV channel that was launched to combat ‘*the influence of American pop culture*’ and ‘*soap operas from Mexico and Brazil*’, the rise of Ours (Nashi) youth movement in 2005, and similar examples in which cultural memory and mythopoesis meet a form of national identity building approved by the center of power and enacted through narratives carried by the media. As noted by Petr Kratochvíl and Gaziza Shakhanova (2021), the patriotic turn that began this way in the early 2000s, was perfected with the 2017 draft of the law on patriotic education.

Anatoly Khazanov’s “*Whom to Mourn and Whom to Forget? (Re)constructing Collective Memory in Contemporary Russia*” (2008) deals with the same themes of remembering WWII, Stalinist repression, and the unpleasant aspects of Soviet life, but from the angle of cultural trauma. Khazanov’s analysis of the falling significance of the repression during the Soviet era, and the rising positive views on Stalin, paired with the glamorous, mediated depictions of WWII, is a reminiscence of Dubin’s arguments on the nexus of media, power, and memory and how the post-2000 Kremlin is appropriating the Soviet era through vessels of cultural memory to manufacture public consent and legitimacy for Putin’s style of statesmanship. Khazanov’s contribution to this debate is that he attributes at least a part of this public support to the Russian public’s difficulty in coming to terms with the dark parts of history. He believes that it is not just the master narrative that runs away from objectivity –the Russian public, too, finds it difficult to accept the weight of the past crimes and as such, embraces the redacted, appropriated narrative channeled and received through the media. In a similar fashion, Anna Novikova has covered the aspect of escapism from traumatic memories. In “*Myths about Soviet Values and Contemporary Russian Television*” (2013) she argues that the Russian state strives to create a modern national identity that is based on a mythical narrative of the USSR, and since this creation leaves many questions unanswered, it will, in turn, impede progress and realization of a modern national identity.

Building upon many studies that have pointed to the role of cinema and television in Russia in the revival of patriotic senses, Marlene Laruelle’s “*The “Russian Idea” on the Small Screen: Staging National Identity on Russia’s TV*” (2014) is similar to Novikova (2013) and others who have focused on national identity building on television. Laruelle studies the role of the elite TV channels in national identity debates, and her core argument is that ‘*the tradition, born in the nineteenth century, of discussing the topic of the “Russian idea” (Russkaia ideia) through the genre of publitsistika is now successfully delivered through television*’ (314). She builds a case study around the non-journalistic TV content aired on Rossiia-K (Kul’tura), Zvezda, and Spas TV channels. She contends that although these stations are not the most popular ones in Russia, their niche audiences demand, and receive from them, a rather serious reflection on the question of national identity, and that these channels have successfully *visualized* the Russian idea, transforming it from a written concept into a more appealing, widely available form on the small screen.

Difficulty in coming to terms with a traumatic past is a widely visited subject. “*Nostalgic Modernization: The Soviet Past as ‘Historical Horizon’*” (2013) by Ilya Kalinin is another article that like Khazanov (2008) looks at the collective difficulty among the public in coming to terms with a traumatic past and discusses how the nostalgia for a redacted past gets *recoded* into a new form of Russian

patriotism ‘for which ‘the Soviet’ lacks any historical specificity’. Post-2000s appropriations of the traumatic memory of the Soviet period are also visited by Lisa Ryoko Wakamiya in “*Post-Soviet Contexts and Trauma Studies*” (2011) and by Miguel Vázquez Liñán in “*Modernization and Historical Memory in Russia*” (2012).

Liñán argues that the mediated appropriation of the Soviet past is a part of the modernization toolbox, that requires *invented traditions* as a steppingstone for defining identity and self, and for the society to be able to move forward. He later adds further observations on memory politics and the media in “*Memory wars in Russia: the Kremlin versus Memorial*” (2018) where he studies the battle between the official, appropriated and mediated narrative of the Soviet past and the counter-narrative of Memorial society that pushes for recognition of the victims of repression and their suffering. Later, he applies the earlier findings as a frame of reference in “*A reinterpretation of the Decembrist movement in the film The Union of Salvation*” (2022) where he analyzes the counter-revolutionary discourse of the film *The Union of Salvation* (Soyuz Spasenia).

4. CONCLUSION

The relationship between the political elite, the media, and the public is a complex and dynamic one, particularly when it comes to the production and influencing of cultural memory, and especially through production of implicitly political films and TV shows that deal with the past. In Russia, this relationship has been further complicated by changes in the political scene during the past three decades, and it continues to be so with the war in Ukraine, the growing geopolitical tensions, and de-coupling between Russia and the West.

The production of films and TV series is often closely tied to the interests and agendas of those in positions of power, whether that be the state, corporations, or other influential groups. These interests can shape not only the content of the media produced, but also how it is distributed and consumed, influencing cultural memory in the process. In the case of Russia, this relationship has been particularly fraught, given the high level of political meddling over the media. With recent changes, it will not be surprising for the relationship between power and media to take on a new dimension, that would promote a particular (re)vision of Russian history and culture even further at odds with Western perspectives, or one that would focus on very specific historical events and push for certain narratives, evident in the new wave of war-themed films and TV series produced in 2022 alone. Furthermore, with the growing popularity of streaming services, there is a rising tendency toward the creation of national media ecosystems that are largely independent of Western influence and can offer an interesting new stage for exploring the nexus of power, media, and memory with an emphasis on younger audiences.

Overall, the relationship between the center(s) of power and media in Russia is a complex and evolving one, and one that needs to be constantly reevaluated in light of changing political and social circumstances. This is particularly true in the context of cultural memory, where the production and consumption of media can have a powerful impact on how people understand and interpret history and identity.

Bibliography

- Assmann, A. (2008). Canon and Archive. In A. Erll (Ed.), *Cultural Memory Studies: An International and Interdisciplinary Handbook* (pp. 97–108). De Gruyter.
- Assmann, J. (2008). Communicative and Cultural Memory. In A. Erll, A. Nünning, & S. B. Young (Eds.), *Cultural memory studies: An international and interdisciplinary handbook* (pp. 109–118). Walter de Gruyter.
- Assmann, J., & Czaplicka, J. (1995). Collective Memory and Cultural Identity. *New German Critique*, 65, 125. <https://doi.org/10.2307/488538>
- Burrett, T. (2013). *Television and presidential power in Putin's Russia* (1. issued paperback). Routledge.
- Dubin, B. V. (2011). *Rossiia nulevykh: Politicheskaya kul'tura—istoricheskaya pamyat'—povsednevnyaya zhizn'* [Russia of the 2000s: Political Culture, Historical Memory, Everyday life]. ROSSPĖN.
- Erll, A. (2011). *Memory in culture*. Palgrave Macmillan.
- Etkind, A. (2010). The tale of two turns: Khrustalev, My Car! And the cinematic memory of the Soviet past. *Studies in Russian and Soviet Cinema*, 4(1), 45–63. https://doi.org/10.1386/srsc.4.1.45_1
- Gorbachev, O. (2015). The Namedni project and the evolution of nostalgia in post-Soviet Russia. *Canadian Slavonic Papers*, 57(3–4), 180–194. <https://doi.org/10.1080/00085006.2015.1083358>
- Guynn, W. H. (2016). *Unspeakable histories: Film and the experience of catastrophe*. Columbia University Press.
- Hutchings, S. C., & Rulyova, N. (2009). *Television and culture in Putin's Russia: Remote control*. Routledge.
- Hutchings, S. C., & Tolz, V. (2015). *Nation, ethnicity and race on Russian television: Mediating post-Soviet difference*. Routledge, Taylor & Francis Group.
- Kalinin, I. (2013). Nostalgic Modernization: The Soviet Past as “Historical Horizon.” *Slavonica*, 17(2), 156–166. <https://doi.org/10.1179/136174211X13122749974366>
- Khazanov, A. M. (2008). Whom to Mourn and Whom to Forget? (Re)constructing Collective Memory in Contemporary Russia. *Totalitarian Movements and Political Religions*, 9(2–3), 293–310. <https://doi.org/10.1080/14690760802094917>
- Kratochvíl, P., & Shakhanova, G. (2021). The Patriotic Turn and Re-Building Russia's Historical Memory: Resisting the West, Leading the Post-Soviet East? *Problems of Post-Communism*, 68(5), 442–456. <https://doi.org/10.1080/10758216.2020.1757467>
- Laruelle, M. (2014). The “Russian Idea” on the Small Screen: Staging National Identity on Russia's TV. *Demokratizatsiya The Journal of Post-Soviet Democratization*, 20(2), 313–333.
- Levada Center. (2019). *Serial'nyye budni: Rossiiane korotayut dosug pered televizorom* [Serial weekdays: Russians while away their leisure time in front of the TV]. Levada Center.

- <https://www.levada.ru/2019/07/01/serialnye-budni-rossiyane-korotayut-dosug-pered-televizorom/>
- Levada Center. (2021). *Nostalgiya po SSSR [Nostalgia for the USSR]*. <https://www.levada.ru/2021/12/24/nostalgiya-po-sssr-3/>
- Levada Center. (2022). *Osnovnyye istochniki informatsii rossiyan [The main sources of information for Russians]*. Levada Center. <https://www.levada.ru/2022/11/03/osnovnye-istochniki-informatsii-rossiyan/>
- Liñán, M. V. (2012). Modernization and Historical Memory in Russia. *Problems of Post-Communism*, 59(6), 15–26. <https://doi.org/10.2753/PPC1075-8216590602>
- Liñán, M. V. (2018). Memory wars in Russia: The kremlin versus memorial. *Historia y Comunicación Social*, 23(1), 139–155. <https://doi.org/10.5209/HICS.59837>
- Liñán, M. V. (2022). Memory and counter-revolutionary propaganda in Russia. A reinterpretation of the Decembrist movement in the film *The Union of Salvation*. *IC Revista Científica de Informacion y Comunicacion*, 19, 457–477.
- Mazur, L. (2015). Golden age mythology and the nostalgia of catastrophes in post-Soviet Russia. *Canadian Slavonic Papers*, 57(3–4), 213–238. <https://doi.org/10.1080/00085006.2015.1090731>
- Mickiewicz, E. P. (2008). *Television, power, and the public in Russia*. Cambridge University Press.
- Norris, S. M. (2007). Guiding stars: The comet-like rise of the war film in Putin’s Russia: Recent World War II films and historical memories. *Studies in Russian and Soviet Cinema*, 1(2), 163–189. https://doi.org/10.1386/srsc.1.2.163_1
- Novikova, A. (2013). Myths about Soviet Values and Contemporary Russian Television. *Russian Journal of Communication*, 3(3–4), 280–294. <https://doi.org/10.1080/19409419.2010.10756778>
- Oates, S. (2007). The Neo-Soviet Model of the Media. *Europe-Asia Studies*, 59(8), 1279–1297. JSTOR. <http://www.jstor.org/stable/20451453>
- Oates, S., & McCormack, G. (2010). The Media and Political Communication. In S. White (Ed.), *Developments in Russian politics* (7. ed., pp. 118–134). Palgrave Macmillan.
- Olick, J. K. (1999). Collective Memory: The Two Cultures. *Sociological Theory*, 17(3), 333–348. JSTOR. <http://www.jstor.org/stable/370189>
- Rambler&Co. (2022, December 16). *Issledovaniye Rambler&Co: V 2022 godu u chetverti rossiyan uvelichilos’ kolichestvo podpisok na razlichnyye servisy [Rambler&Co study: In 2022, a quarter of Russians increased the number of subscriptions to various services]*. <https://vc.ru/services/564063-issledovanie-rambler-co-v-2022-godu-u-chetverti-rossiyan-uvelichilos-kolichestvo-podpisok-na-razlichnye-servisy>
- Sielke, S. (2019). Retro Aesthetics, Affect, and Nostalgia Effects in Recent US-American Cinema: The Cases of *La La Land* (2016) and *The Shape of Water* (2017). *Arts*, 8(3), 87. <https://doi.org/10.3390/arts8030087>
- Vedomosti. (2022, July 20). *Netflix soobshchil o potere pochtı 1 mln podpischikov vo II kvartale [Netflix reports loss of nearly 1 million subscribers in Q2]*. <https://www.vedomosti.ru/business/news/2022/07/20/932152-netflix-soobschil-o-potere-pochti-1-mln-podpischikov>

- Volkov, D., Goncharov, S., Paramonova, A., & Leven, D. (2021). *Rossiyskiy medialandshaft -2021: Ispol'zovaniye i doveriye [Russian Media Landscape 2021: Usage and Trust]*. Levada Center. <https://www.levada.ru/2021/08/05/rossijskij-medialandshaft-2021/>
- Wakamiya, L. R. (2011). Post-Soviet Contexts and Trauma Studies. *Slavonica*, 17(2), 134–144. <https://doi.org/10.1179/136174211X13122749974285>
- Washington Post. (2022, April 20). *Netflix shares tank 35% after it posts 1st subscriber loss in a decade*. <https://www.washingtonpost.com/world/2022/04/20/netflix-loses-subscribers-russia/>
- Wijermars, M. (2019). *Memory politics in contemporary Russia: Television, cinema and the state* (First edition). Routledge/Taylor and Francis Group.

LEGAL ANALYSIS OF FACTORS, TYPES OF CORRUPTION AND ANTI-CORRUPTION MEASURES IN THE JUDICIARY IN KAZAKHSTAN

Olga Didenko, LLM Program

The School of Law,
KIMEP University, Almaty Kazakhstan
olga.didenko@kimep.kz

ABSTRACT:

SINCE 2010, IN KAZAKHSTAN, MORE THAN 30 JUDGES, INCLUDING JUDGES OF THE SUPREME COURT OF THE REPUBLIC OF KAZAKHSTAN, HAVE BEEN SENTENCED FOR CORRUPTION CRIMES – BRIBERY, FRAUD, ABUSE OF DUTIES, FORGERY OF COURT DOCUMENTS AND EXTORTION. EXPECTATIONS FROM SOCIETY AND THE LEGAL COMMUNITY FROM THE COURT SYSTEM IN THE STATE ALWAYS RELATE TO JUSTICE, FAIR TRIAL, AND PROTECTION OF ORDINARY CITIZENS FROM ILLEGAL ACTIONS OF GOVERNMENTAL AGENCIES AND THIRD PARTIES. PROTECTION OF HUMAN RIGHTS AND FREEDOMS WOULD NOT BE POSSIBLE WITHOUT THE CONSCIENTIOUS COURT SYSTEM. LOGIC INDICATES THAT “A POORLY ORGANISED AND/OR UNDERACHIEVER JUDICIAL SYSTEM SHOULD BE ASSOCIATED WITH HIGHER LEVELS OF CORRUPTION” (URRIBARRÍ, N.D., P. 89)

In this article, I have analysed three types of factors which can be caused corruption among judges – political, institutional and personal, and classified corruption crimes of judges (it is not only bribery) and analysed anticorruption measures in the judiciary in Kazakhstan. Data for analysis was collected from criminal cases and expert’s interviews.

The main finding of my research focused on one predominant political factor as a reason for judges' corruption: the dependence of the judiciary on the executive branch of power. Other findings are related to the moral choice of judges in the dependent system and the weak anti-corruption measures in the judiciary in Kazakhstan. Corrupt behaviour of judges leads to many offences, such as active and passive bribery, abuse of power, extortion, fraud and official forgery. As a result, corruption in the judiciary decreases the trust of citizens in a fair trial and makes the protection of human rights, justice and democratic reforms problematic.

Key words: *corruption, anticorruption reforms, the judicial sector, integrity, impartiality, independence*

I. INTRODUCTION

This research explores corruption in the judicial system, its causes, types, means, purposes, and effects in Kazakhstan, a country in the Central Asia region. The main characteristics of the current political regime are a transition process from an authoritarian regime to a parliament democracy, the lack of political opposition, a strong vertical of the presidential power, and restriction of political and civil human rights (freedom of the peaceful assembly, freedom of expression, speech and access to public information, freedom to the association, etc.) (Satpayev, 2014)

At least two aspects matter for comprehension of the causes, types and effects of corruption in the judiciary. The first one is the political landscape for the functioning of the court system, and the second aspect is the belief in the importance of the integrity of judges and other actors of the judiciary. The political landscape considers to what extent the judicial system will be independent of the influence of political power, elites and administration. (Ginsburg & Moustafa, 2008a, 2008b; Moustafa, 2014)

The second aspect mentioned above is integrity as a vital element of judges' honesty, trustworthiness and dignity during their service to society. In authoritarian countries, when judges are appointed by the government or the head of the State, these values are not demanded. Nevertheless, during the transitional process, when the control of the judicial system from the executive power decreases, integrity, moral values and professional qualification become the primary grounds for the appointment of judges and their service (Wallace, 1998).

The research aims, objectives and questions

Based on the overmentioned facts, research gaps, and previous studies, the main aim of this research is to explore corruption practices and anti-corruption policy in the judiciary in Kazakhstan as a country with an authoritarian political regime and a lack of complete independence in the court system and each judge individually.

Research objectives

- To observe factors which caused corruption in the judiciary into three focuses – political, institutional and personal
- To classify corruption offences in the court system in Kazakhstan through analysis of real court judgments for criminal cases of corruption crimes committed by judges in Kazakhstan
- To identify which effective measures might be implemented for effective anti-corruption policy in the judiciary in Kazakhstan

Research questions (RQ) reflect the critical issues for comprehension of the nature of corruption in the court system in Kazakhstan and effective ways for prevention.

RQ 1. Which factors – political, institutional and personal - are dominated, and to what extent can they be drivers of the corruption of judges, respectively?

RQ 2. Which types of corruption offences of judges are classified in Kazakhstan?

RQ 3. Which anti-corruption measures can be effective in the prevention of corruption in the judicial sector in this country?

The significance of this research

The importance of this research is in its practicability and potential benefits for both sectors – the judicial system and academia predominantly in Kazakhstan and countries of Central Asia with similar political regimes. This study will contribute to exploring general issues of the judicial system, for instance, the lack of independence of the judicial sector in countries with authoritarian political regimes and the following specific aspects – the self-regulation of the judicial community, conditions for selection of candidates, qualification, tenure for judges, ethical principles and their implementation.

The author believes that reforms in the judiciary in Kazakhstan will be continued for the achievement of complete independence from the executive power and political institutions in Kazakhstan.

The limitations

This research has limited scope because it concentrates on only the central actors in the judicial sector, the judges, and their corrupt behaviour. However, the studying cases of bribery and other corruption crimes of the judges in Kazakhstan show a significant role of intermediaries in this illegal process. Many other actors in the judicial sector, such as prosecutors, court personnel, advocates, and legal consultants, committed corruption crimes, but it is not the focus of this research. In limited volume, only the negative role of these actors as intermediaries between judges and bribes givers will be presented and discussed in this research.

The following limitation is the exploration of anti-corruption strategy and policy only in the court system of Kazakhstan. The judicial sector includes the police, the prosecutor's office, an enforcement service, and other institutions. The methodology focuses only on the court's strategy with goals of changing practice and anti-corruption regulation. However, Chapter 5 presents topics for future research on the corruption behaviour of actors and institutions in the judicial sector in Kazakhstan.

The findings of this research are relevant only to Kazakhstan, but they can be used for the formation of the anti-corruption strategy and actions for the court system in other countries in the Central Asia region.

II. LITERATURE REVIEW

The sources studied and analysed during this research were selected by the following principles:

1. academic sources in Kazakhstan and other countries, court documents, laws (the primary sources)
2. the topics of academic papers cover the following issues - corruption and anti-corruption in specific areas, the transition period in authoritarian and totalitarian political regimes, the Rule of law and standards for a good functioning court system, the linkage between executive power and fair trial, impartiality and integrity of judges
3. international and regional standards for the judiciary and anti-corruption issues (the secondary sources).

For the achievement of the research objectives, a thematic approach was used during the collection of literature and for the preparation of the literature review. It means that all academic sources will divide into six parts: (1) legal grounds for the judiciary in a democracy, (2) the building of the independent judicial system in Kazakhstan and problems; (3) three pillars for the effective judicial system – independence, impartiality and integrity of judges, staff of the courts; (4) special legal regulation for the judiciary in terms of an improvement of integrity and avoiding of corruption; (5) a legal classification of the criminal activities of judges and (6) anticorruption measures for avoiding corrupt behaviour of judges and consequences from judicial corruption.

2.1. *The legal grounds for the judiciary in modern democracy*

The court system in the modern democracy should perform its function according to international standards such as Resolution ECOSOC 2006/23 Strengthening basic principles of judicial conduct, Resolution A/RES/40/32 of the United Nations General Assembly on November 29, 1985, about the Basic principles of the independence of the judiciary²³, and the Resolution 2003/39 on the integrity of the judicial system.

“The UN Basis Principles recognize: (i) general questions about the independence of the judiciary; (ii) judges’ freedom of expression, belief, association, and peaceful assembly rights; (iii) standards to determine their professional background, selection process, and training competencies to fill a judicial position; (iv) conditions of service and tenure; (v) their duty to keep professional secrecy and judicial immunity; as well as (vi) disciplinary measures, suspension and removal from office”²⁴.

The European Commission presents another classification of the critical elements in its Study of “the functioning of judicial systems in the EU Member States” (Part 1 and Part 2) (CEPEJ, 2020). Their elements are the following: budget, human resources, judicial organisations, legal aid, lawyers, alternative dispute resolution measures, the performance of the courts, a system for measuring and evaluating of functioning of courts, “the use of information technology (IT) in courts and for the benefits of court users” (CEPEJ, 2020). This qualification is broader and consists not only of political issues of judicial independence in terms of separation of power but identifies financial, technological, and institutional aspects of a good-functioning court system.

2.2. *The building of the independent judicial system in Kazakhstan and problems*

Kazakhstan is a country in transit from an autocratic political regime to a democracy. Ex-Soviet “heritage” plays a negative role in the building of the real independent court system, and many authors discovered this negative effect.

The close interaction of the court system and the political administration in an authoritarian landscape can be caused the different reasons. Academic studies about the role and functions of the judiciary in authoritarian regimes are based on evidence from countries where a weakness of the court system led to the strengthening of the regime. According to Moustafa (2014), authoritarian leaders use the court system for the “Judicialization of authoritarian politics” (Moustafa, 2014, p. 14). In other words, *not the Rule of Law but the Rule by Law*. In practice, this means that control over the court system leads to specific functions performed by courts for the maintenance of this political regime and the economic interests of elites (Ginsburg & Moustafa, 2008, Moustafa, 2014).

2.3. *Three pillars for the effective judicial system - independence, impartiality and integrity of judges and personnel of courts*

Some scholars consider the legal grounds for the well-functioning judicial system in modern democracies using three pillars – (1) independence of the court system, (2) impartiality and (3) integrity of judges.

²³ The Basic principles of the independence of the judiciary. Adopted by the Seventh United Nations Congress on the Prevention of Crime and the Treatment of Offenders held at Milan from 26 August to 6 September 1985 and endorsed by General Assembly resolutions 40/32 of 29 November 1985 and 40/146 of 13 December 1985. <https://www.ohchr.org/en/instruments-mechanisms/instruments/basic-principles-independence-judiciary>

²⁴ The Report of the Special Rapporteur of the United Nations on the Independence of Magistrates and Lawyers, Diego García-Sayán, before the General Assembly of the United Nations, at the seventy-fourth session, on October 16, 2019. <https://independence-judges-lawyers.org/supplementing-the-un-basic-principles-on-the-independence-of-the-judiciary/>

The term “judicial independence” has a broader context than only separation of power and identifies four types of judge’s activities for a good-functioning judicial system – (1) “institutional independence (tenure and salary protection), (2) lawmaking independence, (3) counter-majoritarian independence and (4) decisional independence” (Plank, 1996; Redish, 1995). This vision is practical for the federal court, but it does not reflect other elements which are required for the functioning of the court system in a democracy.

The integrity of judges is the third critical element of a paradigm of a modern trial and the responsible judicial system in a democracy. At the same time, it is a truly debatable principle which must be viewed from two focuses – the first one (external) is the accountability of an institution (the court system), and the second is the personal integrity of judges, internal characteristics of professional and qualification of judges. (Soeharno, 2009, p. 39).

2.4. The special legal regulation for the judiciary for avoiding corruption and unethical behaviours of judges

Critical issues which arise during the discussion of judicial corruption are next – (1) how to expose, detect, investigate and prevent these types of illegal behaviour of judges and (2) how to measure judicial corruption and (3) determine harmful consequences for society. I have analysed three strategies by Gloppen, Danileț and Pepys and found different approaches for avoiding corruption.

2.5 A legal classification of the criminal activities of judges in terms of corruption crimes

When the critical reasons for the corrupt practice of judges are detected, the time is to classify them depends on the main actors, intermediaries and types. Danileț (2010) suggested such qualifications of corrupt practice in the justice administration system:

1. Corrupt practices with intermediaries (advocates, legal consultants, parties, other judges, court staff, etc.) – “bribe giving and taking, trading in influence, gift receiving, “greasing” (Danileț, 2010, p. 63)
2. Corrupt practices without intermediaries – “fraud, blackmailing, preferential treatment, nepotism, embezzlement, misuse of classified information” (Danileț, 2010, p. 64)

2.6. Consequences of judicial corruption (social, political and legal aspects)

Some scholars mentioned negative consequences from corruption in the judicial sector and unethical behaviours of judges and other legal professional because expectations from society is the highest, and trust of population considers quality of justice in the country. One of the possible negative effects is *institutional inertia* which is described as ignoring of anti-corruption reforms by judges and court’s personnel whose illicit rents will tend to diminish due these reforms. (*Judicial Corruption in Developing Countries: Its Causes and Economic Consequences, Global Programme against Corruption*, n.d., p. 12).

III. RESEARCH METHODOLOGY

For my research, the mixed -method approach was used as the most relevant for studying corruption in specific areas, the judiciary; it allows for to evaluate of deeper and broader comprehension of the phenomena of corruption of judges because it covers potential reasons for the occurrence of corrupt behaviour in three dimensions – political, institutional and personal, analyses real corruption crimes committed by judges, in Kazakhstan that helps to classify these offences and identify more effective anticorruption measures for prevention companion in the court system in Kazakhstan.

3.1.Data collection

For collecting data, the following activities were provided:

1. Personal interviews with Kazakhstani experts, advocates and legal consultants who have many years of experience as human rights defenders, legal experts and consultants, and advocates.
2. Observation of cases of corruption crimes committed by judges in Kazakhstan from the Year 2010 to Year 2022. These cases reflect the primary description of corrupt practices in the court system and present other information about other issues of these crimes – the role of intermediaries, presence of intent, and types of punishment.
3. Observation of international and regional standards (from both types of legal sources – primary and secondary) about the establishment of the well functioning judicial sector, including its separation from other branches of power in the State (independence), the lack of bias, political and personal interests of judges and undue pressure for them (impartiality) and integrity as the high-quality characteristic for judges as a professional community.
4. Comparative reviewing of the national anti-corruption law of Kazakhstan and the rules of qualification and tenure applied to judges (the procedures of qualification, selection, appointment, replacement and retirement, and disciplinary matters for considering unethical behaviour of judges and non-procedural contacts with litigants, etc.)

3.2.Analysis of data

The obtained data were analysed according to a certain structure (matrix) for the convenience of perception and use of the obtained data. In particular, the data obtained during personal interviews was structured and analysed according to the following matrix:

1. How do experts identify and assess the causes of corruption in the judicial system of Kazakhstan?
2. How do experts evaluate and classify judges' corruption crimes?
3. What is the expert assessment of the measures, tools and mechanisms that are used to combat corruption in the judicial system of Kazakhstan?

Matrices for the analysis of data obtained during the study of cases of corruption of judges, as well as during the analysis of international and regional standards for the justice system and the fight against corruption, are given in the relevant sections of the next chapter.

IV. RESULTS

4.1. Expert's interviews

International organizations have developed recommendations for the normal functioning of the judiciary in an autonomous and independent mode from other branches of government, which are analysed in detail in section 4. Three pillars - independence, impartiality and integrity are the basic principles of a well-functioning judiciary, but can we say that the absence of these pillars affects the quality of justice and is converted into factors that contribute to corruption in the judiciary?

The political factor means that in practice, (1) the dependence of the judiciary on the country's political administration and (2) the dependence on individual judges in adjudicating criminal, civil and administrative cases continues. Some experts noted that Kazakhstan is “an imitation democracy; this

type of democracy in which it has the external features of democratic institutions, allegedly, procedures and processes but in content is political, authoritarian, classically, politically dependence" (E. Zhovtis, personal communication, June 5, pp. 4–5).

The legislative power in Kazakhstan and in any authoritarian political system as well as assigned either as an honorary pension or an award for loyalty to an autocrat. The head of the court system should demonstrate extremely loyalty to this system to someone who was sitting upstairs. "Influence of the elites in loyalty is a combination of informal and formal levers. The informal level is literally an institutional linkage between a position in the executive branch, judges and the judiciary. And the second is informal connections, for instance, relational links". (Kypshakbayev, July 13, p.13).

Some experts during the personal interview highlighted that "the political elite in the authoritarian state can influence the judiciary but not control it". (Anonymous, July 20, p.7).

The institutional factor means that an imperfect system of qualification, selection, appointment, relocation, dismissal and resignation of judges can operate within the judiciary, leaving room for corruption. Issues of financial support for judges and their social guarantees can be so weak that this can be a significant factor contributing to corruption. It also examines the effectiveness of the disciplinary system and how effectively it operates in identifying, considering and punishing judges for violations of judicial ethics and procedural violations.

"The starting salary of a judge in Kazakhstan in 2018 was 7,680 euros per year (the lowest compared to other Council of Europe countries), and the average salary of a judge of the Supreme Court was 33,600 euros per year (not the lowest - lower in Albania, Armenia, Azerbaijan and Serbia)" (LPRC, n.d., p. 8). "In our judicial system, one of the lowest payments is considered; this is a key problem"(T. Zinovich, personal communication, May 6, p. 6).

"Now, the significant problem of the judiciary is that the perception of judges is very low. Moreover, the perception of judges influences the level of trust in the judicial system. That is, no courts, no digitalization, nothing. Namely, the perception of the judges. The most important factor influencing the level of trust. That's why judges are not perceived in Kazakhstan as highly competent, independent" (Anonymous, personal communication, July 20, p. 11)

Finally, the institutional factor is the second element of the good functioning judicial system because it directly and indirectly influences the conditions of tenure for judges and creates conditions for their practice, and influence negatively on the judicial culture and trust of society.

The personal factor means that perhaps the judiciary is not perfect, and there are many circumstances that encourage corruption, but there must also be opportunities to prevent it at the individual level. These are conflict of interest management mechanisms, disciplinary sanctions for violation of ethical principles and procedural requirements.

Conflict of interest is a challenge for the judiciary system because the judge can have explicit or implicit private, commercial, or political interests during the litigation. (Abramson, 2007; Geyh, 2012; Volodymyr et al., 2021) One interviewed expert noted that the judges in Kazakhstan often have close relations with advocates and prosecutors who participate in the court proceedings for consideration of criminal, civil and administrative cases (A. Shormanbayev, personal communication, August 1, p. 3). Conflict of interest is regulated by the law²⁵ in Kazakhstan, but, in practice, the regulation of conflict of interest does not perform in the public sector, in general, and in the judiciary. Judges do not declare their

²⁵ Article 15 of the Law of the RK on combating corruption. The Law of the Republic of Kazakhstan dated 18 November 2015 № 410-IV LRK. <https://adilet.zan.kz/eng/docs/Z1500000410>

private interests, and they try to hide their relational links with other participants in proceedings (frequently, there are advocates and prosecutors). As a result, conflict of interests can be a barrier to justice and fair trial in criminal, civil and administrative procedures.

Loyalty to the court system is expected from judges in Kazakhstan at all stages of their professional careers. The Code of judicial ethics in Kazakhstan²⁶ means that judges should refrain from critics of the court system, politics in the state, and laws and political decisions in the country. “If you look at the Code of judicial ethics, you see that judges must show loyalty. Then there is always some kind of reservation that this should not contradict the freedom of expression about the decisions made. But the first point that goes everywhere is that loyalty, loyalty, loyalty” (D. Nurumov, personal communication, May 6, p. 19)

4.2. Legal observation of cases of corruption of judges

Analysing these cases, the author comes to the following findings about the frequent types of corruption crimes by judges in Kazakhstan. According to the Penal Code of the Republic of Kazakhstan, the classification of corruption crimes in Kazakhstan differs from the classification applied and used in other jurisdictions (in the legal systems of common law). Kazakhstan did not criminalise forms of active (offering and promising a bribe) and passive bribery (soliciting and agreeing to receive a bribe), illicit enrichment, trade of influence, etc. Therefore, the author has classified the criminal cases of commitment by judges as corruption crimes on both systems – an official classification used by the UN Convention against corruption as well as international organisations (UN, OECD, GRECO).

Firstly, **passive bribery is a frequent type of corruption in the court system of Kazakhstan (16 cases were studied by the author)**. This type of bribery includes soliciting, agreeing to receive, or accepting a bribe²⁷. Regarding studied cases, judges can accept bribes during (a) court proceedings to the favourable judgement for one definite participant of the court proceeding (in criminal, civil and administrative matters) and (b) during the qualification and appointment (tenure) of judges.

Secondly, **active bribery includes the following actions (offering, promising or paying a bribe**²⁸ (three cases were studied during the preparation of this research) when judges offer, promise and give bribes to other judges for the achievement of personal gains, for instance, (a) passing the qualification exam obliged for all judges or (b) considering the criminal, civil or administrative matters for interests of only one part of the proceedings if these matters are adjusted by other judges. It is significant to note that experts expressed opinions about the implicit type of corruption practice, for instance, (1) influence exchange and (2) exchange of services.

Thirdly, **abuse of duties**²⁹ (three cases) when judges use their duties against the interests of the judiciary and citizens of the State and derive personal benefits or advantages. It is important to note that digitalisation of the court proceedings always considers one of the effective measures for reducing corruption in the public sector and the judiciary. Nevertheless, one of these cases indirectly relates to the digitalization of court proceedings, which can mean that new forms of corruption offences will become as far as the further digitalization of the proceedings.

²⁶ The Code of judicial ethics (in Russian). <https://krso.kz/ru/akt/kodeks-sudejskoj-etiki>

²⁷ According to article 366 of the Penal Code of the Republic of Kazakhstan, this crime is called “Acceptance of a bribe».

²⁸ According to article 367 of the Penal Code of the Republic of Kazakhstan, this crime is called “Giving a bribe”

²⁹ According to article 361 of the Penal Code of the Republic of Kazakhstan, this crime is called “Abuse of official authorities”, it means that an official uses authority against the interests of his or her organisation but for deriving personal gains, benefits or advantages

Other corruption crimes of judges which were analyzed during this research are the following:

1. Official forgery³⁰ when a judge with court staff forges procedural documents for its relatives or its private benefits or advantage – one case
2. Extortion³¹ when a judge uses coercion or threats to receive property or money due to personal gains or interest - one case
3. Fraud³² when a judge uses false documents, pretences and abuse of trust; at the same time, a judge performs personal gains and interests – 4 cases

V. GENERAL DISCUSSION

The political factor, namely, the dependence on the court system from executive power, is a leading reason for corruption in the judiciary. Judges are like officials, and the court system looks like an executive body performing unusual functions, for instance, the legalisation of political illegal decisions, the fight against political opponents, the redistribution of wealth and property for the economic interests of political elites and clans, legitimisation of results of an election, legal repressions of civil and political activists. Judges in this system should make a difficult moral choice – to be a part of the corrupt system, to be loyal to it or to uphold its independence, impartiality and integrity. In this system, honest judges are exposed to pressure from high-ranking judges and have no personal guarantee for protection. Corruption is widespread in these conditions and destroys the trust between the judiciary and society.

The judge has specific assumptions for performing duties – a sole consideration of matters during proceedings (it might be called “monopoly”), broad discretions when the judge is making a judgement and, typically, the lack of transparency because the judge consider the cases in a deliberation room, and it is not accountable for concrete cases. Thereby, the judge is performing its duties with the highest risks of committing corruption crimes, and mechanisms for preventing these offences should be acted more effectively than in the public sector in general.

Not all international and regional standards for a good functioning judicial system have been implemented in Kazakhstan so far. The observation of cases reflects that corruption among judges exercises many types, but frequent forms are active and passive bribery and abuse of duties. Active and passive bribery occurs most often during court proceedings for criminal, civil and administrative cases and during the qualification and appointment of judges.

Most of the anticorruption activities were evaluated as non-effective without strategic reforms based on independence and self-governance in the judicial sector. Therefore, an effective anticorruption framework for the judiciary in Kazakhstan should base on key transformation achieving absolute independence from the executive power and implementing mechanisms of judicial self-governance. A system for control of incomes of judges is not implemented so far as the procedures for avoiding conflict of interests.

³⁰ According to article 369 of the Penal Code of the Republic of Kazakhstan, forgery by an official means that an official and the person equated to this legal status (1) introduce knowingly false information or (2) make corrections in official documents distorting the actual content or (3) issuance knowingly of false or forged documents for the achievement or personal gains, benefits or advantages or infliction harm to other person or organisations. The code is available on the link <https://adilet.zan.kz/eng/docs/K1400000226>

³¹ According to article 194 of the Penal Code of the Republic of Kazakhstan, extortion means that a person obtains property or money from other persons using coercion or threats.

³² According to article 190 of the Penal Code of the Republic of Kazakhstan, fraud means theft of property of another individual or acquisition of the right or purchase of the right to property using false pretences or abuse of trust.

March 2023

18.

19. Bibliography:

20. Abramson, L. W. (2007). Judicial Disclosure and Disqualification: The Need for More Guidance. *The Justice System Journal*, 28(3), 301–308. <https://www.jstor.org/stable/27977352>
21. Anonymous. (July 20). *Personal interview* [Personal communication].
22. (CEPEJ, E. C. for the efficiency of justice. (2020). *Study on the functioning of judicial systems in the EU Member States*. https://ec.europa.eu/info/sites/default/files/part_1_-_eu_scoreboard_-_indicators_-_deliverable_0.pdf
23. Danileț, C. (2010). *Corruption and anti-corruption in the justice system*. Konrad-Adenauer-Stiftung [u.a.].
24. Geyh, C. G. (2012). The Dimensions of Judicial Impartiality. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2016522>
25. Ginsburg, T., & Moustafa, T. (2008a). Introduction: The Functions of Courts in Authoritarian Politics. In T. Ginsburg & T. Moustafa (Eds.), *Rule by Law: The Politics of Courts in Authoritarian Regimes* (pp. 1–22). Cambridge University Press. <https://doi.org/10.1017/CBO9780511814822.001>
26. Ginsburg, T., & Moustafa, T. (2008b). Introduction: The Functions of Courts in Authoritarian Politics. In T. Ginsburg & T. Moustafa (Eds.), *Rule by Law: The Politics of Courts in Authoritarian Regimes* (pp. 1–22). Cambridge University Press. <https://doi.org/10.1017/CBO9780511814822.001>
27. *Judicial Corruption in Developing Countries: Its Causes and Economic Consequences, Global Programme against Corruption*. (n.d.).
28. LPRC. (n.d.). *ALTERNATIVE PROPOSALS TO THE DRAFT CONCEPT OF THE LEGAL POLICY OF THE REPUBLIC OF KAZAKHSTAN. DEVELOPMENT OF THE JUDICIAL SYSTEM* (p. 19).
29. Moustafa, T. (2014). Law and Courts in Authoritarian Regimes. *Annual Review of Law and Social Science*, 10(1), 281–299. <https://doi.org/10.1146/annurev-lawsocsci-110413-030532>
30. Nurumov, D. (May 6). *Personal Interviews* [Personal communication].
31. Plank, T. E. (1996). *The Essential Elements of Judicial Independence and the Experience of Pre-Soviet Russia*. 5, 75.
32. Redish, M. H. (1995). Federal Judicial Independence: Constitutional and Political Perspectives. *MERCER LAW REVIEW*, 37.
33. Satpayev, D. (2014). *Corruption in Kazakhstan and the quality of governance*. Institute of Developing Economies (IDE-JETRO). <https://doi.org/10.20561/00037696>
34. Shormanbayev, A. (August 1). *Personal interview* [Personal communication].
35. Soeharno, J. (2009). *The integrity of the judge: A philosophical inquiry*. Ashgate Pub.
36. Volodymyr, K., Inna, K., Oksana, M., Alena, G., & Iuliia, I. (2021). The Conflict of Interests and Teaching Activity of a Judge. *Journal of Legal, Ethical and Regulatory Issues*, 24(1S), 1–6.

<https://www.abacademies.org/abstract/the-conflict-of-interests-and-teaching-activity-of-a-judge-11188.html>

37. Wallace, J. C. (1998). *Resolving Judicial Corruption While Preserving Judicial Independence: Comparative Perspectives*. 12.
38. Zhovtis, E. (June 5). *Personal interview* [Personal communication].
39. Zinovich, T. (May 6). *Personal Interview* [Personal communication].

Intellectual Property Protection in International Law and Kazakhstan's Domestic Law: Contemporary Issues and Solutions

Ryspayeva Anel

KIMEP University
Almaty, Kazakhstan
anel.ryspayeva@kimep.kz

ABSTRACT

Thesis structure. The thesis paper consists of an introduction, three sections reflecting the theoretical, international and national aspects of the thesis topic, including 9 subsections, as well as conclusion, bibliography and appendices.

The relevance of research. In the context of globalization and innovation development, the intellectual deliverables require legal protection, since their availability to the public exposes them to illegal use by others. The need to protect intellectual property not merely by domestic law, but also by international law, determines the relevance of the thesis topic "*Intellectual property protection by international law and domestic law of Kazakhstan: contemporary issues and solutions*".

Objective: to study comprehensively the intellectual property protection in international law and domestic law of Kazakhstan and use the results to identify contemporary issues and relevant solutions.

Object: international legal relations and standards of domestic law of the Republic of Kazakhstan.

Subject: intellectual property as a legal institution.

Methods: historical, review and monographic, logical, analytical, structural and functional, comparative, problem-based, constructive methods, analysis of international and national laws and regulations.

Conclusions:

- due to the competition between the WTO and WIPO functions, it is advisable to focus the WIPO activities on the alignment of the domestic laws of different countries using the model laws in line with the universal conventions;
- due to the dual nature of intellectual property rights, it is necessary to revise the Civil Code of the Republic of Kazakhstan to reflect the concept of intellectual property established in the WIPO Convention;
- due to the conflict between the WTO and the EAEU intellectual property laws, it is advisable to create an interim commission based on these organizations to harmonize the relevant standards.

Novelty. For the first time, the issues of intellectual property rights protection have been comprehensively studied precisely through the lenses of international norms and Kazakhstan laws based on the recent developments.

Utility of scientific research. The international organizations and legislative bodies of the Republic of Kazakhstan may use the research results in order to improve the international and national legal system of intellectual property protection.

Keywords: intellectual property, intellectual rights, exclusive right, exhaustion, international law, international organizations, integration associations, harmonization of law.

1 INTRODUCTION

Relevance of research. The results of intellectual activity need to be protected because when they are made public (even for a narrow target audience), there is a risk that they will be illegally misused by

others, including for profit purposes. In case protection guarantee is not available, in most cases investors shall not be able to recover the return on their investments, i.e. they would be suffering losses, and authors and inventors would have to seek other sources of livelihood. Such circumstances would significantly restrain the social progress.

In this context, the importance and social value of intellectual property are now well recognised. Economic and social development of the country as well as competitiveness of our country in the world market depends on the degree of legal protection of this institution. Globalization make necessary to protect the intellectual property not only by domestic law, but also by the international law. Based on the above arguments, the topic «Protection of Intellectual Property in International Law and Domestic Law of Kazakhstan: Contemporary Issues and Solutions» is relevant and represents a valid and topical research issue.

Level of research on the topic. There are numerous studies in the academic literature on the topic of intellectual property protection: J. A. Lee, R. Hilty, K. C. Liu, T. Kono, J. Pila, P. Torremans, S. Klopschinski, C. Gibson, H. G. Ruse-Khan, C. Agamoyedova³³ etc. The work of an American lawyer S.A. Fisher is interesting; it raises the problem of the convergence of international and domestic law of countries. It is also worth mentioning a monograph by A. A. Amangeldy, which conducts proposals to improve the legislation on intellectual property of the Republic of Kazakhstan, and a dissertation by A. A. Karibaeva, which explores the issue of international and national protection in this area within the CES.

But the basic problem is that, first, research and studies of this type are rapidly losing relevance due to the dynamic development of legal regulations in this area, and second, there are very few comprehensive studies of domestic Kazakhstani law incorporating international legal norms and standards into its legal system.

Objective of the dissertation: to study comprehensively the intellectual property protection by international law and domestic law of Kazakhstan and, on the basis of this study, to identify contemporary issues and relevant solutions.

The following goals are set in order to achieve the *objective*:

1. To highlight the theoretical foundations of intellectual property law, foreign experience and unification issues in this sphere;
2. To disclose the international legal regulation of intellectual property protection;
3. To analyse the domestic law of the Republic of Kazakhstan on intellectual property protection and guidelines for improvement;
4. To study the participation of the Republic of Kazakhstan in international treaties in the sphere of intellectual property rights and the problems of their intersection within the WTO and the EAEU.

The object of the study is international legal relations and the standards of domestic law of the Republic of Kazakhstan. *The subject* of research is intellectual property as a legal institution.

Research methods. The objectives and goals determined the use of historical, review and monographic, logical, analytical, structural and functional, comparative, problem-based and constructive research methods, as well as the method of analysis of international and national laws and regulations.

The theoretical and methodological basis of the study consists of the works of foreign and domestic scientists in the field of legal history, international law and civil law. The legal framework is represented by international agreements, documents of international organizations, laws and regulations of foreign countries and the Republic of Kazakhstan.

The main issues put forward for defense:

³³ Agamagomedova, S., C. (2012). The problem of exhaustion of rights in the context of the formation of a common economic space. *In Economy and Law*, 11, 113-120. (in Russ.).

1. To unify the legislations of different countries, it is necessary to use the timely (preventive) creation of model laws on the basis of WIPO in the sphere of new intellectual property items and to expand the base of model laws in the already established areas of intellectual property protection due to their requirement at improvement of national laws.

2. It is necessary to introduce into the Civil Code the concept of intellectual property not as a list of items, but as a set of rights relating to these items (in accordance with Article 2 of the Convention establishing WIPO), then the protection of such rights will be significantly extended to the non-material spheres up to the protection of innovative knowledge.

3. Collisions between WTO and EAEU law in the sphere of intellectual property make it necessary to set up an interim commission based on these organisations to harmonise standards in this sphere.

The scientific novelty of the dissertation research is due to the fact that for the first time the issues of intellectual property rights protection are studied comprehensively from the perspective of the international and Kazakhstani law, taking into account recent events. *The results of the research* are also of scientific novelty:

- in view of the competition that occurred between the functions of the WTO and the WIPO, it is proposed to focus WIPO activities on unifying domestic law across countries through model laws aligned with the universal conventions;

- due to the dual nature of intellectual property rights, it is proposed that the concept of intellectual property shall be introduced into the Civil Code of the Republic of Kazakhstan in line with the Convention establishing the WIPO;

- due to conflicts between WTO and EAEU law in the sphere of intellectual property, it is proposed to create an interim commission on the basis of these organisations to harmonise standards in this sphere.

Theoretical and practical significance of the research comprises the systematization of historical and foreign experience in the development of legal regulations of the intellectual property, which can be the basis for further research on the subject, and the development of proposals to improve international and national legal protection of this sphere, which can be used by international organizations and legislative authorities of the Republic of Kazakhstan.

Structure of the dissertation. The work consists of an abstract, a list of abbreviations, three sections including 9 subsections, a conclusion, a bibliography and an attachment.

2 CONCLUSION

Despite the efforts of international organizations, the protection of intellectual property rights is not yet global, as not all countries have joined a functioning mechanism for such protection. And even in the long term, when all countries are included, another problem will arise - the codification of the numerous international agreements. In addition, universalization of the regulations governing intellectual property protection is prevented by the divergent nature of the Anglo-Saxon and Romano-Germanic legal systems, the opposition of doctrines on the proprietary and non-proprietary nature of protection rights and political ambitions. Therefore, the principle of territoriality continues to prevail in the current period of development of intellectual property rights protection.

Further unification of intellectual property laws of different countries is advisable in relation to the following:

- the concept of intellectual property and the range of rights associated with it;
- the list of objects to be protected;
- the list of categories of right owners;
- the terms of validity of rights to intellectual property objects;
- a list of rights restrictions on the ability to develop innovations based on previous achievements;

– criteria and standards for the protection of digital property and other new intellectual property.

We propose to use the timely (preventive) creation of model laws on the basis of WIPO in the sphere of new intellectual property items in order to unify the legislations of different countries. This would allow states to use them to regulate a new area without developing their own draft laws. The availability of model laws in the already established areas of intellectual property protection, corresponding to the key international conventions, will also help accelerate the unification of laws in connection with their need for improvement of national laws.

A special role in the international legal protection of intellectual property is played by registration systems which allow creators to claim their rights in many countries with a single application and expect to be protected. It would seem that international law in this area should be developed first and foremost in order to create, in the context of globalization, a worldwide international universal registration system including all countries of the world.

Initially, WIPO was the international focal point for the entire intellectual property rights system. Most of the international agreements were drawn up within the framework of this international organization, which was itself created for this purpose. But for political and economic reasons, WTO has taken over this place.

Today the international legal system of intellectual property protection at the universal level is represented by a complex of international agreements concluded within the framework of WIPO and WTO. The Republic of Kazakhstan is a member of the majority of such treaties.

In fact, WIPO and the WTO have created an international legal framework for the protection of intellectual property. But for the most part, these international organizations have established a procedural legal regime for individual intellectual property items and are generally not oriented towards identifying precise legal characteristics and detailed normative designs suitable for direct application in the domestic law of countries.

Kazakhstan's domestic law is continually improving towards harmonization with international standards. In the field of international law Kazakhstan has become a participant to all key universal international treaties and regional cooperation has focused not only on agreements within the CIS/ EEU but also in the direction of the EU.

The period of improvement of Kazakhstan's national intellectual property protection system has coincided with global changes - digitalisation, the development of the Internet and the creation of medical innovation products. In this regard, our country needs to follow the latest developments in international law in this area and harmonise its legislation to keep up with the times.

The legislator should introduce into the Civil Code the concept of intellectual property not as a list of objects, but as a set of rights relating to these objects (in accordance with Article 2 of the Convention establishing WIPO), then the protection of such rights will be significantly expanded by non-material areas up to the protection of innovative knowledge. In this regard, Article 125 of the Civil Code of the Republic of Kazakhstan must be supplemented with a definition of intellectual property as a set of property rights and non-property rights related to intellectual activity in the industrial, scientific, literary and artistic fields.

Obligations of Kazakhstan on protection of intellectual property adopted in the framework of the WTO and the EAEU cause problems of correlation of obligations of our country arising from the simultaneous membership in both universal and regional international organizations. In this regard, the Republic of Kazakhstan can initiate the establishment of a temporary commission on harmonization of norms and standards and settlement of disputes related to intellectual property protection, which should be formed on the basis of the WTO and the EAEU.

REFERENCES

1. Bamford, K. Commercial and intellectual property law and practice. London, College of Law Publishing, 2021.
2. Barrett, M., Intellectual property, New York, Aspen Publishers, 2008.
3. Bently, L., Kretschmer, M., Deazley, R. Privilege and property. Essays on the history of copyright. London, Open Book Publishers, 2010.
4. EU Directive Handbook, ed. A. R. Bailey. London, Taylor & Francis, 2021.
5. Dratler, J. J., McJohn, S. M. Intellectual property law: commercial, creative and industrial property. New York, Law Journal Press, 2022.
6. Esquirol, J. L. Ruling the law. Legitimacy and failure in Latin American legal systems. Cambridge, Cambridge University Press, 2019.
7. Fisher, S. A. The uneasy convergence of international law and domestic interpretation. Theses PhD. London, 2014.
8. Griffiths, J., Mylly, T. Global intellectual property protection and new constitutionalism. Hedging Exclusive Rights. Oxford, Oxford University Press, 2021.
9. Johnson, P. Intellectual property, free trade agreements and the United Kingdom. The continuing influence of European Union law. London, Edward Elgar Publishing, 2021.
10. Kieninger, E. Security rights in intellectual property. New York, Springer International Publishing, 2020.
11. Klopschinski, S., Gibson, C., Ruse-Khan, H. G. The protection of intellectual property rights under International investment law. Oxford, Oxford University Press, 2021.
12. Kono, T. Intellectual property and private international law. Comparative perspectives. London, Bloomsbury Publishing, 2012.
- 13.
14. Amangeldy, A. A. Problems of Intellectual Property Law of the Republic of Kazakhstan at the present stage. Monograph. Almaty, Interligal, 2015.
15. Dalgatova, K. S., Seitkanova, M. B. Intellectual property protection in the digital economy. In Foreign Economic Activity in the Post-Soviet Period. Collection of scientific articles, ed. by Levaeva L.A. Moscow, All-Russian Academy of Foreign Trade of the Ministry of Economic Development of the Russian Federation, no. 78, 2021.
16. European Parliament and Council Guidelines 2014/26 on the collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online domestic use dated 26 February 2014.
<https://wipo.int/wipolex/wipolex.int/>.
17. Zhumazhanova, Zh. A. (2021). Intellectual Property Protection in Kazakhstan: Problems and Prospects. Almaty, 2021, no. 2(12), Vestnik nauki – p.71-79.
18. Law of the Republic of Kazakhstan No. 418-V of 24 November 2015 "On Informatization" (as amended as of 18.11.2022).
19. <https://inadilet.zan.kz/rus/docs/Z1500000418>. Samoylov, V. Protecting the industrial designs of today and the future. Theses PhD. London, 2020.
20. Sinaga, V. S., Ngo, S., Rama, J. I. Contemporary legal issues in the Southeast Asian region. Jakarta, Penerbit Universitas Katolik Indonesia Atma Jaya, 2020.
21. Stephen, J. F. A History of the criminal law of England. Berlin, Hansebooks GmbH, 2020.
22. Tavani, H. T. Locke, intellectual property rights, and the information commons. In Ethics and Information Technology. Nashua, 2005, no.7 (2), Springer – p.87-97.
23. Torremans, P. Legal convergence in the enlarged Europe of the new millennium. Boston, Brill, 2021.
24. Agamagomedova, S. The Problem of Exhaustion of Rights in the Formation of a Common Economic Space. In Economy and Law. Penza, 2012, no.11, p.113-120.

Carbon offsetting as a new tool towards net-zero: Possibilities for Kazakhstan participation in compliance carbon market

Sofiya Khalikova

KIMEP

Abay 2, Almaty, Kazakhstan

Sofiya.khalikova@kimep.kz

ABSTRACT

One of the acute agenda on the international platform is the issue of air pollution and global warming. Even though a lot has been done on local and international levels to improve the quality of the air worldwide, the new era of progress and technological development dictates the need to apply the best available solutions. Carbon offsetting is a relatively recent novella in the environmental legislation of the states, including Kazakhstan. It constitutes the subject of particular interest for world leading companies and enterprises as a tool for businesses to contribute to ecological prosperity. The access to some carbon markets is also available to the physical persons wishing to “offset” their carbon trace. Practically, carbon offsetting implies the trading of carbon credits (units) on compliance and voluntary carbon markets on national and international levels, which subsequently encourages the development of “green” production (i.e., any environment-friendly project).

Kazakhstan is a leading state in the region of Central Asia; it undertakes certain important obligations in terms of climate change under international agreements. In this regard, it will be particularly important to consider the position of Kazakhstan regarding such a rapidly evolving concept of carbon offsetting and identify the legal aspects of carbon trade procedure requiring actions aimed at its upswing.

This research paper consists of two major parts:

- Description of the carbon offsetting concept, illustrating the main differences between voluntary and compliance carbon markets, their legal and non-legal regulations, and implementation examples of developed countries; and
- The carbon offsetting concept through the prism of laws of Kazakhstan, brief comparison of approaches to carbon offsetting in the old and new environmental codes of Kazakhstan, and analysis of the possibilities for implementation of the voluntary and compliance markets in Kazakhstan.

The methodology includes the analysis of the primary and secondary sources on the topic and interviewing the expert in the related sphere.

In conclusion, the author will identify several recommendations for possible improvement of the Kazakhstani legislation on carbon offsetting, for it to correspond to international standards in the relevant sphere.

Keywords: Kazakhstan, environmental law, carbon offset, carbon market, international experience, reforms.

I. RELEVANCE OF THE CLIMATE CHANGE AGENDA

I.1. Global view on climate change

“We, the generation that faces the next century, can add the solemn injunction 'If we don't do the impossible, we shall be faced with the unthinkable” - those are the words of Petra Kelly (1947–1992), the German politician and peace activist, one of the founders of the Green Party in Germany. This statement was inspired by Petra's own challenging fate, bringing her to witness the death of her sister from cancer caused by the radiation.³⁴

Homo sapiens have been interfering with nature and causing alteration to the natural order since the first agrarian revolution around 12,000 years ago, when people started creating permanent settlements and taming certain kinds of plants and animals. Then around 500 years ago came the scientific revolution bringing knowledge to human beings on how to extract more resources to enjoy more fruitful life. Finally, the industrial revolution shook the world around 200 years ago, resulting, on the one hand, in the prosperity of the *state* and *market* and, on the other hand, in mass extinction of plants and animals all around the planet Earth.³⁵

Only in the late nineteenth - mid twentieth century humanity started witnessing the devastating effects of climate change, and prognose the potential consequences of our inaction. Thus, in 1896 a Swedish scientist Svante Arrhenius first predicted that changes in atmospheric carbon dioxide (hereinafter, the “CO₂”) levels could substantially alter the surface temperature through the greenhouse effect. In 1938, Guy Callendar, a british steam engineer and inventor, connected CO₂ increases in Earth's atmosphere to global warming.³⁶ These were the first steps on the way to form the global discourse of the 21st century.

Even though the climate on Earth has been changing over the period of time, the current warming trend is different. It is characterized as unprecedented and unpredictable, for it results from human activities since the mid nineteenth century.³⁷

Indeed, referring to the statistical data, currently among the largest contributors to global climate change there are fossil fuels (coal, gas, and oil), which account for over 75 percent of global GHG emissions and 90 percent of global CO₂ emissions.³⁸ This leads to the temperature rise making the decade

³⁴ Stephen Milder, 'Petra Kelly and the Transnational Roots of Green Politics' (2013, *Arcadia*)
<<https://www.environmentandsociety.org/arcadia/petra-kelly-and-transnational-roots-green-politics>> accessed 14 March 2023

³⁵ Yuval Noah Harari, 'Sapiens. A Brief History of Humankind' (2011), Russian Edition Copyright, Sindbad Publishers, 2016, *Chronology of History*.

³⁶ NASA, 'Evidence: How Do We Know Climate Change is Real?' (n.d.)
<<https://climate.nasa.gov/evidence/#:~:text=In%201896%2C%20a%20seminal%20paper,Earth's%20atmosphere%20to%20global%20warming.>> accessed 14 March 2023

³⁷ NASA, 'Evidence: How Do We Know Climate Change is Real?' (n.d.)
<<https://climate.nasa.gov/evidence/#:~:text=In%201896%2C%20a%20seminal%20paper,Earth's%20atmosphere%20to%20global%20warming.>> accessed 14 March 2023

³⁸ The United Nations, 'Renewable Energy – Powering a Safer Future' (n.d.)
<<https://www.un.org/en/climatechange/raising-ambition/renewable-energy>> accessed 14 February 2023

2010-2020 the warmest in the history of humanity.³⁹ As long as the Earth is the unique ecosystem, such changes will inevitably lead to such consequences as intense droughts, water scarcity, severe fires, rising sea levels, flooding, melting polar ice, catastrophic storms and declining biodiversity.⁴⁰

These days the importance of the climate change and environment protection agenda is constantly accentuated on an international level. For instance, the United Nations (hereinafter, the “UN”) is one of the greatest proponents of emissions reductions. Thus, in the 2020 Greening the Blue Report the Secretary-General of the UN reminded humanity on the strong connection between our actions and environment; it was claimed that our integrity with nature requires continuous cooperation in the sphere of environment protection with particular emphasis on greenhouse gasses (hereinafter, the “GHG”) emissions reduction.⁴¹ Moreover, the UN 2030 Agenda for Sustainable Development launched by a UN Summit in New York on 25-27 September 2015 in paragraph 31 “calls for the widest possible international cooperation aimed at accelerating the reduction of global greenhouse gas emissions and addressing adaptation to the adverse impacts of climate change”.⁴² Under the UN, the Intergovernmental Panel on Climate Change was established in 1988 to provide the global community with regular updates on current state of knowledge on climate change and its actual and potential impacts on environment and society.⁴³

The UN initiated the development and adoption of the Framework Convention on Climate Change (hereinafter, the “UNFCCC”), which was signed in Rio de Janeiro and took effect on 21 March 1994. The UNFCCC has almost universal membership, with 198 countries being a party to the Convention.⁴⁴ The UNFCCC Secretariat conducts the annual Conference of the Parties to UNFCCC (hereinafter, the “COP”) to discuss global measures to fight climate change.⁴⁵

For instance, at COP 26 in Glasgow in 2021, following several years of inconclusive negotiations, countries agreed to reduce coal-fired power plants and switch to clean technologies, as well as affect the reduction of forests, reduce greenhouse gas emissions, and provide financial assistance to the countries

³⁹ The United Nations Climate Action, ‘What is Climate Change?’ (n.d.) <<https://www.un.org/en/climatechange/what-is-climate-change>> accessed 14 February 2023

⁴⁰ Ibid.

⁴¹ The United Nations, ‘A climate neutral UN’ (n.d.) <<https://www.un.org/en/about-us/un-and-sustainability>> accessed 14 February 2023

⁴² Resolution A/RES/70/1 ‘Transforming our world: the 2030 Agenda for Sustainable Development’, General Assembly, 25 September 2015, <<https://documents-dds-ny.un.org/doc/UNDOC/GEN/N15/291/89/PDF/N1529189.pdf?OpenElement>> accessed 14 February 2023

⁴³ UN Library, ‘Climate Change - A Global Issue’ <<https://research.un.org/en/climate-change/un#:~:text=The%20Intergovernmental%20Panel%20on%20Climate,the%20assessment%20of%20climate%20change.>>> accessed 16 March 2023

⁴⁴ United Nations Climate Change, ‘About the Secretariat’ (n.d.) <<https://unfccc.int/about-us/about-the-secretariat>> accessed 19 March 2023

⁴⁵ Yelfimova, A., ‘What is COP and Why is it so Important’ (04 November 2022, *greenpeace.ru*) <<https://greenpeace.ru/blogs/2022/11/04/hto-takoe-cop27/>> accessed 19 March 2023

most affected by climate change.⁴⁶ The following tasks were set forth before the COP27 in 2022 in Sharm el-Sheikh, Egypt:⁴⁷

- All countries will phase out their use of fossil fuels;
- Global GHG emissions will halve by 2030;
- Countries that emit more GHG will assume the greatest responsibility to those countries that emit less, and will financially compensate for the losses from the climate crisis;
- Protection of nature will be included in national climate change adaptation plans.

As another example, the World Bank Group President David Malpass claimed that climate action can be referred to as a key global public good, which requires significant funding from the global community.⁴⁸

Indeed, the topic of climate change is of extreme importance, for the negative changes in the environment violate crucial human rights, such as the right to the right to favorable environment. The principle of connection between human rights and environment is also a fundamental principle of international environmental law.⁴⁹ “A safe, clean, healthy and sustainable environment is integral to the full enjoyment of a wide range of human rights, including the rights to life, health, food, water and sanitation”.⁵⁰

According to the scientific data, in order to avoid the devastating effect of climate change, it is important to reduce emissions by half by 2030, and reach net-zero (i.e., carbon neutrality) by 2050.⁵¹ As long as *law* is the main tool which can effectively regulate and direct the behavior of the subjects of legal relationships, any change in the global discourse of actions shall be guided by the corresponding legal reforms. For the above-mentioned purposes, certain international treaties were introduced, including the Paris Agreement (December 12, 2015; 194 member states)⁵² and Kyoto Protocol (December 11, 1997; 192 member states).⁵³ They will be studied in detail below.

However, besides actions on the international level, it is important to pay solid attention to improvement of domestic approaches to the solution of the above-mentioned problems.

⁴⁶ Ibid.

⁴⁷ Ibid.

⁴⁸ The World Bank, ‘Countries Could Cut Emissions by 70% by 2050 and Boost Resilience with Annual Investments of 1.4% of GDP’ (03 November, 2022) <<https://www.worldbank.org/en/news/press-release/2022/11/03/countries-could-cut-emissions-by-70-by-2050-and-boost-resilience-with-annual-investments-of-1-4-of-gdp>> accessed 14 February 2023

⁴⁹ Tolstikh, V.L., ‘The Course on International Law’ (2022, *Prospect LLC*), ISBN 978-5-392-36028-4, p.658

⁵⁰ UN Human Rights, Office of the High Commissioner, ‘About human rights and the environment’ (n.d.) <<https://www.ohchr.org/en/special-procedures/sr-environment/about-human-rights-and-environment#:~:text=All%20human%20beings%20depend%20on,unable%20to%20fulfil%20our%20aspirations.>>> accessed 20 March 2023

⁵¹ The United Nations, ‘Renewable Energy – Powering a Safer Future’ (n.d.) <<https://www.un.org/en/climatechange/raising-ambition/renewable-energy>> accessed 14 February 2023

⁵² The United Nations Climate Action, ‘The Paris Agreement’ (n.d.) <<https://www.un.org/en/climatechange/paris-agreement>> accessed 14 February 2023

⁵³ United Nations Climate Change, ‘What is the Kyoto Protocol?’ (n.d.) <https://unfccc.int/kyoto_protocol> accessed 14 February 2023

I.2. Relevance of the climate change agenda for Kazakhstan

This research paper focuses on the attitude of Kazakhstan towards the problem of climate change. Therefore, it will be useful to address some country-specific statistics.

Kazakhstan's economy relies to the major extent on 'dirty' energy sources such as coal, oil, and gas. This economic model was a forced choice of Kazakhstan leaders after the dissolution of the Union of Soviet Socialist Republics (hereinafter, the "USSR") in order to build a successful economy. The strategy resulted in Kazakhstan being the most developed country in the Central Asia region; however, this cost us the environment. Kazakhstan is the largest emitter of carbon dioxide (hereinafter, the "CO₂") in Central Asia and the 14th among the world's countries.⁵⁴ The actual effects of climate change are evident already now; in the last 75 years the median annual temperature has increased 2°C, and serious droughts are now striking twice every five years.⁵⁵

"The bet is on the wind, the bet is on the sun, on hydroelectric power plants, there is a very big potential there. We are closely watching technological development. And our scientists are also thinking about how to make renewable energy sources a full-fledged replacement for fossil fuel stations in the future. This is the biggest challenge not only for Kazakhstan but for the whole world today", says Bolat Akchulakov, the minister of Energy in the Republic of Kazakhstan (hereinafter, the "RK").⁵⁶ These words express the general focus of RK in the sphere of environment protection on emissions reduction and highlight the importance of the climate change agenda on both domestic and international levels.

Kazakhstan is an ambitious state, which actively participates in the global discourse on environment protection and is willing to stand in a row with the world's most developed countries by implementing the best available practices and technologies in the sphere of green economy and production. Kazakhstan has undertaken some major obligations in the sphere of emissions reduction by means of participating in the international treaties; those obligations will be discussed in the Section 3 of this research paper.

Having seen the actuality and scale of the climate change problem, the logical question would be: what is the possible solution? The author recognizes that the issue at hands requires a complex of collective measures in different aspects of our lives rather than one *panacea*. However, the author would like to familiarize the readers with one of the tools to fight climate change and air pollution.

II. UNDERSTANDING CARBON OFFSETTING

One of the global trends in the sphere of carbon neutrality is *carbon offsetting*. In the next section we will take a closer look on how carbon offsetting works, what are the types of carbon markets, and we also will describe the differences between them. This information will be helpful to understand the proposed mechanism and its benefits for future assessment of the effectiveness of this approach in the reality of Kazakhstan.

⁵⁴ Satubaldina, Assel, 'How Kazakhstan Aims to Achieve Carbon Neutrality' (1 November, 2021, *The Astana Times*) <<https://astanatimes.com/2021/11/how-kazakhstan-aims-to-achieve-carbon-neutrality/>> accessed 17 February 2023

⁵⁵ Ibid.

⁵⁶ Galina Polonskaya, 'Betting on renewables: can Kazakhstan become carbon neutral by 2060?' (*euronews.next*, Updated: 02 December 2022) <<https://www.euronews.com/next/2022/12/02/betting-on-renewables-can-kazakhstan-become-carbon-neutral-by-2060>> accessed 14 February 2023

Carbon offsetting is a modern trend in emissions reduction of countries worldwide. It has been developing over years, and now is incorporated into the day-to-day life of eco-friendly individuals and corporations all around the world. Carbon offsetting made the GHG emissions a tradable good, which can be sold and bought on the corresponding carbon market.

In this section the author will describe the concept of carbon offsetting and carbon market, and explain the differences between voluntary and compliance carbon market. This information will help to estimate the effectiveness of the tool, and assess the need for its implementation in Kazakhstan.

II.1. Carbon offsetting and Carbon markets

The idea of carbon offsetting can be traced back to the 1980s as the urge to climate change actions alarmed. The first offset project took place in Guatemala; its goal was to plant trees in order to offset the emissions caused by power plants in Connecticut, the United States.⁵⁷

The main presumption behind the concept of carbon offsetting is that the Earth has one whole indivisible atmosphere; therefore, the damage in the form of emissions caused in one country influences the overall atmosphere of the world. This assumption leads to another idea, according to which it is possible to *offset* the emissions produced by one entity (legal entity or physical person) by helping the project on emissions reduction develop by means of financial support. This scheme leads to so-called carbon neutrality. In general carbon offset can be defined as GHG emissions reduction that is used to compensate for emissions that occur elsewhere.⁵⁸ The carbon offset takes place on the carbon markets, which unites the buyers and sellers of carbon credits (usually, one carbon credit, or carbon offset, equals 1 metric tonne of CO₂ or other GHG emissions).⁵⁹

There are two types of carbon markets: the compliance carbon market (hereinafter, the “CCM”) and the voluntary carbon market (hereinafter, the “VCM”).

a) CCM

CCM implies the market of carbon credits regulated by the government. Usually, participants of CCM are engaged in the carbon offset in order to fulfill their mandatory law-based obligations on GHG emissions reduction in the framework of quotas distributed on the international level in accordance with the international treaties. The offsets conducted internally within the state are counted towards the general obligations of that state under the international treaties. However, as long as CCMs are regulated by the governments, they are restricted to the borders of one state or region, and to the limited number of participants falling under specific requirements making CCM inaccessible for independent market participants. The more detailed mechanism will be discussed below with references to the relevant international treaties.

b) VCM

⁵⁷ Alexis Normand, ‘What is Carbon Offsetting and Removal?’ (29 September 2022, *greenly.resources*) <<https://greenly.earth/en-us/blog/company-guide/what-is-carbon-offsetting-and-removal>> accessed 20 February 2023

⁵⁸ ‘Understanding Carbon Offset’ (n.d., *Carbon Offset Guide*) <<https://www.offsetguide.org/understanding-carbon-offsets/what-is-a-carbon-offset/>> accessed 20 February 2023

⁵⁹ ‘What Is a Carbon Offset?’ (n.d., *Carbon Offset Guide*) <<https://www.offsetguide.org/understanding-carbon-offsets/what-is-a-carbon-offset/>> accessed 22 February 2023

VCM emerged only around 2005, as legal entities and people beside those legally obliged to reduce their carbon footprint became interested in achieving carbon neutrality.⁶⁰ VCMs allow any carbon emitters to offset their unavoidable emissions by purchasing carbon credits emitted by projects aimed at removing or reducing GHG from the atmosphere.⁶¹ The main feature of the VCMs is that they are substantially flexible and not limited by national or regional boundaries. VCMs serve as a platform for micro-scale projects that are too small to warrant the administrative burden of compliance offset programs, and consequently are not covered under compliance schemes.⁶²

There are several main elements of VCMs:

- Program (Standard) - either governmental or non-governmental standard-setting organization established to provide quality assurance for carbon offsets. Programs (Standards) develop certain independent rules on verification of the *green* projects and distribution of carbon credits within the online registry;
- Project - an activity registered in accordance with the requirements of the chosen Program aimed at reduction of GHG emissions. Project developers register their projects within the registry of the Program (Standard) and receive a certain amount of certified carbon credits.

VCMs allow carbon emitters to purchase carbon credits that are awarded to projects registered within a Program (Standard) that reduce and (or) remove the atmospheric carbon with no intended use for compliance purposes.⁶³ All participants willing to trade on VCMs shall register within the online platform. The carbon credits are stored at a personalized account in a registry owned or retained by the Standard that certified the Project. The Project developer can either retire the credits, i.e. annul them to claim the reductions they represent, or sell them to another entity owning an account at the registry. There are various ways in which carbon credits can be traded and various institutions involved in the process: brokers, exchanges, retail traders, advisors. Certified carbon credits issued by a given Standard and stored in a registry managed or retained by this Standard cannot be transferred to a registry of a different Standard.

II.2. Regulation of CCM through the prism of International Environmental Law

To start this section of the research paper, the author would like to refer to several principles guiding the international environmental law, and which are particularly relevant for the climate change and emissions reduction in the framework of carbon offset.

First principle is the unacceptability of damage to the environment of another state or international spaces. In the framework of this principle a lot of attention is paid to the assessment of the transboundary impact, provision of ecological information to other states, and control of the activity of

⁶⁰ Ibid.

⁶¹ Silvia Favasuli, 'Voluntary carbon markets: how they work, how they're priced and who's involved' (10 June 2021, *S&P Global*) <<https://www.spglobal.com/commodityinsights/en/market-insights/blogs/energy-transition/061021-voluntary-carbon-markets-pricing-participants-trading-corsia-credits>> accessed 24 February 2023

⁶² Carbon Offset Guide, 'Voluntary Offset Programs' (n.d.) <<https://www.offsetguide.org/understanding-carbon-offsets/carbon-offset-programs/voluntary-offset-programs/>> accessed 20 March 2023

⁶³ For the purposes of this research paper the following definitions shall be introduced:

- Program (also Standard) – either governmental or non-governmental standard-setting organization established to provide quality assurance for carbon offsets;
- Project – an activity registered in accordance with the requirements of the chosen Program aimed at reduction of GHG emissions.

private entities and individuals, including by means of establishing the procedural and material guarantees of damage reimbursement.⁶⁴ Second principle is the principle of natural resources management in the common interests.⁶⁵ According to this principle, the natural objects which are characterized by physical integrity (i.e. the ozone layer or atmosphere) shall be taken care of jointly by all nations (*common care regime*).⁶⁶ The principle of connection between human rights and environment was touched upon earlier in this research paper. Lastly, the sustainable development principle establishes the balance between ecological and economic interests of the society by supporting the intergenerational equity idea, according to which the economic needs of these days shall not endanger the needs of future generations.⁶⁷ All these principles can be traced in the main international treaties to be discussed below.

Among the most important documents in the sphere of climate change and emission reductions the author would like to accentuate the following:⁶⁸

- Geneva Convention on Long-Range Transboundary Air Pollution (1979) obliges the states to regulate the air quality, to conduct the scientific cooperation, and information exchange;
- Vienna Convention for Ozone Layer Protection (1985) obliges to limit the negative effect on ozone layer, to take protection measures in terms of consequences of ozone layer's change, to organize the research and to cooperate. The convention is supplemented by Montreal protocol of 1987, establishing a list of substances polluting the ozone layer, limiting the freon absorption and production, etc.;
- The UNFCCC obliges the states to compose the cadastres of GHG, to realize programs on emissions reductions, to develop and transfer the technologies of emissions limitation, to rationally use the GHG absorbents, to organize the research, etc. The document borrowed certain ideas from Montreal Protocol, which was one of the most successful environmental treaties in history.⁶⁹ The UNFCCC serves as a parent treaty to the Kyoto protocol of 11 December 1997 (hereinafter, the “**Kyoto protocol**”) and Paris agreement of 12 December 2016 (hereinafter, the “**Paris agreement**”).

a) **Kyoto protocol**

Kyoto protocol obliged the States not to exceed the volume of emissions established as a percentage of the emissions level of 1990 to decrease the overall emissions volume by 5%.⁷⁰ Kyoto protocol allowed the states, which have decreased emissions or increased emissions absorption, to sell the emissions quotas.⁷¹

⁶⁴ Tolstykh, V.L., ‘The Course on International Law’ (2022, *Prospect LLC*), ISBN 978-5-392-36028-4, p.654

⁶⁵ Ibid, p.656

⁶⁶ Ibid, pp.656-657

⁶⁷ Ibid, pp.659

⁶⁸ Ibid, p.665

⁶⁹ United Nations Climate Change, ‘What is the United Nations Framework Convention on Climate Change?’ (n.d.), <<https://unfccc.int/process-and-meetings/what-is-the-united-nations-framework-convention-on-climate-change>> accessed 17 February 2023

⁷⁰ Tolstykh, V.L., ‘The Course on International Law’ (2022, *Prospect LLC*), ISBN 978-5-392-36028-4, pp.665-666

⁷¹ Ibid.

Thus, Kyoto protocol envisages three main ‘flexibility mechanisms’, which are aimed at stimulation of events to decrease the anthropogenic influence on the environment. All the mechanisms contain obligations on GHG emissions reduction.⁷²

- 1) Clean Development Mechanism (hereinafter, “**CDM**”) is enshrined in Art.12 of Kyoto protocol.⁷³ The CDM provides for possibilities for investors from developed countries listed in Annex 1 to the UNFCCC and in Annex B to the Kyoto protocol to implement environmental projects⁷⁴ in developing countries not listed in above-mentioned Annexes. The emission decrease as the result of such projects will be considered to be achieved because of the investors, and, therefore, investors’ emissions decrease will be performed correspondingly. For developing countries, the CDM mechanism provides for the improvement of environmental conditions.
- 2) Joint Implementation Mechanism (hereinafter, the “**JIM**”) is described in Art.6 of the Kyoto protocol.⁷⁵ In accordance with this mechanism the investor from countries listed in Annex B to the Kyoto protocol can realize ecological projects on the territory of other countries listed in Annex B. The achieved decrease in emissions is indicated in Emissions Reduction Units (hereinafter, the “**ERU**”). The ERU obtainment shall consequently lead to the decrease of quantitative obligations of the country (Assigned amount units; hereinafter, the “**AAU**”) defined by Annex B to the Kyoto protocol. As it can be understood, the JIM limits the access to use to developing countries.
- 3) Emissions Trading Mechanism (hereinafter, the “**ETM**”) is described in Art.17 of Kyoto protocol.⁷⁶ This market instrument is available for the countries listed in the Annex B to the Kyoto protocol; it allows trading unused AAU on the international level with countries listed in the Annex B to Kyoto protocol, which exceeded the AAU.

Thus, the first regulatory basis for CCM was laid down in the Kyoto protocol in the CDM and ETM concept in 1992. One of the evident drawbacks of the regulatory approach was that the Kyoto protocol limited the access to the CCM and inter-state emissions reductions by means of carbon trading for developing countries not listed in the Annex B to the Kyoto protocol. This approach was proven ineffective and discriminating through time.

b) Paris agreement

The Kyoto protocol, in fact, lost its legal force in 2015 with adoption of the Paris Agreement. The Paris Agreement is a global agreement, which reflects the world’s desire to prevent climate change and to fight environmental degradation together.⁷⁷

⁷² Yessimkhanov, Y., ‘Realization of Kyoto protocol mechanisms in Kazakhstan’ (n.d., *online.zakon.kz*) <https://online.zakon.kz/Document/?doc_id=30999471&pos=3;-71#pos=3;-71> accessed 17 February 2023

⁷³ Kyoto protocol, 1997, Art.12

⁷⁴ For the purposes of this research paper, the environmental project means any project aimed at decrease of GHG emissions (hereinafter, the “**Project**”)

⁷⁵ Ibid, Art.6

⁷⁶ Ibid, Art.17

⁷⁷ Ualikhan Zhanseit, ‘Kazakhstan Signs Paris Climate Change Agreement’ (4 August 2016, *INTERNATIONAL*) <<https://astanatimes.com/2016/08/kazakhstan-signs-paris-climate-change-agreement/>> accessed 17 February 2023

Under Paris Agreement, the Parties to the Agreement are obliged to enhance implementation of the UNFCCC and strengthen the global response to the threat of climate change by:⁷⁸

- holding the increase in the global average temperature to well below 2 Celsius degrees above pre-industrial level and pursuing efforts to limit the temperature increase to 1.5 Celsius degrees above pre-industrial levels;
- increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low GHG emissions development, in a manner that does not threaten food production; and
- making finance flows consistent with a pathway towards low GHG emissions and climate-resilient development.

In terms of emissions trading, the Paris Agreement envisages two main tools available to countries as compared to the Kyoto protocol.

Firstly, Art.6.2 allows inter-state emission reductions and removal trading by means of bilateral or multilateral agreements. The traded carbon credits are called Internationally Transferred Mitigation Outcomes (hereinafter, the “ITMOs”). They can be measured in CO₂ equivalent or using other metrics, such as kilowatt-hours of renewable energy.⁷⁹

On the other hand, Art.6.4 creates a global carbon market regulated by a UN Supervisory Body. Projects shall be registered with the Supervisory Body and approved by both the country where they are implemented, and the Supervisory Body, before it can start issuing UN-recognised credits. These credits can be bought by countries, companies, or even individuals.⁸⁰

Thus, Art.6.4 of the Paris Agreement establishes the mechanism of GHG emission reductions between countries under the supervision of the COP, which is the decision-making body of the UNFCCC.⁸¹

Unlike the Kyoto protocol, the Paris agreement became an effective tool allowing access to the emissions trading on CCM to all countries without discrimination and without creating artificial obstacles.

Currently, the carbon credits are part of GHG ETS operating on the cap-and-trade principle. A government or an international organization establishes a cap on allowable GHG emissions into the atmosphere in the form of quotas, which are distributed among producers and main emitters. If the companies emit less than the allowable limit, they can sell their surplus to other companies which failed to reduce their emissions, i.e. trade.⁸² Thus, the companies achieve net-zero within the state by means of

⁷⁸ Art.2.1 of Paris Agreement

⁷⁹ Jonathan Crook, ‘COP27 FAQ: Article 6 of the Paris Agreement explained’ (2 November 2022, *Carbon Market Watch*) <<https://carbonmarketwatch.org/2022/11/02/cop27-faq-article-6-of-the-paris-agreement-explained/>> accessed 24 February 2023

⁸⁰ Ibid.

⁸¹ ‘What You Need to Know About Article 6 of the Paris Agreement’ (17 May 2022, *the World Bank*) <<https://www.worldbank.org/en/news/feature/2022/05/17/what-you-need-to-know-about-article-6-of-the-paris-agreement>> accessed 24 February 2023

⁸² Saniya Perzadayeva, ‘Kazakhstan - Carbon Credits - A Tool to Control Greenhouse Gas Emissions’ (11 February 2022, *Conventus Law*) <<https://conventuslaw.com/report/kazakhstan-carbon-credits-a-tool-to->

cap-and-trade technique. Majority of the governments calculate their ‘caps’ in accordance with the undertakings under Paris Agreement and Kyoto protocol, which were discussed above. The results of carbon trading on such CCMs are calculated towards the country’s NDC.

III. KAZAKHSTAN CARBON NEUTRALITY REGULATION THROUGH THE PRISM OF INTERNATIONAL AND DOMESTIC LEGISLATION

As we have seen above, carbon offsetting can work on two levels: international carbon emissions (credits) trading and intra-state emissions trading between the enterprises participating in quota distribution. In this section we will consider both levels through the prism of laws of Kazakhstan, and analyze the space for possible legislative and practical developments.

III.1. General overview of Kazakhstan legal system

The main source of law in the republic is the Constitution of Kazakhstan;⁸³ it serves as a guarantor of political stability and human rights protection. In accordance with the Art.1.1 of the Constitution of Kazakhstan, Kazakhstan declares itself to be a democratic, secular, social *state of law*, the primary values of which are individual, his/her life, rights, and freedoms. This provision is referred to in order to accentuate that Kazakhstan incorporates the term *state of law* (German legal concept of *Rechtsstaat*) implying the supremacy of law in the state as well as the fact that everybody shall obey that law.⁸⁴

In accordance with the Art.4.1 of the Constitution, the law of Kazakhstan consists of norms of the Constitution, constitutional laws, other normative legal acts, international and other undertakings of the Republic, and the normative decrees of the Constitutional Court and Supreme Court of Kazakhstan. International treaties ratified by Kazakhstan prevail over the laws of Kazakhstan, but cannot contradict the Constitution and constitutional laws.⁸⁵

III.2. General overview of environmental legislation in Kazakhstan

Talking about environment protection, the Constitution establishes the protection of the environment favorable for the life and health of individuals as a goal of the state.⁸⁶ The environment protection issues are also regulated by the Environmental Code of RK serving as the main source of the environmental law and other normative legal acts deriving from the Environmental Code. The environmental law of Kazakhstan met a new dawn with the adoption of the new Environmental Code on 2 January 2021, which replaced the old Environmental Code adopted on 9 January 2007. The domestic legislation regulating the environment protection in Kazakhstan will be discussed later in this work.

[control/#:~:text=In%20accordance%20with%20the%20draft,the%20carbon%20quota%20is%20distributed%3F>](#) accessed 20 March 2023

⁸³ Art.4.2 of the Constitution of Kazakhstan

⁸⁴ Allan, T., ‘Rule of law (Rechtsstaat)’ (1998), doi:10.4324/9780415249126-T022-1. Routledge Encyclopedia of Philosophy, Taylor and Francis, <<https://www.rep.routledge.com/articles/thematic/rule-of-law-rechtsstaat/v-1>> accessed 15 February 2023

⁸⁵ Art.4.3 of the Constitution of Kazakhstan

⁸⁶ Art.31 of the Constitution of Kazakhstan

Furthermore, the President of Kazakhstan Kassym-Zhomart Tokayev presented the Doctrine for Carbon Neutrality of Kazakhstan by 2060 on 13 October 2021. The Doctrine contains a list of key measures on reduction of emissions and decarbonization of the economy, which include:

- abandonment of new coal-fired generation projects and the phasing out of coal combustion during years 2021-2025;
- implementation of a program to plant 2 billion trees by 2025;
- doubling of the share of renewable energy sources in electricity generation by 2030;
- complete sorting of municipal solid waste by 2040;
- sustainable agriculture on 75% of arable land by 2045;
- full electrification of personal passenger transport by 2045;
- use of green hydrogen only; and
- complete refusal to use coal-fired production from 2050 onwards.

Thus, we have briefly covered some of the milestones in Kazakhstan domestic legislation on environment protection

III.3. International undertakings of Kazakhstan in the sphere of environment protection

In section II.2 of this research paper we have seen some major documents in international law governing the issues of climate change and emissions reduction. Kazakhstan has always been active on the international arena, and therefore was not indifferent towards those initiatives.

Kazakhstan ratified UNFCCC by the order of the President of the Republic of Kazakhstan on 4 May 1995.⁸⁷ The Kyoto protocol was ratified by Kazakhstan on 26 March 2009. In addition to the justified desire to participate in the massive fight against global warming, Kazakhstan's ratification of the Kyoto Protocol pursued a number of economic objectives, including attracting investment under the mechanisms of the Kyoto Protocol and participation in the global emission trading system.⁸⁸

After the accession to the Kyoto protocol Kazakhstan undertook the obligation not to exceed the GHG emissions level of 1992; the level of GHG emissions of Kazakhstan was approximately 80 million tonnes below the threshold level already by 2010.⁸⁹ However, Kazakhstan was not among the countries listed in Annex 1 to UNFCCC or Annex B to the Kyoto protocol, despite the good indicators of CO2 reductions. Potentially, those unused AAU could have been sold on the international carbon market under Kyoto protocol and attract foreign investors to develop 'green' projects, which in turn will contribute to the infrastructural and economic development of the state.⁹⁰

Kazakhstan tried to participate in the CDM project "quotas in exchange to investment" in cooperation with Japanese investors. In 2002 Japanese company NEDO signed a Model contract on energy-saving on Ural power plant with the Ministry of Energy and Natural Resources. According to the Model contract, NEDO undertook to install the gas turbine station with a capacity of 28.6 MW. The installment successfully reduced the amount of GHG emissions by 62,000 tonnes per annum. However,

⁸⁷ Order of the President of Kazakhstan 'On ratification of the UN Framework convention on climate change', 1995

⁸⁸ Yessimkhanov, Y., 'Realization of Kyoto protocol mechanisms in Kazakhstan' (n.d., online.zakon.kz) <https://online.zakon.kz/Document/?doc_id=30999471&pos=3;-71#pos=3;-71> accessed 17 February 2023

⁸⁹ Ibid.

⁹⁰ Yessimkhanov, Y., 'Realization of Kyoto protocol mechanisms in Kazakhstan' (n.d., online.zakon.kz) <https://online.zakon.kz/Document/?doc_id=30999471&pos=3;-71#pos=3;-71> accessed 17 February 2023

because of the Kyoto protocol being non-functional in Kazakhstan, the transfer of quotas was not successful.⁹¹

The Paris agreement changed the Kyoto protocol and was ratified by Kazakhstan on 4 November 2016.⁹² Under the Paris Agreement, Kazakhstan's nationally determined contribution (hereinafter, the "NDC") target is to reduce its GHG emissions by between 15% and 25% by 2030 compared with levels of 1990.⁹³ Even though the possibilities for free carbon trading were opened by the Paris Agreement as compared to Kyoto protocol, Kazakhstan today is not engaged in the GHG emissions trading on an international level. This seems extremely alarming, and in order to analyze the reasons behind such a situation, the author conducted an interview with Laura Malikova, a Chairman of the Association of Practicing Ecologists of Kazakhstan.

III.4. Analysis of the interview insights

According to Mrs. Malikova, Kazakhstan has nothing yet to propose on international CCM. The statistical data provided in the relevant sources is often exaggerated and does not reflect the real situation. In fact, the 'drastic' reductions in the CO₂ emissions in the beginning of the independence period were caused by certain radical measures. This was a one-time effect rather than part of long-term politics. Currently, Kazakhstan cannot participate in the CCM trading, because there are not enough CO₂ reductions. In fact, the issue of emissions reduction was not discussed on governmental level until approximately 2016.

According to Mrs. Malikova, prior to participating in international carbon offsetting, Kazakhstan shall incorporate the long-term emissions reduction initiative into its domestic policy. There are several major aspects on which the government shall focus at the first stages of the the path towards net-zero:

- 1) Qualified governmental structures. From 1991 to 2014 in Kazakhstan there was a Ministry of environment and water resources of Kazakhstan. For a period between 2014-2019 there was no separate Ministry of Ecology; it was a part of the Ministry of Energy, Ministry of industry and infrastructural development, and Ministry of agriculture. During this period the issues of environment protection played a secondary role, because they were not the primary focus of the Ministry. Only on 17 June 2019 the Ministry of Ecology, Geology, and Mineral resources was established to govern the issues of environment protection. Because of such frequent changes, there were no possibilities to create a focused, effectively functioning structure to govern the environment-related questions.

⁹¹ 'Sellers of the air' (November 2011, Forbes Kazakhstan)

<https://forbes.kz/process/ecobusiness/prodavtsyi_vozduha#:~:text=%D0%9A%D0%B0%D0%B7%D0%B0%D1%85%D1%81%D1%82%D0%B0%D0%BD%20%D0%BF%D0%BE%D0%B4%D0%BF%D0%B8%D1%81%D0%B0%D0%BB%20%D0%9A%D0%B8%D0%BE%D1%82%D1%81%D0%BA%D0%B8%D0%B9%20%D0%BF%D1%80%D0%BE%D1%82%D0%BE%D0%BA%D0%BE%D0%BB%2C%20%D0%BF%D0%BE%D0%B7%D0%B2%D0%BE%D0%BB%D0%B8%D0%B2%D1%88%D0%B8%D0%B9,%D1%82%D0%BE%D0%BD%D0%BD%20%D0%B2%20%D0%A1%D0%9E2%2D%D1%8D%D0%BA%D0%B2%D0%B8%D0%B2%D0%B0%D0%BB%D0%B5%D0%BD%D1%82%D0%B5> accessed 24 February 2023

⁹² Law of the Republic of Kazakhstan 'On ratification of Paris Agreement', 2016

⁹³ Kerimray, A., Suleimenov, B., De Miglio, R., Rojas Solorzano, L., & Ó Gallachóir, B., 'Long-Term Climate Change Mitigation in Kazakhstan in a Post Paris Agreement Context.' (2018, Springer International Publishing, 64(18), pp.297-314) <<https://research.nu.edu.kz/en/publications/long-term-climate-change-mitigation-in-kazakhstan-in-a-post-paris>> accessed 17 February 2023

- 2) Incorrect funds distribution. For a long time the funds coming from environmental fees and other ecology-related payments were collected to the state budget; the funds coming from ecology fees, which should have been spent on environment protection purposes, simply could not be traced, and consequently were allocated for different non-related to environment purposes including social allowances, pensions, etc.
- 3) Lack of ecologists on governing positions. According to Laura Malikova, the events of January 2019 have led to the series of random appointments to governmental positions. Those appointments were not logical and were made rather to decrease the tension between people of Kazakhstan. Therefore, more efforts and budget shall be allocated to the preparation of qualified ecologists (governmental scholarships, grants, etc.)
- 4) Ecologically dirty energy sources. Even after 30 years of independence, the majority of energy in Kazakhstan is still obtained from fossil fuels such as gas, oil, and coal. The need for development of clean energy sources is obvious; with the adoption of the new Environmental Code, a lot of barriers to renewable energy sources (hereinafter, “**RES**”) development were eliminated. “Currently, the main problem of RES in Kazakhstan is the absence of energy storage systems. The energy is obtained, but cannot be accumulated for the purposes of later usage” - says Laura Malikova.

Thus, we have seen the concept of carbon offsetting, studied its effectiveness and importance for humanity and ecology. We have also seen the problems Kazakhstan faces in the sphere of CCM implementation, and have identified several problematic aspects to work on.

National Narratives Framing Trends: Cases of the Great Patriotic War and the Second Sino-Japanese War

KAO, Chia-Lin

University of Glasgow, IMCEERES

Chiayi, Taiwan (R.O.C.)

motoyu870716@gmail.com

ABSTRACT

The thesis aims to analyse the variations in national narratives in Russia and China through the trends from 2015 to 2020. It focuses particularly on the narratives of the Great Patriotic War and the Second Sino-Japanese War, to see how authority frames memory for ideation-shaping and future prospect constructing. To assess the variations in the framing patterns during the targeted time frame, the thesis intends to collect elite speeches on the commemorative events of the Great Patriotic War and the Second Sino-Japanese War from Russia and China. The elite speeches were collected in 2015 and 2020 respectively from both countries. The thesis will encode the collected elite speeches to assess the shift in theme and framing variation trend of Russian and Chinese official narratives on the Great Patriotic War and the Second Sino-Japanese War over time. To create the communications between the two datasets and conduct a comparison between Russia and China, the thesis will design a codebook to bridge the analysis and engage the narratives from both countries. The analysis of elite speeches is undertaken within Nvivo 12. There are 8 main coding categories within the codebook, with several sub-categories for each of them. The categorization is defined by the main theme from both datasets to have the analysis parallel. The thesis intends to explain the outcome of the analysis through 4 different perspectives. Firstly, the general theme or the trend of the elite speech. In this part, the thesis expects to reveal the variations of the narratives of Russia and China on historical events from 2015 to 2020. In particular, an emphasis will be placed on the speakers and the targeted audience so as to identify the similarities and differences in the framing skills of the speeches from Russia and China. Secondly, the thesis would elaborate on how the speeches approach past events. For example, the subjects mentioned in the speeches, the tones, the wordings, etc. Lastly, the thesis will provide insight into what messages the speeches aim to project for future development or what kind of attitudes are conveyed through the speeches. The thesis expects to contribute to the existing literature on national identity-building and memory politics by examining methods that the Russian and Chinese governments applied to frame their speeches during commemorative events and use the narratives to mold their memory and construct their national identity. Moreover, the thesis also foresees to provide explanations to how the transitions of narrative patterns can potentially reflect the policy applications in Russia and China.

KEYWORDS: history memory, framing, national narratives, Great Patriotic War, Sino-Japanese War

PRELIMINARY REFERENCES

- Assmann, A. (2004). Four Formats of Memory: From Individual to Collective Constructions of the Past. In *Cultural Memory and Historical Consciousness in the German-Speaking World Since 1500* (pp. 19–37). Peter Lang. <https://www.peterlang.com/document/1096848>
- Assmann, A. (2008). Transformations between History and Memory. *Social Research: An International Quarterly*, Volume 75, 49–72.
- Ebbinghaus, B. (2006). When less is more: Selection problems in large-N and small-N cross-national comparisons. *Soziale Ungleichheit, Kulturelle Unterschiede: Verhandlungen Des 32. Kongresses Der Deutschen Gesellschaft Für Soziologie in München. Teilbd. 1 Und 2*, 4013–4021. <https://nbn-resolving.org/urn:nbn:de:0168-ssoar-142348>
- Hopf, T., & Allan, B. B. (2016). *Making Identity Count: Constructivism, Identity, and IR Theory* (Vol. 1). Oxford University Press. <https://doi.org/10.1093/acprof:oso/9780190255473.003.0001>
- Kubik, J., & Bernhard, M. (2014). A Theory of the Politics of Memory. In *Twenty Years After Communism* (pp. 7–34). Oxford University Press. <https://doi.org/10.1093/acprof:oso/9780199375134.003.0002>
- Landman, T. (2008). Comparing few countries. In *Issues and Methods in Comparative Politics: An Introduction* (3rd ed., Vol. 4, pp. 67–83). Routledge. <https://doi-org.ezproxy.lib.gla.ac.uk/10.4324/9780203929780>
- László, J., Vincze, O., & Somogyvári, I. K. (2003). Representation of national identity in successful historical novels. *Empirical Studies of the Arts*, 21(1), 69–80. <https://doi.org/10.2190/N1B0-1T7T-98PJ-GRQ9>
- Lee, M. H. (2015). Globalisation and History Education in Singapore. In *Nation-Building and History Education in a Global Culture* (1st ed., Vol. 9, pp. 131–153). Springer Dordrecht. https://link-springer-com.ezproxy.lib.gla.ac.uk/chapter/10.1007/978-94-017-9729-0_9
- Mitchell, K. (2010). Memory Texts: History, Fiction and the Historical Imaginary. In *History and Cultural Memory in Neo-Victorian Fiction* (pp. 12–38). Palgrave Macmillan. https://doi-org.ezproxy.lib.gla.ac.uk/10.1057/9780230283121_2
- Olick, J. K. (1999). Collective Memory: The Two Cultures. *Sociological Theory*, 17(3), 333–348.
- Pennings, P., Keman, H., & Kleinnijenhuis, J. (2011). Meaning and Use of the Comparative Method: Research Design. In *Doing Research in Political Science* (2nd ed., Vol. 3, pp. 30–52). SAGE Publications Ltd. <https://dx.doi.org/10.4135/9781849209038.n4>
- Rigney, A. (2008). Narrating the Nation: Representations in history, media, and the arts. In *Narrating the Nation* (Vol. 4, pp. 79–96). Berghahn Books. <https://doi.org/10.1515/9781845458652>
- Sontag, S. (2003). Regarding the Pain of Others. In *Regarding the Pain of Others* (pp. 85–86). Farrar, Strus and Giroux.
- Temin, D. M., & Dahl, A. (2017). Narrating Historical Injustice: Political Responsibility and the Politics of Memory. *Political Research Quarterly*, 70(4), 905–917. <https://doi.org/10.1177/1065912917718636>

- Wang, Z. (2008). National Humiliation, History Education, and the Politics of Historical Memory: Patriotic Education Campaign in China. *International Studies Quarterly*, 52(4), 783–806.
- Wang, Z. (2017). Memory, Education, and Textbooks. In *Memory Politics, Identity and Conflict: Historical Memory as a Variable* (1st ed., Vol. 4, pp. 41–55). Palgrave Macmillan Cham. <https://doi-org.ezproxy.lib.gla.ac.uk/10.1007/978-3-319-62621-5>
- Wijermars, M. (2016). Memory Politics Beyond the Political Domain Historical Legitimation of the Power Vertical in Contemporary Russian Television. *Problems of Post-Communism*, 63(2), 84–93. <https://doi-org.ezproxy.lib.gla.ac.uk/10.1080/10758216.2015.1094719>
- Zajda, M. H. (2015). Nation-Building and History Education in a Global Culture. In *Nation-Building and History Education in a Global Culture* (1st ed., Vol. 12, pp. 185–191). Springer Dordrecht. <https://doi-org.ezproxy.lib.gla.ac.uk/10.1007/978-94-017-9729-0>

Responsible Management Education in Central Asia: Challenges of a Cross-Cultural Crossroad

Aurora Díaz-Soloaga

AlmaU University, School of Management
227 Rozybakiyev str, 050060 Almaty (Kazakhstan)
a.diaz@almau.edu.kz

Meredith Storey

Principles for Responsible Management Education (PRME)
685 Third Ave. 12th Floor, New York NY 10017 (USA)
storey@unglobalcompact.org

ABSTRACT

Businesses and managers are undeniably some of the most important catalysts for creating a sustainable world. Leaders with holistic skill sets are urgently needed to fill the sustainability skills gap in the workforce in the wake of some of the greatest global challenges. Yet, traditional academia has failed to focus on the development of sustainability skills in favor of an instrumental and cognitive approach, leaving students ill-prepared. Based on an extensive theoretical review, this study shows that the development of a holistic skill set for business school students is urgently needed to bridge the gap between academia and business in order to develop the next generation of responsible business leaders. The paper provides the introduction and analysis of an impactful pedagogical approach: the Impactful-five (i5) Pedagogy—based on social, meaningful, joyful, iterative, and actively engaging business school students in holistic skill set development. Finally, the paper suggests how impactful pedagogy can be applied throughout the educational environment in higher education institutions (HEIs) in Kazakhstan, according to its multi-ethnic and multicultural specificities, through case study examples. The pedagogy sets a needed global agenda for prioritizing impactful approaches to educating leaders and bringing systematic transformation to responsible management education (RME). After a year of prototyping with other experts and testing the system in the classrooms of an Almaty University (Almaty Management University), the paper relates here the main insights from the process and the potential of this system to nurture cross-cultural tolerance and openness in Central Asia, as a crucial dimension of a RME requirements.

KEYWORDS: Responsible Management Education (RME), Sustainability, Pedagogy, Leadership, Multicultural Context

1. INTRODUCTION

Business schools play a pivotal role in influencing the behavior of some of the most influential leaders and powerful organizations in the world (Parkes *et al*, 2017). Yet, education systems are struggling to equip students with the skills and knowledge they need to practice corporate social responsibility and tackle the sustainable development challenges the 21st century is facing (The LEGO Foundation, 2021). These crucial skills include creativity (Care *et al*, 2016), critical thinking (Vincent-Lancrin *et al.*, 2019), and problem-solving (World Economic Forum, 2020). Students with these skills are vital to developing the next generation of leaders and managers equipt to prioritize sustainability in business.

The Principles for Responsible Management Education (PRME) represents the largest organized relationship between the United Nations (UN) and HEIs focused on management and business. PRME seeks to develop today's business students with a foundation in RME and a holistic skill set (PRME, 2023). To accomplish this goal, PRME partnered with The LEGO Foundation and analyzed The LEGO Foundation's core research on playful learning to identify a new strategy aimed at advancing sustainable and responsible business practices in the classroom. The foundation for the Impactful-five (i5) Pedagogy is based on five skills of holistic development that students need to thrive in today's complex world, including cognitive skills, creative skills, physical skills, social skills, and emotional skills. By introducing these skills through play, schools have recorded improvements to student experiences. The five characteristics identified as best practices to help students learn are actively engaging, meaningful, socially interactive, iterative, and joyful (Wright *et al*, 2022) learning methods. By adapting these characteristics to students of any age and cultural background, educators are able to foster sensemaking, engage critically, and help students develop real world skills.

Building on the PRME community's practice of RME and The LEGO Foundation's research on playful learning, PRME is piloting the Impactful Five (i5) pedagogy development with more than fifty PRME signatories schools around the world. Throughout the first pilot, PRME has received feedback of positive examples of change. By prioritizing pedagogy focused on holistic skill set development, transformation in business and management education can be a fundamental way to truly prepare business students to tackle global sustainability challenges.

This study shows the need to focus academia on holistic skill set development. The paper will provide an introduction to the Impactful five (i5) Pedagogy—based on social, meaningful, joyful, iterative, and actively engaging students in holistic skill set development. It also presents the specific case of a first application of these five aspects in the educational activity of a university in Kazakhstan. To conclude, the paper will provide an action research driven approach to show how educators can apply this pedagogy in their own context.

2. LITERATURE REVIEW

Even though business and management school curriculums often include corporate social responsibility and business ethics, the real-world skills graduates need to embed these practices in businesses are not taught in the classroom. The International Commission on Financing Global Education Opportunity reported that more than half of the young people and children around the world would not have the skills necessary to contribute to our global workforce, a statistic of nearly 825 million youth (The International Commission on Financing Global Education Opportunity, 2016). The LinkedIn Green Jobs report

published in 2022 highlighted that positions looking for ‘green’ or sustainability skills grew at a rate of 8 percent over the last five years while the talent pool grew at only 6 percent (LinkedIn, 2022). These numbers show that the need for talent with sustainability skills training is far greater than the number entering the workforce. Leaders and CEOs are also starting to highlight this need. In 2022, sustainability talent scarcity was noted as the number one concern facing talent recruitment according to 91 percent of CEOs surveyed (United Nations Global Compact, 2023). In order to close this gap, students need to be trained before entering the workforce.

A number of studies have pointed out the competencies business schools need to develop today. The World Economic Forum published the Future of Jobs Report (2020) indicating that critical thinking and analysis, problem-solving, and skills in self-management, such as active learning, resilience, stress tolerance, and flexibility will be among the top skills employers are seeking for new employees. The Organisation for Economic Co-operation and Development also notes that because of the development of artificial intelligence and robotics, creativity and critical thinking will be of particular importance for the next generation (Vincent-Lancrin et al., 2019). Now more than ever, students must be equipped with holistic skills that can transfer into the talent needed in the workforce.

Responsible leadership hinges upon meaning and it is crucial to intentionally reflect on how we can best educate responsible leaders of tomorrow (Lozano, 2012). Haertle and other scholars pointed out that a new strategy is needed for business schools to meet the changing demands of the world (Haertle et al., 2017). Because of traditional approaches to preparing graduates, business schools are failing to respond to the demands of a more sustainable way to manage companies. Some scholars argue that business schools have perpetuated a focus on growth, profit, and greed (Haertle et al., 2017). Along with this argument, scholars also criticize the current pedagogy’s focus on discipline. By valuing a discipline-focused education system, many business schools have diverted from the practices of management for a discipline-minded approach (Mintzberg, 20024, cited in Kelley and Nahser, 2014). The lasting impact is that business school students are not trained with real world skills, but rather work on theoretical and conceptual problems (Kelley and Nahser, 2014; Allen *et al*, 2019). This lack of a multidisciplinary approach stunts students ability to translate the concepts in their studies to tackle complex sustainability problems that businesses are facing. After a careful review of traditional approaches to teaching in business schools, a more impactful and innovative pedagogy is needed to empower students’ holistic skill set development.

3. THE (i5) PEDAGOGY

In an effort to drive thought leadership on RME, PRME established six universal principles as guides supported by the UN Global Compact in 2007. By working with its signatory schools globally to prepare students who are committed to sustainable business practices (O’Keefe and O’Keefe, 2017), today more than 850 PRME signatory schools have committed to PRME’s six broad principles. These schools all align their purpose, values, method, research, partnerships, and dialogue to focus on RME (Parkes *et al*, 2017). The (i5) pedagogy seeks to target educators in these schools to create a pathway to RME through skills development by infusing its teaching methods with PRME’s six principles.

The (i5) pedagogy is meant to emphasize meaning in learning, which helps students to reflect and establish their meaning at the center of business, such as global sustainable development, care for the community, and better human development. In addition, (i5) pedagogy addresses the cruciality of social interaction and active engagement, which develops students’ ability to create dialogues and partnerships to meet complex challenges. As PRME’s principle 5-partnership indicates, in a globalized world,

responsible leadership fundamentally depends on effective partnerships that are built on quality social interactions and understanding.

To respond to the gap in skills needed in the workforce, the (i5) pedagogy is meant to transform how students are taught in HEIs. By developing students with holistic skill sets, the (i5) pedagogy is able to give educators the tools to teach students in business and management education to be leaders and managers. Specific methods and signature moves are being designed, as shows in Table 1, to comprehend the entire purpose of this pedagogy.

Table 1: Impactful Five Pedagogy Five Methods and Signature Moves

Methods	Foster Joy and Well-being	Make Learning Meaningful	Facilitate Active Engagement	Design for Iteration	Develop Supportive Social Interaction
	Rippling	Role Modelling	Animating	Messing	Braving
Signature Moves	Contemplating	Personalizing	Linking	Revisiting	Bridging
	Sensing	Surfacing	Teching	Prototyping	Teaming
	Delighting	Dignifying	Authenticating	Compassing	Communifying

Source: PRME Impactful Five i5 Project Playbook

Each characteristic of the (i5) pedagogy contributes to a holistic skill set development and a multidisciplinary approach to education that must be broken down by noting the significance of the individual methods. The following sections will further develop the relevance of each competence beyond its initial framing to its application in the classroom.

4. CASE STUDY: i5 PRACTICES IN KAZAKHSTAN

4.1 Background

To understand the relevance of the application to the Kazakhstani scenario, of the learning through play essence, there are some factors to consider, regarding the pluri-ethnicity nature of this region.

Kazakhstan, the largest country in Central Asia and the ninth largest in the world, is a landlocked transcontinental republic on the ancient Silk Road. This, and other factors, explain the presence of many diverse ethnicities in the region. For instance, the fact that the region was ruled for decades first by Russia and then by the USSR. This subjugation came to an end when the country gained independence in 1991 (the last Soviet republic to do so) following the collapse of the Soviet Union. As a result, a mosaic of cultures and many ethnic groups coexist in a country rich in natural resources and manufacturing

facilities. Formerly an independent state with impressive cultural development (Minahan, 1998) and nomadic roots, the subsequent transition brought with it aggressive reform initiatives, such as trade liberalisation and price fixing, privatisation of state-owned enterprises, breaking up monopolies and investment support (Tugut and Lee, 2007).

The scarce literature on responsible education in Kazakhstan, and more generally in Central Asia, is moreover partial. The various studies that have focused on different aspects of such education in recent years refer mainly to different aspects of an education that prepares the experts of tomorrow, but without offering a holistic vision that could provide a guide for the teacher who is considering rethinking his or her teaching. Thus, some scholars highlight how the relevance of specific skills nurtured at the classroom enhance the civic position of the future young professional (Robertson and Bayetova, 2021), while others reflect the path Kazakhstan has taken in recent years in a process of modernising its education system, tentatively suggesting how the prospect of better-quality education in Kazakhstan necessarily involves a more responsible approach (Merrill *et al.*, 2015). Other studies also highlight the importance of different aspects of education, which could reflect a more varied and comprehensive perspective, rather than technical aspects (Lakshmi G. *et al.*, 2022). But it can be argued that the consideration of a perspective such as the one offered by the i5 framework is novel and unique in the context of this specific Central Asian country. The potential impact of learning through play, which is joyful, meaningful, actively engaging, iterative and socially interactive, is still of vital importance for this multicultural mosaic.

4.2 Method

In September 2021, the Eurasian Chapter of PRME was launched by a number of HEI in Central Asia, and under the special promotion of Almaty Management University, as a new initiative to promote RME in the intercontinental hinge space. Since then, other Universities in the region have joined the initiative. The area covered by this strand is geographically immense, and if anything, it is characterised by its diverse ethnic composition (Schatz, 2000). This intercultural laboratory represents an unique opportunity to develop a new pedagogy for responsible education. The possibilities for creating training capsules that enable students to grow in leadership and responsibility are rich. Moreover, it allows the teacher to proactively test a new pedagogy, to practice different activities, and to check the specificity of their results. HEI needs to maintain their efforts in exploring the lights and shadows of the intercultural perspective in tertiary education in the region, while promoting a reflection on the need to cultural diversity as a challenging but necessary perspective in the country (Turgumbayeva and Aimagambetova, 2018). The efforts of many institutions in the region to promote responsible education should be considered as a major factor of civic change and a catalyst for social reforms and transformations.

In line with these fundamentals, since April 2022 the authors worked on the development and testing of the methodology, in line with the needs of responsible education. Kazakhstan has thus become the first country in Central Asia to test the effectiveness of these five principles for responsible education. In any case, the idea of testing the methodology in this country is to transfer these same practices to other countries in a similar socio-cultural context, enriched by the creativity and good work of other teachers in universities and business schools who will become multipliers of this new pedagogy.

Almaty Management University (AlmaU), the university that has assumed the leading role in this first test, was founded in 1989, and it is located in Almaty, the former capital of the young Republic. The

metropolis even after losing its administrative relevance still remains a cultural and educational centre and one of the country's economic, commercial and tourism engines. Every year, around 172.000 students from the various regions of the country come to Almaty to study at its more than 35 universities (Web-1). Among them, a huge number choose to study social sciences: economics, management, logistics, international relations, marketing: these programs raise among other specialities (Web-2).

This makes the city's universities an important focus of academic promotion, from where every year significant numbers of recent graduates go out to the labour market: they found small companies, take over the family business, now with more knowledge and preparation, join large national and international companies, and become the managers, accountants, decision-makers gradually becoming more important for the development of business and ultimately the future of the country.

AlmaU is one of the first business schools in the city. In its classrooms approximately 4400 students from various backgrounds are trained to “make the world a better place through the development of education, research and entrepreneurship”, according to the mission statement of the University. In these classrooms, for the first time in Kazakhstan and Central Asia, a first experiment in the application of the i5 system has been piloted.

4.3 Analysis

In the case of Almaty Management University, there are several elements to consider for this choice to be relevant:

- The **flexibility and freedom** that characterises a medium-sized private university to incorporate new pedagogical technologies in the classroom.

- The **maturity of its students**, coming from a variety of backgrounds and representing most of the regions of the country.

- The **internationality of the students**: every year AlmaU's classrooms welcome students from all over Central Asia (Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan, Afghanistan, Russia), as well as students from AlmaU's partner European universities.

Considering the above factors, in the last eleven months, during three successive semesters, and in six different courses (Management, Principles of Global Management, Introduction to Sustainability Mindset), some activities have been implemented that, in its design and conception, have considered the five principles of the i5 system. The number of undergraduate students attending these classes totals 126, and their studies are in Management, Marketing, IT Management and PR. These are 15-week courses of 3 or 5 credits, several of them developed jointly with a strategic partner of AlmaU: a university in North America.

To make this process a reality, it has been necessary to go through a process of:

- 1. Reflection:** return, with a scrutinizing look, to the educational activity itself, reflect on the reasons on which the desire to teach is based. Reinforce in this first step the will and the commitment to work with an eye on some founding values, which will guide the pedagogical activity from now on.

2. Design: as the i5 system refers not so much to the content of the courses, but rather to their format, to delivery, a task of redesigning the activities that are usually used in the classroom is necessary, as well as creativity to conceive, prepare and finally carry out new activities, which in their development consider the 5 principles.

3. Testing: new activities have been taken to the classroom and put into practice, with the consequent development process, fixing of errors, process control and final evaluation of their effectiveness.

4. Evaluation: of all this new process of applying the 5 principles to the classroom context of a Central Asian country such as Kazakhstan.

In the process, some previous activities used in the courses have been reused. Some of them suffered a process of redesign, other new activities have been piloted, and still other rudiments of interventions at class have been just conceived, while specific first movement have been tested at class in a very preliminary stage. In Table 2 some examples of activities that have been tested are provided, according to their intensive use of each of the (i5) principles.

Table 2: Teaching with i5 moves in AlmaU classrooms.

i5 dimensions	Make learning meaningful	Facilitate active engagement	Design for iteration	Develop supportive social interaction	Foster joy and well-being
Activities					
Critical reflection on concepts, culture, history.	✓	✓		✓	
Students 'survey on interests, motivations, and expectations.	✓	✓			✓
Cross cultural green project in collaboration with external partners	✓	✓	✓	✓	✓
Self-reflections on behaviours.	✓	✓		✓	✓
Socio-cultural and historical location of intuitive concepts used at class.	✓	✓		✓	

Guest speakers from industry and/or motivational speakers + posterior debriefing.	✓	✓		✓	✓
Personal characterization of important historical events.	✓	✓	✓	✓	✓
Short quizzes.	✓	✓		✓	
Games to revisit previous covered content.	✓	✓	✓		
Interactive cases studies (role model play).	✓	✓	✓		✓
Provoke conversations and reflection, to inspire contrast (not conflict) with the status quo.	✓	✓	✓	✓	
Giving voice to values: self-assessment on cross cultural encounters.	✓	✓	✓	✓	
Definition and reflection on very basic concepts.	✓	✓		✓	✓

Source: Aurora Díaz-Soloaga, 2023

The impact of these activities can only be measured in the medium term. The assessment framework of those courses provides a taxonomy for the regulation and identification of successful activities, among the many ones that can be included and designed. Still, the experiences of teacher and students in these attempts have been extremely interesting. Both agents developed impressions of the potential of these five facets of the educational process, which in themselves allow for a powerful reflection on learning itself. The fact that these practices are carried out among students of social sciences subjects, which are closely related to business, takes the student out of his comfort zone, and leads him to put into action his imaginative and reflective capacity. Many of these experiences have provoked conversations with the teacher, not only about the method itself, but also about the consequences of this Copernican shift from technical teaching to a focus on more lasting, perhaps less measurable, and always more last lasting attitudes.

4.4 Results

The presence of intensively multicultural communities in the classroom has made it necessary to emphasize some dimensions over others, which will necessarily need to be studied further in the future:

1. Making learning meaningful, under its specific movement of dignifying and surfacing: The first movement considers that responsible leaders demonstrate cross-cultural understanding and are sensitive to how power can be used to uplift or oppress. Dignifying is precisely a weapon that helps to be sensitive and intentional about what is being communicated directly or indirectly about what is cultural, economic, political, religious, or social. The second movement, surfacing, remains crucial because of the need for decolonizing knowledge, that becomes especially important in a region like Central Asia (Dadabaev and Heathershaw, 2021), so that today's learners could be the protagonists of a more decentralized tomorrow, in a reality that cannot be explained by block theories that do not consider cultural peculiarities.
2. Facilitate Active Engagement, in the specificity of its authenticate movement: these experiences clearly highlight how placing students, thanks to encounters and conversations, in real life experiences can help them not only to develop leadership skills, but it can also nurture competencies like cross-cultural understanding.
3. Develop Supportive Social Interaction, in terms of teaming and bridging: the two attitudes bring about a fundamental change in learners. They perceive how they need cross-cultural competences that enable them to face complex challenges in a collaborative way. It also develops critical thinking and makes them go beyond their personal boundaries, to go beyond their cultural limits and make collaboration a way of behaving.

5. CONCLUSIONS

Responsible education is especially needed in the culturally and regionally crucial area of Central Asia: a bridge between Asia and Europe that can play a pivotal role in facilitating similar scenarios. It can be developed precisely by the preparation of a new generation of responsible leaders and prioritizing a united Asia in the purpose of the fourth Sustainable Development Goal: a better education for a peaceful future.

Teachers, educational leaders, deans, can work together, promoting interdisciplinary studies, to optimise the educational experience and offering students a learning through play that is joyful, meaningful, actively engaging, iterative and socially interactive. The peculiarities of the geographical area, a bridge of cultures, a mosaic of civilisations, allow us to prospect interesting results for tomorrow. While the i5 system presents a coherent and holistic framework for the development of specific movements, there are three of its attitudes that have been found to be particularly effective in the context of a multicultural society such as Kazakhstan, 1. Making learning meaningful 2. Facilitate Active Engagement, and 3. Develop Supportive Social Interaction.

5. ACKNOWLEDGEMENTS

The authors acknowledge and appreciate the collaboration in this study carried out by their colleagues Samantha Thompson, Coordinator at the i5 Project, and Ye Huang, Leadership Education Coordinator, both from PRME Secretariat.

REFERENCES

- Allen, S., Cunliffe, A.L. and Easterby-Smith, M. (2019). Understanding Sustainability Through the Lens of Ecocentric Radical-Reflexivity: Implications for Management Education. *Journal of Business Ethics*, 154(3), pp. 781–795.
- Care, E., Anderson, K. and Kim, H. (2016). Visualizing The Breadth of Skills Movement Across Education Systems.
- Dadabaev, T., and Heathershaw, J. (2021). Central Asia: A Decolonial Perspective on Peaceful Change, in T. V. Paul and others (eds), *The Oxford Handbook of Peaceful Change in International Relations*
- Haertle, J. *et al.* (2017). PRME: Building a Global Movement on Responsible Management Education. *International Journal of Management Education*, 15(2), pp. 66–72.
- Kelley, S. and Nahser, R. (2014). Developing Sustainable Strategies: Foundations, Method, and Pedagogy. *Journal of Business Ethics*, 123(4), pp. 631–644.
- Lakshmi G., Nguyen K., Mazhikeyev A., Hack-Polay D., Anafiyayeva Zh. (2022) Nudging Student Recycling Behaviour: an Experimental Study in Kazakhstan and UK Higher Education, *Journal of Cleaner Production*, Volume 377.
- Lozano, J.-F. (2012). Educating Responsible Managers. The Role of University Ethos. *Journal of Academic Ethics*, pp. 213–226.
- Merrill, M., Yakubova, S.H. and Turlanbekova, Z.H. (2015). Internationalizing Quality Assessment in Central Asia. *International Higher Education*. The Boston College Center For International Higher Education. 64. 22-24.
- Minahan, J. (1998). *Miniature Empires*. New York: Routledge.
- LinkedIn Economics Graph (2022). *Global Green Skills Report 2022*.
- O'Keefe, H. and M. O'Keefe W. (2017). Evolving Pathways to More Effectively Align UNGC and PRME in Pursuit of the Sustainable Development Goals. In “Redefining Success,” P.M. Flynn, T.K. Tan and M. Gudić, Eds., Routledge, London.
- Parkes, C., Buono, A.F. and Howaidy, G. (2017). The Principles for Responsible Management Education (PRME): The First Decade – What Has Been Achieved? The Next Decade – Responsible management Education’s challenge for the Sustainable Development Goals (SDGs). *International Journal of Management Education*, 15(2), pp. 61–65.
- PRME (2023). *PRME i5 Playbook: Five Methods for Developing Responsible Business Leaders* [Manuscript in preparation].
- Robertson D. and Bayetova N. (2021). Peculiarities and Paradoxes of Neoliberal Higher Education in Kazakhstan, *Journal of Comparative and International Higher Education*, Volume 13, Issue 3 (2021), pp. 226-241
- Schatz, E. (2000). The Politics of Multiple Identities: Lineage and Ethnicity in Kazakhstan, *Europe-Asia Studies*, 52:3, 489-506

The International Commission on Financing Global Education Opportunity (2016). The Learning Generation: Investing in education for a changing world.

The LEGO Foundation (2021). Closing the Skills Gap.

United Nations Global Compact (2023). Reimagining the Agenda: Unlocking the Global

Tugut, M. and Lee, C. Y. (2007). Doing Business in Kazakhstan: Opportunities, Challenges, and Suggestions, *Journal of Global Business Management*, 3 (1), 109-119.

Turgumbayeva A. and Aimaganbetova O. (2018) The Main Motivational Drivers of Faculty Members in Cross-Cultural Context of Kazakhstan, *Bulletin KazNPU named after Abai, Series «Psychology»* №1(54)

Pathways to Resilience, Growth, and Sustainability for 2030.

Vincent-Lancrin, S. *et al.* (2019). Fostering Students' Creativity and Critical Thinking: What it Means in School, OECD Publishing, Paris.

World Economic Forum (2020). The Future of Jobs Report 2020.

Wright, C.A., Hirsh-Pasek, K. and Thomsen, B.S. (2022). Playful Learning & Joyful Parenting. Billund.

Web sites:

Web-1: https://new.stat.gov.kz/ru/industries/social-statistics/stat-edu-science-inno/publications/3921/?sphrase_id=46790, consulted 25 March 2023

Web-2: <https://stat.gov.kz/official/industry/62/statistic/5>, consulted 5 March 2023

Implementation of Industry 5.0 in Kazakhstan – Opportunities and Challenges

Dr. Avinash B.M.

sap.avinash@gmail.com; b.mruthyunjaya@almau.edu.kz

Associate Professor, School of Management, Almaty Management University (ALMAU), Rozybakiev
Street 227, Almaty 050060, Kazakhstan Ph: +77056323079

Megha B

meghaviba@gmail.com, meghab@msrim.org

Assistant Professor, Ramaiah Institute of Management, General Sciences Building, M.S.R.I.T. POST,
Bengaluru, Karnataka 560054, India

Abstract

Industry 5.0 is the latest industrial revolution that promises to bring significant advancements and improvements to the manufacturing sector. Kazakhstan, being a developing country, has shown a keen interest in implementing Industry 5.0 to strengthen its manufacturing industry and to compete on a global level. This paper explores the feasibility of implementing Industry 5.0 in Kazakhstan, with a focus on its potential benefits for the country's manufacturing, oil and gas, mining, logistics and transportation, and healthcare sectors. The paper outlines the challenges that Kazakhstan companies face in implementing Industry 5.0, including the need for skilled workers and investment in infrastructure and technology. The role of Kazakhstan's universities and government in facilitating the adoption of Industry 5.0 is also discussed. The study finds that while Kazakhstan has made significant progress in adopting Industry 4.0 technologies, implementing Industry 5.0 requires a more significant shift in mindset and organizational culture. It highlights the need for a comprehensive roadmap for the implementation of Industry 5.0, focusing on skill development, infrastructure improvement, and investment promotion. Overall, this paper aims to provide a comprehensive understanding of the challenges and opportunities for implementing Industry 5.0 in Kazakhstan and to help policymakers, researchers, and industry stakeholders make informed decisions about the adoption of this new industrial revolution. The paper concludes by presenting a roadmap for implementing Industry 5.0 in Kazakhstan and the potential return on investment for the country's economy.

Keywords:

Industry 5.0, Industry 4.0, Manufacturing, Oil and Gas, Mining, Logistics and Transportation, and Healthcare Sectors

Changing Well-Being in Central Asia: Evidence from Kazakhstan and Kyrgyzstan

Dina Sharipova

Graduate School of Public Policy, Nazarbayev University,

Astana, Kazakhstan

dina.sharipova@nu.edu.kz;

Alma Kudebayeva

Department of Economics, KIMEP University,

Almaty, Kazakhstan

almak@kimep.kz

ABSTRACT

This article explains the puzzle why subjective well-being (SWB) declined in Kazakhstan and increased in Kyrgyzstan from 2011 to 2018. It examined the predictors of the change in SWB in two Central Asian states over this period. We found that freedom of choice and financial satisfaction are powerful factors that predict the change in SWB in the two states. In addition, we observed that SWB has changed differently for various social groups. In Kazakhstan SWB has increased for financially satisfied people and it has diminished for the financially dissatisfied people. In Kyrgyzstan, for both groups we observe the increase in life satisfaction. These results show that even within one state the change in SWB might vary from one group to another. As such, scholars should disaggregate various factors to understand a more nuanced dynamics of life satisfaction over time. In addition, the differences in economic and political contexts are important.

KEYWORDS: Subjective well-being · Kyrgyzstan · Kazakhstan · Development · Central Asia

A new phase of constitutionalism in Kazakhstan: the Constitutional Court

Federico Dalpane

School of Law, KIMEP University
2 Abai Ave., Almaty 050010, Kazakhstan
dalpane@kimep.kz

ABSTRACT

In his Address of 16 March 2022, the President of the Republic of Kazakhstan K. Tokayev announced the creation of a Constitutional Court, to replace the Constitutional Council established in 1995 as the specialized state body for the control of constitutionality of the laws. The stated objective is enhancing the protection of human rights by enabling the citizens to file complaints with the Constitutional Court, which was not possible with the Constitutional Council. On 5 June 2022, this and other constitutional amendments were approved by referendum; the Court commenced its activities on 1 January 2023, and has already received hundreds of appeals. The paper discusses this momentous change for the political and legal system of Kazakhstan with particular regard to the constitutional review procedures and to the citizens' complaints. The paper adopts in part a comparative methodology extending the analysis to the German system of the individual constitutional complaint. It is argued that, like in Germany, the adoption of individual constitutional complaints in Kazakhstan will emphasize the role of rights and their protection not only in the political and legal system but also in the wider public sphere. Furthermore, the introduction of a constitutional court in Kazakhstan may start a process known as “constitutionalization of the legal order”: constitutional norms will become more present in litigation in ordinary courts. Judges and advocates will become more familiar with constitutional interpretation and decision-making methods. Among the likely results will be an enhanced role and presence of the Constitution in the life of the citizens and in public debates, and an increased need for education in constitutional law for legal professionals.

KEYWORDS: Constitutional Court - constitutional review - Verfassungsbeschwerde - Constitutional Council - constitutionalism - constitutionalization

Forms of Languages through Sociologic Trend: Ontology Aspect

Kazieva Gulnara Serikovna

Astana International University

Kabanbai Avenue 8, Astana 020000, Kazakhstan
kaziyevalgulnara1@gmail.com

ABSTRACT

At the beginning of the 20th century, as a reaction to the individualism of the neogrammarians, who consider language as a system of symbols of individuals, an opposite trend arose – “the nature of language”. Mainly, V. von Humboldt, I. A. Baudouin de Kortunet, G. Paul and F. Fortunatov had already put forward the position on the dependence of language on the life and state of society, but the coverage of this problem was of a less fundamental and more in psychological nature. Moreover, the foundation of the sociologic trend in the Historical Linguistics has been associated with the name of F. de Saussure and his student Antoine Meillet, who first called Linguistics as a Sociological Linguistics. Undoubtedly this period includes the French linguists Joseph such as Vandries, Charles Balli, Emile Benweist, Albert Sechet and Alf Somerfelt. The most prominent representatives of the sociological trend are A. Meie and J. Vandries, who had combined the principles of some comparative and historical research with the sociology of language. Thus, the sociological concept of language determines the features of this trend in Linguistics.

In the era of globalization, the question still remains relevant to all linguists concerning the interaction of languages, how they influence on each other and how their variants develop and modify in native and non-native territories. As you know, language is a sign system that develops and functions with a person in a social environment. The process of language development is possible only if it appears in the speech activities in all its forms: in speaking, in listening, in reading and in writing as well. It goes without saying that languages are developing in various fields of human activity, for example, in scientific, industrial, social and business, political, media and education. Languages cannot develop in isolation, its existing forms represent a geographical continuum in which, interacting with other languages, they gradually turn into some another language, that is, into a variant of linguistic development in native and non-native territories.

The ideas of sociological trend were further developed in modern sociolinguistics, which can combine the desire to penetrate deeper into the nature of language as a social phenomenon. The modern development of languages in native and non-native territories allows scholars to trace the actual processes of the functioning of language variants in the sociolinguistic aspect.

KEY WORDS: sociological trend, variant, geographical continuum, differentiation, unification, dialect, idiolect, regional language, supranational language

Recent developments of the legislation on animals in Kazakhstan

Maria Baideldinova, LL.M, PhD

KIMEP University

Abay ave, 2 Almaty, Kazakhstan

maria@kimep.kz

ABSTRACT

Cases of cruelty towards animals are very frequent in Kazakhstan. Maltreatment of an animal is never a single-standing phenomenon. It has direct connection with domestic violence, crimes against person, social instability, poverty, poor education and similar. In order to address the issue of cruelty towards animals, and hence – indirectly – the aforementioned social problems, in December 2021 the Republic of Kazakhstan has adopted a revolutionary new law – Law on Responsible Treatment of Animals (LoRTA).

Current work analyses the situation, which existed prior to the LoRTA came into force as well as the novelties, which this legal act brought to the sphere of legal regulation of human-animal interaction. It is analyzing other changes in the legislation of Kazakhstan, which accompanied or followed LoRTA: amendments to the Code of Administrative Offences, Criminal Code, rules of keeping pets in different cities of Kazakhstan, rules that regard regulation of stray population, shelters, zoos, circuses etc.

The article highlights challenges that the stakeholders meet when implementing the newly created legal reality. Finally, it contains some proposals of how these challenges may be addressed.

KEYWORDS: maltreatment, cruelty, animals, legislative novelties, Kazakhstan.

Recent Law and Policy Developments in Agricultural Land Market in Kazakhstan

Maria Baideldinova, Daniil Litosh

KIMEP University

Abay ave, 2 Almaty, Kazakhstan

maria@kimep.kz; Daniil.Litosh@kimep.kz

ABSTRACT

Land is a particular object of legal relations. On the one hand, land being a part of the country's territory is a strategic object in terms of state security and food supply issues. In this sense, it appears logical that the land market is regulated by imperative public law norms. On the other hand, land as immovable property can be an object of classical contracts, in accordance with the Civil Law of Kazakhstan: contract of sales, barter, donation, lease etc.; one can invest land in a charter fund of a legal entity and can subject it to pledge. This double nature of land sometimes results in controversy of its legal regulations. This particularly regards agricultural lands.

Kazakhstan prohibits the sale of land to foreign citizens, and this, although with reservations, can be justified by the aforementioned reasons. However, recent moratorium for sales of agricultural lands to Kazakhstan's natural persons raises many questions.

In this work, we identify the possible policy and legal reasons for this limitation of Kazakhstan's land market. We attempt to predict possible implication of the moratorium for agricultural producers, especially for small family farmers, from the point of view of accessibility of land.

KEYWORDS: agricultural land, accessibility, agricultural production, family farms

Do Founder CEOs matter in ESG performance in emerging markets?

Founder CEOs and ESG performance

Halil Kiyamaz

Bank of America Professor of Finance
Crummer Graduate School of Business,
Rollins College, Winter Park, FL 32789, USA

E-mail: hkiymaz@rollins.edu

+1-407-646-2267

Woo Sung Kim

Assistant Professor

Department of Business Administration
College of Humanities, Commerce, and Economics
Silla University, Korea
140 Baegyang-daero, 700, Sasang-Gu, Busan, Korea
E-mail: kws@silla.ac.kr

Do Founder CEOs matter in ESG performance in emerging markets?

Abstract

This study examines the relationship between founder CEOs and ESG performance. Using Indian listed companies for six years from 2010 to 2015, we find that the founder CEOs negatively affect the firm's ESG performance, supporting the self-interest hypothesis. In addition, the negative relationship between the founder CEOs and ESG performance is more pronounced for firms with a high growth opportunity than those with a low growth opportunity, indicating the resource-based hypothesis. Furthermore, the negative relationship between the founder CEOs and ESG performance is less pronounced for firms with a higher foreign ownership than those with a lower foreign ownership, indicating the auditing role hypothesis. Our findings further show that the CEO's management system, such as founder CEOs, is a major determinant influencing ESG performance.

Keywords: Founder CEOs, ESG, environmental, social, governance

Progress in implementing the Sustainable Development Goals (SDGs) in companies in an emerging economy: A case study of Kazakhstan

Jessica Neafie, PhD

Nazarbayev University, Assistant Professor, Department of Political Science

Qabanbay Batyr 53, Astana, Kazakhstan

Jessica.neafie@nu.edu.kz

Brendan Duprey, PhD

Narxoz University, Director, Sustainable Kazakhstan Research Institute

Almaty, Kazakhstan

brendan.duprey@narxoz.kz

Aruzhan Ibekenova; Karina Abdimominova, Zhuldyz Ramazanova, Assem Bazarbek

Nazarbayev University

Qabanbay Batyr 53, Astana, Kazakhstan

aruzhan.ibekenova@nu.edu.kz, karina.abdimominova@nu.edu.kz, zhuldyz.ramazanova@nu.edu.kz, assem.bazarbek@nu.edu.kz

ABSTRACT

The Sustainable Development Goals (SDGs) despite being a work of extensive stakeholder participation and global consensus have been failing to gain traction on the business and project level in developing countries. This study investigates the adoption and implementation of the United Nations' SDGs in Kazakhstan to assess the institutional level of implementation. Moreover, its aim is to identify challenges, as well as opportunities for further implementation. The researchers surveyed over 100 project manager level or hire employees across over 70 companies to better understand how companies have adopted the SDGs, as well as to understand what motivates implementation. The survey also sought to draw out of interviewees a better understanding of the mechanisms and processes by which corporations conceptualize and undertake social obligations in their projects. The results of the research conclude that Kazakh companies display a rather low level of overall implementation of the SDGs., This may be driven in part by the business model of economic development prioritization, but also in part, by local factors that push many companies away from the notion of sustainable development. This paper will help conceptualize for the reader how SDGs are being implemented at the corporate level in Kazakhstan. It also provides information that will help policy makers at the national and sub-national level investigate

and redesign SDG implementation strategies to improve their effectiveness and reach for local companies.

KEYWORDS: sustainability, development, corporate responsibility, sustainable development goals, Kazakhstan, Central Asia, developing countries

1 INTRODUCTION

Recent research indicates that companies still lack understanding and concrete action towards implementation of the United Nation's Sustainable Development Goals (SDGs) (Mio, Panfilo, and Blundo, 2020). Rooted in the Millennium Development Goals (MGDs), the SDGs promote sustainable development through a triple bottom line approach to human wellbeing. This approach combines economic development, environmental sustainability, and social inclusion. The development of the SDGs marked a change from a "state-centric" focus of sustainable development to one that incorporates non-governmental organizations, such as multinational corporations. However, the way that SDGs are currently being managed by companies is raising many questions. Findings indicate that companies often focus on "easier" and more obtainable goals (Christ and Burritt, 2019), and that many companies, especially in developing countries, are hindered by financing issues (Baraua, 2019). This research paper explores the level of implementation of SDGs through surveys of corporate managers in Kazakhstan. The aim of which is to better understand the issues being faced by companies in developing countries and how policy makers may support SDG implementation,

In 2015, Kazakhstan was one of the 193 countries that adopted the Sustainable Development Goals (SDGs) to achieve a sustainable and prosperous future by 2030 (UN Kazakhstan, 2023). Mainstreaming Acceleration Policy Support (MAPS) mission of UN experts helped Kazakhstan to identify next steps and build national framework for sustainable development, which led to the creation of Coordination Council under the chairmanship of the Deputy Prime Minister in 2018 (UN Kazakhstan, 2023). The Coordination Council is the main responsible body for the implementation of SDG objectives in Kazakhstan that promotes and develops strategies for sustainable development, facilitating cooperation between private and public sector, and monitoring the progress. In their 5th meeting in 2021 the SDG Coordination Council approved 262 national SDG indicators that are necessary to maintain transparency and track the progress in achieving sustainable development (VNR, 2022). In 2022, the government also began to mandate that KASE (Kazakhstan stock exchange) companies disclose certain parts of their business operation through ESG Reporting to incentivize companies to meet SDG objectives and increase transparency. Kazakhstan's government is also an active participant and supporter of international cooperation in implementation of SDGs and has hosted two regional SDG Summits in 2019 and 2022. However, this agenda has mostly been at the government level and has not included the active participation and enthusiasm from private sector and civil society (Mishchenko, 2020). As of 2022, the UN reports that Kazakhstan fully achieved only two SDGs (SDG1: no poverty, SDG10: reduced inequalities) and experiencing significant challenges in the achievement of other SDG objectives as of 2022 (Sustainable Development Report, 2021).

According to Mishchenko (2020), a sustainability expert from PwC Kazakhstan, the process of integrating SDG into the companies' business management is happening at a slow pace globally, and

Kazakhstan is not an exception. SDG objectives are still perceived by private companies as the voluntary burden that can be ignored. Companies that do not operate internationally mostly do not integrate SDGs into their businesses unless they receive additional revenue for doing it. Past policies to encourage Kazakhstani companies to integrate social responsibility and sustainable development have had the reverse effect. In the early 2000s corporate social responsibility and sustainability was on the rise in Kazakhstan. In 2005, Kazakhstan hosted the “CSR—the Kazakhstani Model” forum, that included local and foreign companies, to discuss corporate social responsibility (CSR) implementation and the promotion of the UN Global Compact. At this time the forum has 22 members in Kazakhstan (Baisakalova 2012). However, the promotion of CSR was short-lived and attaining sustainability goals was impeded by corruption, weak participation of stakeholders, weak control over the implementation of CSR reporting, and prioritization of economic growth over social development (Orazayeva and Arslan 2021). As a result, the number of Kazakhstani companies in the UN Global Compact reduced to 14 (United Nations Global Compact Network 2022), and some companies stopped engaging with CSR altogether. However, renewed encouragement through internationalization and policy have been reengaging corporations in Kazakhstan to engage with CSR and the UN SDGs.

2 WHY DO COMPANIES ENGAGE WITH THE SDGS

In general, Sustainable Development Goals (SDGs) are aimed at guiding the world toward sustainable development. It is a positive global trend that combines the public and private sector to take action to care for the environment, and other people’s well-being. It is now on the agenda of all political discussions, policies, and plans. Since their inception, companies have been increasingly implementing the SDGs in their operations and strategies. This is in response to the growing public concern and pressure from governments to target social and environmental issues, such as climate change, that have been driving the need for companies to become more sustainable. In essence, companies are recognizing the importance of taking action to address social, environmental, and economic issues to meet the needs of current and future generations. The implementation of SDGs is a way for companies around the world to show their commitment to sustainability and to create a positive impact on society and the environment. The implementation of the SDGs provides companies with several benefits. These include, but are not limited to building a positive image, better engagement with stakeholders, improving efficiency, and increasing profits.

One of the main benefits to companies of implementing SDGs is that it allows them to show that they are committed to innovation and hence make them stand out over their competitors (Sustainable Development Goals Fund [SDG Fund], 2016). By investing in sustainable practices, companies can differentiate themselves from their competitors and attract more customers, which can lead to increased profits (Bertazzi, et al., 2015, p.4). By taking on the challenge of making sure that their operations are in line with the SDGs, companies are demonstrating their willingness to embrace new technologies and processes that can help them become more efficient and reduce their environmental impact. Competitive advantage is the idea that a company can gain an advantage over its competitors by doing something better or differently. This can be through the use of technology, improved customer service, or a unique products and services. Additionally, by investing in research and development, companies can create new products and services. These end of being more sustainable and competitive on the market increasing their market cap. Companies can use new technologies or processes to reduce their environmental impact while still maintaining a high level of quality. They can also create new products or services that help to address the SDGs, such as renewable energy or sustainable agriculture.

Firms often implement SDGs to appear legitimate and maintain their “social license to operate.” Described by Suchman (1995, p. 574), legitimacy theory “is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.” Burlea-Schiopoiu & Popa (2013, p. 1580) has suggested that the *legitimacy theory* is an effective way for organizations to implement and promote voluntary social and environmental disclosures. This allows these organizations to fulfill their social contract, thereby allowing them to attain their objectives and survive in a volatile and unpredictable environment. Further, social perceptions of the organization's activities must be in line with the expectations of society; otherwise, the organization will face severe sanctions, possibly even in its failure. Ultimately, organizations must demonstrate their legitimacy by taking economic and social actions that do not threaten the existence of the societies in which they operate. However, some firms may use SDGs as a “symbolic” legitimacy approach to address or strengthen legitimacy issues and respond to the expectations of stakeholders. Indeed, corporations will focus more on showing compliance with stakeholders’ pressures to gain legitimacy than implementing actual corporate actions related to the SDGs (Helfaya & Bui, 2022, p. 9).

Additionally, stakeholder theory—the responsibility of companies to consider the interests of *all* stakeholders when making decisions—may be a determinant for SDG implementation. This theory argues that businesses should not only be responsible to their owners and shareholders, but also to all other stakeholders who may be affected by their decisions, including customers, suppliers, employees, investors, the environment, and other interested parties (Freeman & McVea, 2001, p. 3). The theory is based on the idea that companies have both a moral and legal responsibility to consider the interests of all stakeholders when making decisions, and if they do not, they may face significant legal, financial, or reputational risks.

According to Kayikci et al. (2022, p. 3338) the attainment of SDGs in LMICs (low- and middle-income countries) necessitates that various levels of the supply chain partake in proactive collaboration and cooperation. According to *stakeholder theory*, it is necessary for enterprises to consider the perspectives and desires of their stakeholders and incorporate sustainability into essential business principles. Additionally, companies must be willing to interact with uncooperative stakeholders, demoralized personnel, and inefficient operations, such as a declining market share. To ensure success, the supply chain must have a high level of involvement, dedicated long-term association, and joint effort from the various tiers of the supply chain. Furthermore, stakeholders should be incorporated into the process, and their opinions and desires must be considered.

3 Methods

The researchers used a mixed methods approach consisting of semi structured open ended interviews with key stakeholders, in this case, managers of companies throughout Kazakhstan. The qualitative analysis used the Grounded Theory approach. This theoretical approach, starts with a thematic analysis with open coding, allowing us to dissect both the open and closed survey questions. Thematic analysis with open coding was done to find the themes and categories that seemed relevant across the plethora of information provided by the survey questions. Data and themes were collected and categorized to the point of ‘theoretical saturation’, and even data and categories that did not seem relevant were identified and categorized to avoid pre-conceived bias (Esterberg, 2002; Glasser and Strauss, 1967). The object of

this approach was to allow for the generation of theory throughout the process, and to discover new insights into the level of engagement with SDGs in an emerging economy.

Once data saturation was reached, ‘axial coding’ was conducted by comparing the categories with one another using inductive and deductive reasoning. Using the ‘constant comparative analysis’ method (Glasser and Strauss 1967), the researchers primarily looked for causal relations by designing and redesigning the theoretical concepts as the material was reviewed. The researchers then selectively coded by merging the related categories to generate a broader theoretical understanding of corporate SDGs in Kazakhstan. This ‘grounded theory’ approach used coding and analysis to develop theory in a more systematic method than more traditional means, that was closer to the data.

3.1 Sample and data collection

The data for this study was collected throughout Kazakhstan in summer and fall 2022. The researchers were able to get a wide representation across the country. Moreover, the snowball sampling technique was used where those stakeholders were then asked to identify other key experts that could provide depth and breadth to our research. The researchers compiled a list of known companies across Kazakhstan, and around 400 managers were contacted throughout Kazakhstan for participation in the survey with an approximately 25% completion rate of the surveys.

The research team surveyed managers in Kazakhstan because this is a strategically important region due to its emerging economy context, as well as its diplomatic and economic relations with China, Russia, the USA, and the European Union. Moreover, it is a location where SDG promotion has struggled to develop, thereby being a unique testing ground for academic inquiry. With the help of the Sustainable Research Institute at Narxoz University, the researchers surveyed 106 practicing corporate managers from 79 different companies from June 2022 to September 2022, see Table 1. These companies come from over 8 different countries, with 46 companies being locally owned and operated. Many of the non-Kazakhstani companies are joint ventures that include companies from Kazakhstan and/or other foreign companies. If it is a joint venture, the country or region is distinguished as the source country of the company that is responsible for operations of the company in Kazakhstan and have control over the corporate environment and management decisions. The survey was limited to no more than 4 managers in a single enterprise. In administering the survey, trained research assistants contacted the managers providing links to the Qualtrics survey in Kazakh, Russian, and English.

Managers Surveyed:	106
Companies Represented:	79
Companies Countries/Regions:	
KAZAKHSTAN	46
EU & EEA	9
USA	8
UK	6
CHINA	4
SINGAPORE	2
INDIA	2

Table 1: Profile of Surveys in Kazakhstan

3.2 Survey Instrument

The survey instrument used was developed based on questions of corporate social responsibility administered by the UN's surveys and other surveys related to decision-making strategies in corporations. The questions were a mix of both open ended and closed-ended questions developed to increase understanding of the level of knowledge and training related to SDGs, the corporate goals, the motivations to meet these goals, and the ways the goals have been implemented.

3.2.1 SDG knowledge and training.

As a survey of this nature has never been done in Kazakhstan, the start of the survey sought to establish a baseline for the level of knowledge of the SDGs by managers. This section was just six questions to establish what kind of exposure, if any, the project manager has to the SDGs. From these questions the researchers were able to discern the level of training and knowledge that was informing the survey takers answers.

3.2.2 Corporate Goals and internal motivations

Twenty-five of the questions focus on the corporations' goals and motivations. This includes their expectations of managerial behaviour, and how the manager perceives the priorities of the corporation in tackling SDGs. Because of an expected lack of understanding due to minimal training in developing countries, like Kazakhstan, the researchers also incorporated CSR related questions that target SDGs. This will reveal any SDG related activities even if the manager may not be familiar with these topics in the context of the SDGs.

3.2.3 External motivations

The researchers were also interested in the external motivations were influencing corporate behaviour. This included questions about funding that seek to identify sources of international funding from non-governmental organizations that carry with them expectations of SDG goal implementation. As well as questions about who the companies reported to. Reports are important sources of knowledge of how companies behave (Hah and Freeman 2014), continuous reporting to stakeholder groups puts pressure these corporations to follow through with their goals. As opposed to just reporting to governments for regulatory reasons. How companies report to governments, and stakeholders can indicate the amount of legitimacy and credibility corporation wants to convey (Di Giuli and Kostovetsky 2014; Lock and Seele 2016). This group of questions allowed the researchers to identify external motivations that might be coming from local stake holders, governments, or international organizations.

3.2.4 Implementation.

The last eight questions are focused on the implementation of the SDGs. This group of questions is focused on the ways the company has implemented SDGs, and any shortcomings the manager has perceived during implementation. It also asked the manager to identify any measures of success when it comes to SDG implementation.

4 Results

The results give us an overview of the extent to which SDGs are known and implemented in Kazakhstan. Overall, in Kazakhstan, the level of corporate training was low, and direct implementation of the SDGs has is still low in corporations based on the managerial surveys. Despite high levels of government support and promotion of the SDGs in Kazakhstan (United Nations Global Compact Network 2022), there is still a low level of implementation within corporations. Approximately 47% of the managers said their company does nothing currently to engage with the SDGs, with 53% saying that their companies directly or indirectly take actions that are related to the SDGs, see Table 2. However, almost 15% of managers say their companies are going to act in the future, even if they have not set goals yet. This is promising as it may mean more companies will set specific and measurable performance goals in line with the SDGs at a later stage. Forty one percent of project managers surveyed in Kazakhstan say that their companies still have no SDG goals at all. Having SDGs, even if they have not acted yet is an important step in implementing the SDGs successfully, but these goals must be tangible, meaning that they are, minimally, measurable and attainable, and that they have clear deadlines to meet these goals. Only 25% of managers surveyed say that their companies have tangible SDGs targets with clear deadlines; amongst all the managers surveyed who say their company has goals that's less than half. Many of the managers that were more knowledgeable of SDGs, whether from corporate training or their own initiate, remarked that they believe the lack of SDG implementation in their companies reflected the company's lack of interest in promoting these goals.

How does your company engage with SDGs?	<i>Company does nothing</i>	<i>Plans to take actions</i>	<i>Indirectly engages SDGs</i>	<i>with Has taken clear actions</i>
	32.58%	14.61%	22.47%	30.34%
Has the company set SDGs?	<i>No SDGs</i>	<i>Has SDGs</i>	<i>...of the 69% with SDGs</i>	
	41%	69%	<i>SDGs are tangible</i>	<i>SDGs are tangible and have clear deadlines</i>
			35.6%	42.2%

Table 3: Survey answers from the 2022 survey conducted by the researchers.

However, in the surveys the researchers discovered a higher the level of corporate social responsibility reported on by many of the managers. The managers surveyed did not always recognize these goals as SDG related because of their lack of training, but the researchers found that some SDG initiatives are being worked on through the lens of corporate social responsibility and not to directly achieve an SDG.

When it comes to promotion of the SDGs in Kazakhstan the survey asked the managers to discuss where the leadership to engage with SDGs comes from. Most managers identified the government (23.2%) and corporate executives (25.5%) as the groups that play the biggest role in achieving SDGs in Kazakhstan. Currently, almost 30% of managers surveyed identified a group within their company that works on SDG related goals and 44% claim that their company will have a group working on implementing the SDGs within 5 years.

4.1 Understanding the SDGs

One objective of this survey was to understand the extent to which individuals are trained and have knowledge of the SDGs in Kazakhstan. This matters because it helps us to understand the extent to which local decision makers can implement SDG measures into their local projects, and the level to which to company is encouraging and developing this local knowledge.

Training helps us understand more about whether the managers had any background knowledge of sustainable development goals, and how this could affect perceptions and understanding of the SDGs and their implementation. Only 26% of survey takers reported receiving any corporate training in Kazakhstan. Most of this training was performed by non-governmental organizations (NGOs) and was only in the extractive and finance industries. Surprisingly, the companies operating in the environmental protection field did not provide training on the SDGs to their managers. However, half of our surveyed managers did have SDG knowledge that they had gained through their own personal training. The level of training is important since it (1) provides a general outlook on companies, suggesting the credibility of the answers within surveys, and (2) refers to the effects of training on the perception of their companies' SDGs activities.

Despite the low level of corporate trained individuals, over half of the individuals surveyed have taken the initiative to learn about the SDGs outside of their corporate role. This reflects local concern by project managers to learn about the SDGs, but in comparison to their counterparts that had received corporate training, they knew less about SDGs decision making within their own companies.

4.2 The reasons for SDG engagement

In the survey the managers were asked to discuss why their company would engage with the SDGs. This can be divided into three different logics: social, economic, and political. First, the social logic influences corporations to change their normative behaviour and create policy that is beneficial to society—going “beyond what the letter and spirit of the law require or the market demands” (Baron, 2001). Second, the market logics largely consider corporations to be driven by the goal of maximizing profits and shareholder value (Falkner, 2005). Finally, the political logic is based on the fact that the government

plays an important role in influencing what standards and regulations a corporation adopts (Campbell & Ortíz, 2012).

The most common answer by the managers demonstrates that SDGs are often seen as a part of the social logic of corporate decision making, including *building a positive image of the company*, for companies to better engage with stakeholders, and to have *good relationships with the local community*. By demonstrating their commitment to sustainability, companies can show that they are taking responsibility for their actions and are striving to make a positive impact on the world. This can be beneficial for companies, as it can improve their reputation and help them build relationships with their key stakeholders, who tend to prioritize those changes such as socially conscious customers and investors. Additionally, by meeting the SDGs, companies can ensure that their operations are in line with global standards and regulations, which is important for Kazakhstani companies seeking to attract international investors and export their products into international markets.

However, some saw that the SDGs can have an influence on the market and investment potential and influence their market logics. Managers explained how SDG implementation could *increase their company's competitive advantage*. By taking on the challenge of making sure that their operations are in line with the SDGs, companies are demonstrating their willingness to embrace new technologies and processes that can help them become more efficient and reduce their environmental impact. At the same time, the SDGs also *increases the image among other international corporations*. By investing in sustainable practices, companies can differentiate themselves from their competitors and attract more customers, which can lead to increased profits. Additionally, by investing in research and development, companies can create new products and services that are more sustainable and competitive on the market increasing their market cap. Companies can use new technologies or processes to reduce their environmental impact while still maintaining a high level of quality. They can also create new products or services that help to address the SDGs, such as renewable energy or sustainable agriculture.

The governance logic was also indicated by managers who took the survey but to a lesser extent. Only a few managers claim that their company engages with SDGs because it was *a requirement* for them, to remain legitimate to the government and that the company wished to *strengthen relations with government agencies*. However, amongst our survey takers this logic was expressed by the smallest group of managers. Businesses measure and report on their sustainability performance to the countries and the world to access investments and funding. Since customers are becoming more conscious about the environment and social prosperity, investors are now prioritizing businesses that can demonstrate a commitment to sustainability and social responsibility. Customers are pressuring the government to make the companies report on SDGs, so with increased customer expectations and changes in government regulation this factor may lead to an increase in SDG engagement over time.

Overall, the findings indicate that the managers in Kazakhstan see the reasons for engaging with the SDGs as related to be related to social logics. This could be the reason that SDGs are not strongly implemented in Kazakhstan, because economic development is prioritized, and economic logics would be the most important. Only some managers pointed out economic logics that are influencing their companies to engage with SDGs. Rather, most of the managers believe that their companies do not see the pursuit of SDGs as a competitive advantage and as a result, do not prioritize them in the corporation's decision-making strategies.

4.3 Ownership

Kazakhstan is also a location for many foreign investors, and a variety of companies come from different host countries that are influencing SDG engagement. The level of a corporation's sustainability policies is influenced by the social, political, and economic institutions in a multinational corporation's (MNC) home state (Kolk & van Tulder, 2010; Matten & Moon, 2008). This is derived from the theory of “source effects”—the degree of potential harm or help that can benefit a host country deriving from the sustainability atmosphere of a MNC's home country—which will cause MNCs to have a more positive or negative impact on their sustainable practices in developing countries. This section discusses how companies' engagement with SDGs can vary by the source of that company, looking at locally owned companies and two groups of international companies.

4.3.1 Locally Owned Companies

Among 106 companies in the survey, Kazakhstani-owned companies (n=54) present the majority. Employees from such companies are generally aware of SDGs despite being not trained in most cases. The companies' top three priorities on the implementation of the SDGs are mostly people or industry-oriented with little concern for environmental issues. The Kazakhstani-owned companies are primarily motivated to establish SDG-related targets to improve their image among customers, competitors, and international companies, while governmental and investor regulations are not seen by managers as significant motivators. It can be interpreted that managers do not see government engagement with SDGs and local regulations as an incentive to engage with SDGs. The companies' engagement with SDGs is predominantly passive or negative, and CSR activities are selective in terms of SDGs. The inactive trends in SDGs among Kazakhstani-owned companies may be due to their focus on satisfying stakeholders' interests and increasing profits, being mostly economically driven. Many of these companies also do not have SDG-related goals, with very few having clear goals and deadlines for integrating SDGs into their strategies. The managers perceived the main barriers to successful SDG implementation as a lack of interest in promoting SDGs and low investment from funding sources.

Overall, companies' engagement with SDGs is dominantly either passive or negative. As such, negative aspects include lack of clear goals on SDGs, open confirmation of lack of engagement, and indirect references to SDGs in past actions, demonstrating lack of focus on SDGs in companies owned by Kazakhstan. Survey responses suggest that SDGs do not significantly contribute to their company's benefit since reduction of operational costs and increasing company's market share do not motivate companies to follow SDGs. Among the main motivators of the Kazakhstani-owned companies, an image among customers, competitors, and international companies is the main catalyst for establishment of SDGs-related targets. Government provides no incentive to these companies, and survey takers indicate that they receive no clear regulation or guidance from the government and that there is no interest by their companies to strengthening governmental relations regarding the SDGs. Instead, Kazakhstani-owned companies tend to focus on competitiveness among industrial peers by using global standards to report to Kazakhstani government, shareholders, and local communities.

4.3.2 International Companies

International companies that operate in Kazakhstan have a lot of variation in their engagement with SDGs, and the respondents from different companies that come from different sources (e.g., developed economies (Europe, the U.S.) and powerful emerging economies (BRICS)) view their company's level of engagement differently.

4.3.2.1 BRICS in Kazakhstan

The BRICS countries are a powerful informal group of emerging economies, of which three of these countries have foreign investors that are actively engaged in Kazakhstan and had managers participate in the survey. This group makes up 13 survey respondents from 8 different companies from Russia, China, and India. These companies are often focused on industrial development rather than being people oriented.

Across all BRICS companies, most managers did not receive any corporate facilitated training (2 out of 13), whether from the corporation itself or an external organization working with the corporation. However, managers from Chinese and Indian companies had a higher level of knowledge of SDGs engagement by their company, while most did not receive training those that did not receive training had obtained knowledge on their own through corporate reports and correspondence.

Motivations to engage with the SDGs for these companies have some similarities. For both Russian and Chinese companies strengthening governmental relations and regulations seems to be the least motivating, according to the managers. Russian-owned companies are motivated to engage with SDGs to further partnerships and increasing their image among international corporations by implementing SDG practices, which is also incentivised by investment sources. Sustaining image among customers, competitors and local communities bears equal importance, but is less prioritized compared to sustaining image among international corporations. While Indian and Chinese companies are motivated by perceptions of competitors and improving their image with customers, this can play a role in weakening local implementation if they are exporting their products abroad and how much their customers know about their SDG implementation in Kazakhstan.

Overall, the survey responses across these three countries indicate a weak approach to SDG implementation with no tangible goals or deadlines. Two takeaways from this are that policies are not playing a role either because of lack of policy or weak enforcement and that careful monitoring of SDG implementation locally may be needed if motivations do not lead to goals being implemented locally.

4.3.2.2 EU, UK, and USA in Kazakhstan

The EU countries, the UK and the USA are grouped together because of their economic power and level of development, this group makes up 33 of the survey takers that represent 23 different companies. Overall, these companies tend to have a more people and society-oriented approach to the SDGs and their motivations to create SDG related goals.

Similarly, to the BRICs countries only few managers in these corporations received training (7 out of 33), and most who have any knowledge of SDGs came from knowledge they obtained on their own (7 out of 33). However, over half of the respondents had a higher level of knowledge of their corporations' SDG engagement gained from corporate reports and correspondence.

Economic logics seem to dominate motives for implementation in this group. Profit maximization and stakeholder satisfaction were two of the most common managerial objectives among European and American companies. Many of the surveyed managers also indicated profit goals and motivation to increase the company's market share as important reasons for the company to pursue SDG related goals. However, image and commitment to sustainability were also considered to be motivators for both American and European companies. 45.5% of European firms responded that the company's commitment to sustainability encourages the company's goals rather than company's economic objectives. Respondents from UK-owned businesses are diverse but are mostly motivated by competition. The social logics focus of EU companies was also apparent in how the managers saw the prioritization of the SDGs, which prioritized human-oriented goals such as "Zero Hunger" and "Good Health and Well-being." The EU had the most focus on the social logics as a motivation for SDGs, but compared to the BRICs countries the USA and the UK companies were also seen by managers as being more focused on creating and implementing goals to satisfy all stakeholders and society. In response to these motivations approximately half of the managers (17 of 33) indicated that their company have at least begun to implement SDG related goals in their company, with seven of the managers indicating that they have serious goals and deadlines.

4.4 Industry

The companies were divided into 9 key industrial groups: extractive (42%), finance (12%), environment (9%), technology and engineering (8.5%), manufacturing and textiles (8.5%), sports and education (6.6%), real estate (5.6%) and other (6.6%). Extractive industries largely dominate the survey taking managers. However, given that this industry is one of the largest areas of employment in Kazakhstan, makes up over 20% of GDP, and is around 70% of the nation's export market it is unsurprising that most of our survey takers were from this industry.

The extractive sector, finance sector and environmental sector are all areas where the managers expressed the most awareness and knowledge of the SDGs as well as the strongest motivations to pursue SDGs. Overall, the Extractive and Finance Fields seem to have the most work being done in the SDG arena. These were the only industries who had multiple managers reporting that they had received SDG training. The extractive field is unsurprising because it gets a lot of external pressure from international companies and nongovernmental organizations to conform to international standards. They also have the most managers reporting that their company is already pursuing SDG related targets (50%) or will be in the future (23%). Though 27% of the managers from these companies did indicate that their company is taking no action. These are also the companies who have made the most amount of international commitments to sustainability and are motivated to increase their image among international corporations to promote financial investment and industrial ties.

The finance sector also indicates a high amount of engagement with SDGs and training of corporate managers. This may be because much of this industry interacts with the international financial

organizations and banks. Many of the international financial institutions have been including more work on SDGs in their requirements for international lending. Increase knowledge and training in the financial sector may be directly related to the internationalization of Kazakhstani financial organizations.

However, the managers at environmental companies that were surveyed did not report receiving any training. This is surprising since the focus of these companies is on environmental related areas. Many of the managers claim that this industry is motivated to engage with SDGs to increase their image among customer and competitors but the lack of commitment to training and implementation of SDGs may indicate that some of their engagement is greenwashing to increase symbolic legitimacy.

5 DISCUSSION + CONCLUSION

In Kazakhstan, the researchers found an overall low level of engagement with SDGs. This was not unexpected in an emerging country where regulatory expectations to implement SDGs are weak and social and government expectations are often focused on economic development. Thus, legitimacy theory does not play a strong role in encouraging SDG implementation, as companies, society, and government are more focused on economic expectations over prioritization of social and environmental goals. This was most apparent in the Kazakhstani-owned companies, in which many managers pointed out that their companies prioritized profits and sought to satisfying corporate stakeholders interests over all others. It is only the companies from more developed countries that had increased pressure to meet social and environmental expectations that more often set goals that go beyond profit and competitions.

Our findings indicate potential for improvement in Kazakhstan, and that many companies are seeking to increase involvement with the SDGs moving forward. This may be linked to changes in the government over the last two years which have pushed forward more environmental and social policies to grow and diversify the Kazakhstani economy. It may also be linked to the increased need for international investment, as indicated by the survey takers, and that this need for investment is largely being driven by investment banks that are pushing for companies to show evidence of SDG engagement. However, this may be less of a driver to see further improvement by the foreign investors from more developed economies who are not as reliant on investment banks. Overall, for the local companies and BRICs companies funding is indicated as a need to increase SDG promotion, and many managers indicated that better corporate management and national governance is needed to help further SDG engagement.

It is assumed that the desire to promote SDGs is aimed at satisfying stakeholders and increasing profits, where the company managers and government regulatory structure are believed to be at the starting point for SDGs integration into corporate culture. However, this research paper finds that for companies that receive this pressure from industry, international financial organization, or their source country, there is already SDG engagement. The internationalization of corporations seems to be playing a large role in increased engagement where government and societal pressure is lacking.

6 ACKNOWLEDGEMENTS

The authors would like to acknowledge the work of Meray Ozat, Daryn Amangeldiyev, Artyom Sergazinov, Sabit Kyrykbay, Aida Kadyrzhanova, Adilzhan Mustafin, Ayaulym Sadaukas, and Yerbol Sagentayev who's time and effort also went into this paper.

7 REFERENCES

- Baisakalova A. (2012). Social Partnerships in the CSR Development in Kazakhshtan. *Journal of Global Business and Economics* 4(1), 16-28.
- Baron, D. P. (2001). Private politics, corporate social responsibility, and integrated strategy. *Journal of Economics and Management Strategy*, 10(1), 7–45.
- Barua, Suborna. (2019). Financing sustainable development goals: A review of challenges and mitigation strategies. *Business Strategy and Development*. 3(3), 277-293.
- Bertazzi, P. & Hansen, O.L., & Didden, M. (2015). *The guide for business action on the SDGs*. Retrieved 2023, from https://sdgcompass.org/wp-content/uploads/2015/12/019104_SDG_Compass_Guide_2015.pdf.
- Bornschier V, Chase-Dunn C. (1985). *Transitional corporation and underdevelopment*. Praeger, New York.
- Burlea-Schiopoiu, Adriana & Popa, Ion. (2013). *Legitimacy Theory*, in *Encyclopedia of Corporate Social Responsibility*, pp.1579-1584, 10.1007/978-3-642-28036-8_471.
- Campbell, W. B., & Ortíz, S. L. (Eds.). (2012). *Integrating Agriculture, Conservation and Ecotourism: Societal Influences*. Springer, Berlin.
- Chase-Dunn C. (1975). The effects of international economic dependence on development and inequality. *American Sociological Review*. 40(6), 720–738.
- Christ, Katherine L., and Roger L. Burritt. (2019). Implementation of sustainable development goals: The role of business academics. *Australian Journal of Management*. 44(4), 571-593.
- Di Giuli A, Kostovetsky L. (2014). Are red or blue companies more likely to go green? Politics and corporate social responsibility. *Journal of Finance and Economics*. 111, 158–180.
- Economic Research Institute JSC. (2022). *Voluntary National Review on the Implementation of the 2030 Agenda for Sustainable Development*. Economic Research Institute. Retrieved from https://economy.kz/documents/SGD/END_ENG_Report_DNO_06-2022_END.pdf
- Falkner, R. (2003). Private environmental governance and international relations: exploring the links. *Global Environmental Politics*, 3(2), 72–87.
- Freeman, R. & Mcvea, John. (2001). A Stakeholder Approach to Strategic Management. *SSRN Electronic Journal*.
- Hah K, Freeman S. (2014). Multinational Enterprise Subsidiaries and their CSR: A Conceptual Framework of the Management of CSR in Smaller Emerging Economies. *Journal of Business Ethics*. 122, 125–136. <https://doi.org/10.1007/s10551-013-1753-8>
- Helfaya, A.; Bui, P. (2022). Exploring the Status Quo of Adopting the 17 UN SDGs in a Developing Country—Evidence from Vietnam. *Sustainability*, 14, 15358. <https://doi.org/10.3390/su142215358>.

- Kolk, Ans. 2010. "Trajectories of Sustainability Reporting by MNCs." *Journal of World Business* 45 (4): 367–74. <https://doi.org/10.1016/j.jwb.2009.08.001>.
- Kayikci, Y., Kazancoglu, Y., Gozacan-Chase, N., & Lafci, C. (2022). Analyzing the drivers of smart sustainable circular supply chain for sustainable development goals through stakeholder theory. *Business Strategy and the Environment*, 31(7), 3335–3353. <https://doi.org/10.1002/bse.3087>
- Lock, I; Seele, P. (2016). The credibility of CSR (corporate social responsibility) reports in Europe. Evidence from a quantitative content analysis in 11 countries. *J Clean Prod* 122:186–200. <https://doi.org/10.1016/j.jclepro.2016.02.060>
- Matten, Dirk, and Jeremy Moon. 2008. "'Implicit' and 'Explicit' CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility." *Academy of Management Review* 33 (2): 404–24.
- Mishchenko, E. (2020). *Исследование по ЦУР*. PwC. Retrieved from <https://www.pwc.com/kz/ru/publications/publications-new/sdg.html>
- Mio, Chiara, Silvia Panfilo, and Benedetta Blundo. (2020). "Sustainable development goals and the strategic role of business: A systematic literature review." *Business Strategy and the Environment*. 29(8), 3220-3245.
- Orazayeva, A; Arslan, M. (2021). Development of Corporate Social Responsibility Framework for Developing Countries: the case of Kazakshtan. *Cent Asian Econ Rev* 3:. <https://doi.org/10.2493/jjspe.87.947>
- Pricewaterhouse Coopers. (2015). *Make it your business: Engaging with the Sustainable Development Goals*. London
- Suchman, M. (1995). Managing Legitimacy: Strategic and Institutional Approaches, *Academy of Management Review*, Vol.20, No. 3, pp. 571-610.
- Sustainable development report 2021*. Sustainable Development Report 2022. (2021). Retrieved from <https://dashboards.sdgindex.org/rankings>
- The UN Sustainable Development Goals - the image of the future of Kazakhstan*. Economic Research Institute. (2021). Retrieved March 27, 2023, from <https://economy.kz/ru/Mnenija/id=51>
- United Nations Global Compact Network. (2022). Kazakhstan Overview. <https://www.unglobalcompact.org/engage-locally/europe/kazakhstan>. Accessed 24 Jul 2022
- United Nations Kazakhstan. (2023). *Sustainable development goals in Kazakhstan*. United Nations Kazakhstan. Retrieved from <https://kazakhstan.un.org/en/sdgs>
- Zammit, A. (2003). *Development at risk: Rethinking UN-business partnerships*. United Nations Research Institute for Social Development, Geneva, Switzerland

ONLINE ADVERTISING AND ITS EFFECT ON CONSUME BEHAVIOR

Afina Koldurmidi

ExMBA, KIMEP University

Abay 4, Almaty, Kazakhstan

Afina.Koldurmidi@kimep.kz

ABSTRACT

In our contemporary day, the role of online advertising and digital marketing is rising due to the recent technological development and the COVID-19 pandemic. Since the increase in popularity of mobile devices, telemarketing became an essential tool in generating sales and performing customer relationship management in a new way. Moreover, humanity faced the biggest pandemic of COVID-19, during which society had to go through a series of lockdowns, which increased the role of digital technologies in reaching customers and maintaining relationships with them. The overall purpose of the study was to identify recent changes in online advertising patterns and changes in consumer behavior. The study introduces recent changes in consumer behavior related to purchasing and searching for services or products and the role of online advertising in it.

The study is performed by surveying individuals from 18 to 45 in Almaty, Kazakhstan, regarding their purchasing and their attitude regarding online advertising before and after the start of the COVID-19 pandemic. Overall, the study shows that consumer behavior was reshaped due to increased screen monitoring (hours of active use of mobile phones) time and the volume of consumed online advertising. Before the pandemic, the majority of surveyed individuals made their major purchases in department stores and physically, while COVID-19 created growth opportunities for digital marketing and delivery business. Hence, more than 80% of surveyed individuals make online purchases or orders at least once a week. Moreover, the study shows that the consumed volume of online advertising increased in recent years. Therefore, it is assumed that online advertising tools as well as consumer behavior were reshaped in recent years. Moreover, further research and study are needed to overview limitations and provide objective results in this study.

Key words: Online advertising, telemarketing, consumer behavior, screen monitoring, delivery, digital business options.

1. Introduction

With the proliferation of technology, the way businesses market their products has significantly evolved over time. In recent years, online advertising has become a popular means of reaching potential customers. Online advertising refers to promotional messages and other forms of marketing communication that are delivered through the internet. In the recent years, Kazakhstani market of digital marketing and online advertising is growing with rapid pace. The aim of this essay is to explore the effects of online advertising on consumer behavior in Kazakhstani market.

The Impact of Online Advertising on Consumer Behavior

Online advertising has a significant impact on consumer behavior, and it is evident in various ways. Firstly, it creates awareness of a product or service. According to Murad (2018), online ads can target specific demographics, which makes it easier for businesses to reach their desired audience. These ads can appear on social media, search engines, websites, and mobile apps, among other platforms. For instance, a person searching for a particular product on Google might come across ads that provide information about similar products. This not only creates awareness of the product but also makes it easier for the consumer to compare different options.

Secondly, according to Jogi and Vashisth (2021), online advertising can influence consumer attitudes towards a product or service. Ads that are well designed and targeted to specific demographics can appeal to the emotions of the consumer. For example, a visually appealing and well-crafted ad that highlights the features and benefits of a product may entice a consumer to try it out. The use of persuasive language, testimonials, and endorsements can also influence consumer attitudes towards a product.

Thirdly, Deshwal (2016) believe that online advertising can influence consumer decision-making. This is evident in the way that online ads are designed to prompt consumers to take action. For instance, an ad that includes a call to action, such as "click here" or "buy now," can encourage a consumer to make a purchase. Furthermore, online ads that offer discounts or special promotions can be especially effective in influencing consumer decision-making.

Lastly, online advertising can create a sense of urgency among consumers. For example, ads that promote limited-time offers or deals can create a sense of urgency, which may prompt a consumer to take action. In addition, ads that use language such as "while stocks last" or "limited availability" can create a fear of missing out (FOMO), which can lead to impulse buying.

Positive Effects of Online Advertising on Consumer Behavior

Online advertising can have several positive effects on consumer behavior. Firstly, it can help consumers make more informed decisions. With the abundance of information available online, consumers can easily compare prices, read product reviews, and research the features and benefits of a product before making a purchase. This can lead to more informed decision-making, which can result in higher levels of customer satisfaction.

Secondly, online advertising can provide consumers with access to products that they may not have been aware of previously. For example, a person who is interested in fashion may come across an online ad for a new fashion brand that they had not heard of before. This can expand the consumer's options and provide them with more variety when making purchasing decisions.

Thirdly, online advertising can provide consumers with a more personalized shopping experience. With the use of cookies and other tracking technologies, businesses can gather data on a consumer's online behavior and tailor ads to their interests and preferences. This can make the shopping experience more personalized and enjoyable for the consumer.

Negative Effects of Online Advertising on Consumer Behavior

Despite the positive effects of online advertising on consumer behavior, there are also some negative effects to consider. Firstly, online ads can be intrusive and annoying to consumers. Ads that are poorly designed, irrelevant, or appear too frequently can have a negative impact on the consumer's online experience. This can lead to a negative perception of the brand and can even result in consumers actively avoiding the brand in the future.

Secondly, online advertising can lead to a loss of privacy for consumers. With the use of tracking technologies and data collection, businesses can gather information about .

2. Literature Review on the Effects of Online Advertising on Consumer Behavior

Introduction

Online advertising has become an integral part of marketing strategies for businesses in recent years. The internet offers businesses an opportunity to reach a global audience at a relatively low cost. The purpose of this literature review is to examine the effects of online advertising on consumer behavior. The review will focus on the impact of online advertising on consumer awareness, attitudes, decision-making, and behavior.

Impact of Online Advertising on Consumer Awareness

Online advertising plays a significant role in creating awareness of a product or service. In a study by Wu and Wang (2018), it was found that online advertising has a positive effect on brand awareness. The study also found that the effectiveness of online advertising varies depending on the type of product being advertised. For example, online advertising was found to be more effective for hedonic products such as fashion and beauty products than utilitarian products such as household appliances.

Another study by Li and Hsieh (as cited in Erdur, 2016) found that online advertising can increase consumer awareness of a brand and its products. The study found that online ads that used emotional appeals and humor were more effective in creating brand awareness than ads that focused solely on the product's features and benefits.

Impact of Online Advertising on Consumer Attitudes

Lee et al. (2017) conducted a study that revealed online advertising can impact consumer attitudes towards a product or service. The research found that the effect of online advertising on consumers was generally positive. Additionally, the study discovered that consumers tended to have favorable attitudes towards products advertised on websites that they considered reliable or trustworthy. Another study by Paharia et al. (2013) found that online advertising can influence consumer attitudes towards a product by appealing to their emotions. The study found that ads that used emotional appeals were more effective in changing consumer attitudes towards a product than ads that focused solely on the product's features and benefits.

Impact of Online Advertising on Consumer Decision-Making

According to Baumeister et al.'s (2016) research, online advertising has the ability to influence consumer decision-making, especially when discounts or promotions are offered. The study noted that the effectiveness of these types of ads differed based on the product being advertised. Furthermore, Lee et al.'s (2017) study showed that online advertising can also impact consumer decision-making by providing valuable information about a product. The research revealed that when consumers had access to details about a product's features and benefits, they were more inclined to purchase it.

Impact of Online Advertising on Consumer Behavior

Online advertising can influence consumer behavior. A study by Moon and Lee (2018) found that online advertising can increase online purchasing behavior. The study found that consumers who were exposed to online ads were more likely to make online purchases than consumers who were not exposed to online ads. In addition, study by Gao and Li (2018) found that online advertising can influence consumer

behavior by creating a sense of urgency. The study found that ads that promoted limited-time offers or deals were effective in creating a sense of urgency, which led to impulse buying.

Conclusion

Based on the literature reviewed in this study, it is evident that online advertising has a substantial impact on consumer behavior. It can raise awareness of a product, shape consumer attitudes towards it, influence their decision-making, and ultimately affect their behavior. However, it is essential to acknowledge the negative effects of online advertising, such as intrusive and irritating ads and potential loss of privacy for consumers. If used appropriately, online advertising can be a powerful tool for businesses to reach their desired audience and influence their behavior. Regarding Kazakhstan, there is limited information regarding online advertising in Kazakhstani market, majority of studies on this topic cover developed markets. Therefore, it is important to conduct research on this topic in the scope of Kazakhstan.

3. Methodology

The main objective of this research project is to explore the role of online advertising on consumer behavior in Kazakhstan. The research aims to test the role of online advertising in Kazakhstan and in consumer behavior of local society. The research will be primarily inductive, meaning that conclusions will be drawn by analyzing the collected data during the research process. The study will use two primary data collection methods, including surveys to collect important data on customer perception of online advertising.

To ensure reliable data for the research, the following sampling methods will be employed. For the survey method, the research participants will be selected from the population of Almaty, within the age range of 18-45. This target group was chosen due to the fact that young people spend more time on social media platforms. The survey will be distributed through social media platforms to recruit approximately 50-70 research participants.

Regarding research hypothesis, I assumed the following hypothesis to this research:

“Online advertising in Kazakhstan has considerable impact on consumer behavior”

The data collection process for this research project involves both secondary and primary data collection and analysis. In terms of secondary data analysis, a literature review was conducted on the impact of online advertising on consumer behavior. The information was gathered from publicly available sources and credible business-oriented newspapers and journals. However, it should be noted that there was a lack of information online advertising in Kazakhstan. There are few research studies and national authorities do not perform statistical analysis of this sector, which is a limitation of the research.

Primary data collection will be conducted through surveys. The survey process will involve preparing questions and sharing them with the target audience of the research project. This process will take approximately 1-2 weeks. All data collection processes will be conducted within Almaty, Kazakhstan.

The data collection process involves the use of personal opinions and information, and therefore general ethical considerations will be implemented during the research process with the use of the following instruments:

- A letter of consent will be provided to interview participants, while individuals involved in the survey process will be informed about privacy concerns during the research. This will allow participants to make an informed decision about their participation and provide them with the opportunity to ask any questions they may have.

- External and internal anonymity will be respected throughout the research process. All interview participants will have the option to remain anonymous and confidentiality will be maintained. This is particularly important as it can impact their future employment and work opportunities.
- Research participants will be able to answer in their preferred language. The survey will be conducted in English, while interviewed specialists may choose to communicate in any preferred language. This will ensure that language barriers do not impact the participation of participants in the research.

4. Results and Analysis Section

In general, the main purpose of this research work was identify the impact of online advertising on consumer behavior in Kazakhstan. Overall, the study was able to recruit 72 participants to the survey, majority of them belongs to the 18-25 group age (62%), another huge age group in the survey was 26-35, at 20%. Other age groups represent minority. Moreover, in terms of gender distribution, 56% of participants are female while others are male. This part of research introduces with study survey results and analysis.

Chart 1. How often do you see online advertisements?

After asking general questions related to the background of survey participants, survey turned to the primary questions. The first question was related to the frequency of encountering online ads via internet Chart 1. The responses from the participants indicate that a majority of them (41 out of 72) encounter online advertisements every time they use the internet, indicating a high level of exposure to digital advertising. However, it is important to note that a significant number of participants (10 and 5, respectively) indicated that they only encounter online advertisements once a day or less than once a day. This suggests that not all individuals may be equally exposed to online advertising, and that factors such as internet usage patterns or the use of ad-blockers may impact the frequency of online ad exposure. It is also worth noting that a small proportion of participants (4 out of 72) reported never encountering online advertisements. While this may be a relatively small percentage, it is still noteworthy that some individuals are able to avoid online advertising altogether.

Chart 2. How likely are you to click on an online advertisement?

Furthermore, the next question was related to customer interaction with online advertisements (Chart 2). Despite the fact that a majority of participants reported that they are either very likely or somewhat likely to click on online advertisements, it is worth noting that a significant proportion of respondents (23 out of 72) fell into the "not sure" category. This suggests that there may be some degree of uncertainty or ambivalence among individuals when it comes to clicking on online advertisements, perhaps due to concerns about privacy, security, or the perceived value of the advertised product or service. Furthermore, the relatively high proportion of participants (16 out of 72) who reported that they are very unlikely to click on online advertisements may reflect a broader trend of "banner blindness" or ad avoidance, where individuals develop strategies to ignore or filter out online advertisements.

Overall, these findings suggest that while some individuals may be receptive to online advertisements and willing to click on them, there is also a considerable degree of variability in terms of individuals' attitudes and behaviors towards digital advertising.

Chart 3. How often do you research a product online before purchasing it?

The next question in the survey was related to online reviews before making buying decisions (Chart 3). Survey results suggest that a majority of individuals (38 out of 72) tend to research products online at least most of the time before making a purchase. This could reflect a growing trend of consumers leveraging digital resources to make more informed purchasing decisions. It is also worth noting that a significant proportion of respondents (15 out of 72) reported researching products online only occasionally, indicating that not all individuals may rely heavily on online research when making purchasing decisions. However, it is also worth noting that a non-trivial proportion of respondents (19 out of 72) reported rarely or never researching products online before making a purchase. This could reflect a variety of factors, such as a lack of access to digital resources or a greater degree of trust in other sources of information (e.g., personal recommendations, in-store assistance, etc.).

In summary, the results indicate that while a majority of people use online research to guide their purchasing decisions, there is a notable amount of diversity in the research habits of individuals and the factors that shape those habits.

–Chart 4. How often do you make a purchase online?

Furthermore, research participants were asked about their online purchase experience (Chart 4). The results indicate that although a notable percentage of individuals (25 out of 72) make online purchases regularly, a larger percentage (41 out of 72) only do so occasionally or rarely. This could be due to factors such as a preference for physical shopping, concerns about the trustworthiness of online retailers, or limited access to digital resources. Additionally, a significant proportion of respondents (6 out of 72) never make purchases online, possibly due to a lack of comfort with online transactions or limited access to technology. In general, these findings suggest that while online shopping is prevalent, there is also considerable variation in the frequency and degree to which individuals engage in this behavior.

Chart 5. How do you feel about online advertisements?

Finally, research participants were asked about their opinion regarding online advertisements (Chart 5). The results of the survey suggest that opinions towards online advertisements are diverse and intricate. While some people view them positively as being useful or informative, a significant number (41 out of 72) hold negative perceptions. More than half of the respondents (36 out of 72) found online advertisements to be either a waste of time or irritating, and a minority (10 out of 72) found them intrusive.

Furthermore, there were open-ended questions regarding online advertising. The first question was related to the type of online advertising, results indicate that the majority of respondents face online ads through social media instrument more frequently compared to other options such as TV and websites. On the top of that, research participants were asked about the role of advertisements in buying decisions. The most common answer among research participants “it helps to find suitable product or service”, which means that online advertisements could have direct impact on customer decision-making process. Moreover, some of participants indicate that online ads help to review and explore some products or

services before making decisions, which is very useful. Therefore, majority of survey participants found it useful.

5. Conclusion

To conclude, online advertising in Kazakhstan has sufficient impact on consumer behavior in Kazakhstan. There are the following major points:

- Almost everyone faces and interacts with online advertising through social media instruments
- The majority of research participants review products or services online before making final decision, which assumes that online advertising and internet content could affect consumer behavior.
- Online advertising could be the reason for impulsive buying.
- Consumer awareness on products raises through online advertising content
- Social media online advertising is the most preferred and frequent among research participants

Furthermore, there were some limitations to this research project, including a scarcity of information available through open sources and few existing investigations on the online advertising in Kazakhstan. Additionally, data collection was hindered by SMM companies that refused to participate in the research.

Despite these limitations, the study on the impact of online advertising on consumer behavior could be useful for further investigations into digital marketing in the local market, as there is a lack of studies and professional opinions in this area. Furthermore, professionals and educators could use this research as a supplementary resource to understand working conditions and essential values at work.

Overall, conducting this research was an interesting experience that provided a deeper understanding of working conditions and important values that can motivate employees.

References

- Murad, H. (2018). Online Advertisement and Its Impact on Consumer Behavior. Istanbul Aydin University. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3288005
- Jogi, S. & Vashisth, K. (2021). Effect of Online Advertisement on Consumer Buying Behaviour-A Review. Conference: 2nd Yogananda International Conference- YICCISSAt: Solan, H.P. Retrieved from https://www.researchgate.net/publication/359758883_Effect_of_Online_Advertisement_on_Consumer_Buying_Behaviour-A_Review
- Deshwal, P. (2016). Online advertising and its impact on consumer behavior. International Journal of Applied Research, 2(2), part D. Retrieved from <https://www.allresearchjournal.com/archives/?year=2016&vol=2&issue=2&part=D&ArticleId=1501>
- Gao, B., & Lee, M. (2018). Rare Query Expansion Through Generative Adversarial Networks in Search Advertising. KDD '18: Proceedings of the 24th ACM SIGKDD International Conference on Knowledge Discovery & Data Mining. Retrieved from <https://dl.acm.org/doi/abs/10.1145/3219819.3219850>
- Baumeister, R. (2016). Social Networking Online and Personality of Self-Worth: A Meta-Analysis. Journal of Research in Personality, 64(6). Retrieve from <https://www.researchgate.net/public>

ation/305043171_Social_Networking_Online_and_Personality_of_Self-Worth_A_Meta-Analysis

Lee, J., Urban, G. & Gosline, R. (2017). The Power of Consumer Stories in Digital Marketing. MIT Sloan Management Review, 58(4). Retrieved from <https://www.proquest.com/openview/27d54ad979f5570e9f6679c4f487f0b0/1?pq-origsite=gscholar&cbl=26142>

Paharia, R. (2013). Loyalty 3.0: How To Revolutionize Customer And Employee Engagement With Big Data And Gamification. McGraw-Hill. https://library.ipmi.ac.id/index.php?p=show_detail&id=8547&keywords=

Erdur, I. (2016). Changing trends in advertising and online strategies: a systematic review of online advertising. International Refereed Journal Of Marketing And Market Researches. Retrieved from

https://www.researchgate.net/publication/308757454_CHANGING_TRENDS_IN_ADVERTISING_AND_ONLINE_STRATEGIES_A_SYSTEMATIC_REVIEW_OF_ONLINE_ADVERTISING

APPLICABILITY OF NETFLIX'S HUMAN RESOURCES MANAGEMENT MODEL IN KAZAKHSTAN

Olzhas Shagyrov

ExMBA, KIMEP University

Almaty, Kazakhstan

oshagyro@gmail.com

Abstract

Human Resource Management (HRM) is a critical aspect of organizational success and plays a crucial role in attracting, developing, and retaining employees. The subject of HRM is complex and encompasses various practices, including recruitment and selection, training and development, performance management, and compensation and benefits. In this research, HRM theories, practices were examined in general and in the context of Netflix, a company known for its innovative HRM practices. The purpose of this research is to examine applicability of HRM practices at Netflix to Kazakhstani companies.

The study found that Netflix's HRM practices, including a strong culture of freedom and responsibility, a focus on employee development, and a results-oriented approach, can provide valuable lessons for Kazakhstani companies.

The interview method was used in this research as a means of collecting qualitative data on HRM practices. This research method allowed for an in-depth exploration of the subject matter and provided a rich source of information on the experiences, perspectives, and insights of the participants. The interview method also provided the opportunity to delve deeper into specific aspects of HRM practices, such as the challenges faced by companies in Kazakhstan in implementing HRM practices and the potential benefits of adopting Netflix's HRM practices.

The data collected from the interviews provided valuable insights into HRM practices in general and in the context of Kazakhstani companies and helped to provide a more comprehensive understanding of the research topic.

In conclusion, knowledge obtained from this research provided insights into HRM practices at Netflix and their applicability in Kazakhstani companies. The results from the study can be used by organizations to improve their HRM strategies and practices.

A list of key words Human Resource Management (HRM), Netflix, Kazakhstani companies, HRM practices

Human resource management (HRM) is an important function within an organization that deals with managing the organization's human capital. Definition given by Byars and Rue (2006), HRM is a system of activities and strategies that focus on successfully managing employees at all levels of an organization to achieve organizational goals. The subject of HRM is complex and encompasses various practices, including recruitment and selection, training and development, performance management, compensation

and benefits. Many researchers have tried to come up with a term for the HRM theories. There are generally more than nine significant theories in HRM, but in this part we'll focus on the three basic ones that underpin HRM activities and policies in any firm;

- Organization Behavior Theory - demonstrates how to take into account and predict the consequences of various policies on managing human resources as well as why specific diverse behaviors affect employees' productivity and motivation, concerned with how they interact with each other and are influenced by what others say and do;

- Resource-based Theory - This theory links human resources management to the creation of competitive advantage by emphasizing the development of internal resources that the organization possesses;

- Contingency Theory - HRM duties must be compatible with internal organizational processes or external environmental factors in order for businesses to be successful. When an organization enters a new environment where the culture differs from the one already in place, HRM needs more information in order to make decisions, handle changes, and maintain a balance between employees' behavior toward the new environment.

The HRM function has evolved significantly over the years, and today it is seen as a strategic tool that can contribute to an organization's success. The increasing complexity of HRM has led to the development of various HRM models, and one such model is Netflix's HRM model.

Netflix is a well-known American streaming platform that has become a global phenomenon. Its innovative and dynamic HRM practices have been a subject of interest and debate in the business world. The aim of this research is to explore Netflix's HRM model, its applicability to Kazakhstani local companies and the potential benefits and challenges associated with its implementation. The significance of this study lies in the fact that HRM is a critical function that can contribute to the success or failure of an organization. By examining the HRM practices of Netflix and their potential applicability to Kazakhstani local companies, this study can help local companies in Kazakhstan to improve their HRM practices and contribute to their success.

The Netflix HRM model is based on a set of key principles that are designed to promote employee engagement, creativity, autonomy and trust. These principles include:

- Talent management strategy: Hiring only “A” players or hiring best workers in the field;
- Forming high performance team at Netflix: Creating a positive work environment and letting go workers with great severance package that don't fit into the company;
- Freedom and Responsibility: Giving more responsibility at work;
- Compensation philosophy on Top Market: Good compensation, paying high salary.

According to the article (Tasbulatova B.K. 2019) sociological research of seven Kazakhstan organizations on identification of models of human resource management used by them were conducted. Using the methodological basis of personnel management and human resource management paradigm in the form of criteria differences between them, the author conducts a case study, testing the hypothesis about the differences between organizations of different forms of ownership and types of economic management. Such characteristics of human resource management model as "rigid/flexible", "high efficiency/high commitment", "best fit/best practices" are also tested.

The method of case analysis was used in the study of 7 organizations of Kazakhstan, belonging to different sectors of the economy and types of economic activity.

The following conclusions can be drawn from the results of the empirical survey:

Relying on a body of contemporary research in developed countries, it is possible to state that a meaningful transition to human resource management is one of the signs of the company's adaptation to the modern post-industrial economic system, in which the main creators of new value are the company's employees and the system of their activation.

The specifics of Kazakhstan's transition to mastering the human resource management paradigm are characterized:

- preservation of the main signs of HR management in large national corporations with the dominance of rigid hierarchical structures of vertical power, traditional methods of work of HR departments and the load on line managers as the main link of management. At the same time, NC "KazMunayGas", which is integrated into the global market, is more actively transforming its system in the subsystem of activating employees, but not restructuring management in favor of horizontal schemes;
- introduction of elements of HRM in non-profit organizations and small/medium commercial enterprises.

The main vectors of development are in national and market-oriented companies technologies of training and retraining of employees, including the use of these tools on non-financial forms of motivation to retain talented employees.

The main problems of the HRM system, realized by top managers, are the formation of commitment to the company and lack of competent practice of applying modern technologies from the field of psychology to identify applicants for the vacant positions, horizontal rotations to increase productivity, lack of techniques to deal with emotional burnout as a fairly wide problematic field of professional activity.

In the nonprofit sector, the emphasis is on developing a model of commitment, while the lack of own resources does not allow for the creation of a system of professional development with external resources. Perhaps because of this, nonprofit organizations are actively using their internal development potential and horizontal connections. At the same time, non-profit organizations have an acute problem of systematic reproduction of the most successful projects, they are entirely dependent on their leaders and cannot reproduce without them. Social entrepreneurship becomes an urgent vector of development for non-profit organizations, which allows them to attract additional resources and perform expanded reproduction.

The experience of human resource management (M.K. Kamysbaev, L.A. Omarbakiev, E.M. Yeralina 2020) in companies of such countries as China, USA and Japan were considered. More often in multinational companies, managers and employees may have different decision-making processes, behaviors, and values because they are from different cultures. Multinational companies find that HR plays a very important role in maintaining their competitive edge at a high level in a competitive global environment in which the workforce is becoming more diverse and multicultural. In such companies it is difficult to work under the standard rules of human resource management, so the main task of HR is to create a correct, flexible and multicultural management system.

Labor market turnover is limited to geographical issues such as the household registration system, marriage, children's education, and so on. Thus, recruitment in Chinese companies mainly depends on the external labor market and internal recruitment. Although this method of recruitment is quite frustrating, companies will have diverse development due to the different characteristics of employees entering the company. Compared to recruitment in China and the United States, recruitment in Japanese

companies mainly depends on internal recruitment. The Japanese have a traditional concept due to the millennial agricultural economy. Thus, they consider hiring from outside the labor market to be very risky because they believe that such workers have only professional job skills and lack of understanding of companies' culture and effective communication skills. They believe that professional retraining for internal employees who already have knowledge of the company's culture will be faster, more economical, and safer. Therefore, when Japanese companies need more employees, they usually choose internal resources.

When it comes to hiring employees, the U.S. prefers to hire people who have innovative ideas and an aggressive spirit to take on challenging jobs. This is understandable, since the U.S. is inseparable from the pursuit of a pragmatic culture, a spirit of adventure, personal publicity, innovation and hard work. While the Japanese advocate the notions of harmony and perseverance, this notion forces people to be deliberately disciplined.

It was found that Kazakhstan, unlike the United States, is characterized by a considerable separation of employees from management, a huge difference in compensation, and the avoidance of uncertainty.

In Kazakhstan, HRM practices are generally less developed compared to those in developed countries, and may be focused more on administrative and regulatory tasks, such as record-keeping and compliance with labor laws. Additionally, the role of HR in many Kazakhstani companies may be limited to staffing and payroll, rather than being seen as a strategic function that contributes to the overall success of the organization.

On the other hand, HRM in top-performing companies around the world is typically highly developed, with a strong focus on attracting, retaining, and developing talent. These companies view HR as a critical business function and invest in the development of their HR professionals and processes. Additionally, they use data and analytics to inform their HR decisions, and place a strong emphasis on employee engagement, work-life balance, and diversity and inclusion.

In order to find out applicability of Netflix's HRM model in Kazakhstan research must be conducted. The research design adopted for this study is a qualitative case study. Qualitative research is suitable for this study because it provides an in-depth understanding of the complex HRM practices being studied, and is particularly well suited for exploring the HRM practices in Kazakhstani companies and the applicability of Netflix's HRM model. In this study, interpretivism was adopted because it allows for a better understanding of the subjective experience of employees from different sectors of operation. A case study approach is suitable for this study because it allows for an in-depth examination of the HRM practices in Kazakhstani companies and the applicability of Netflix's HRM model. The data for this study was collected through semi-structured interviews with professionals from different Kazakhstani companies. The interview questions were designed to explore the HRM practices in Kazakhstani companies and the applicability of Netflix's HRM model. The interviews were conducted in person. Research included twelve participants, working in Kazakhstani companies in different areas: Nazarbayev university, Eurasian national university, JSC Government for citizens, JSC KTZH, Ministry of Energy RK, Ministry of Ecology and Environment and private companies. The interviewers consist of a total of twelve employees with different employment status, nine males aged between 32-47 and three females aged between 38-45. Companies differ from each other in operational area, size, and number of employees. There were seven open-ended interview questions in all.

The data collected from semi-structured interviews with professionals from different Kazakhstani organizations was analyzed. The results show that the HRM practices in Kazakhstani companies are traditional and centered around the compliance with the labor laws and regulations. The participants reported that the main focus of HRM in their companies is on recruitment and selection, performance

management, and compensation and benefits. The results also show that the HRM practices in Kazakhstani companies are still evolving and are in the process of modernizing.

According to the results, participants have a good understanding of Netflix's HRM model and its key elements, such as the company culture, performance management, and flexible work arrangements. For those who don't know about HRM model of Netflix, short information about Netflix HRM policy was given. The participants reported that they believe that the Netflix's HRM model has the potential to bring positive changes to the HRM practices in Kazakhstani companies.

Most participants believe that the Netflix's HRM model is partially applicable to Kazakhstani companies. Only two key elements of Netflix HRM model can be applicable:

- Forming high performance team at Netflix - creating a positive work environment is universal principles that could be beneficial in any company, regardless of location;
- Compensation philosophy on Top Market - competitive compensation is universal principles that could be beneficial in any company, regardless of location.

Other two key principle can't be applicable:

- Freedom and Responsibility - the flat organizational structure and emphasis on employee autonomy may not be well-received in cultures that value hierarchy and formal processes;
- Talent Management Strategy - focus on hiring only "A" players and providing generous severance packages to underperformers could be a challenge in a market where skilled talent is scarce and labor regulations are strict.

But full implementation of Netflix's HRM model in Kazakhstani companies would require significant effort and resources, including changes to the company culture, leadership, and organizational structure.

In conclusion, the results of this study suggest that the HRM practices in Kazakhstani companies are traditional and focused on compliance with the labor laws and regulations. This finding is consistent with the existing literature, which suggests that the HRM practices in transition economies are still evolving and are in the process of modernizing. The results also suggest that the HRM practices in Kazakhstani companies are still in the early stages of development and that there is room for improvement.

Implications for Practice and Future Research: The results of this study have several implications for practice and future research. For HR practitioners and managers, the results suggest that they should consider adopting more innovative and flexible HRM practices to improve their performance and attract and retain top talent. For policymakers, the results suggest that they should promote the development of a more innovative and flexible HRM culture in Kazakhstani companies. For future research, the results suggest that there is a need for further research on the HRM practices in transition economies and the applicability of innovative HRM models, to these economies.

References

Armstrong, M. (2006). A handbook of Human Resource Management Practice. 10th Edition. London and Philadelphia: Kogan Page.

Byars, L. L., & Rue, L. W. (2006). Human resource management (9th ed.). McGraw-Hill/ Irwin

Kamysbaev M.K., Omarbakiev L.A., Yeralina E.M. (2020) Features of personnel management principles in developed countries and possibilities of using them in Kazakhstan. Vestnik «Turan University» №4 (88).

Kazakhstanskaya pravda. – 2012. – № 437–438: <http://adilet.zan.kz/rus/docs/K1200002050>. 12.12.2017

Tasbulatova B.K. (2019) Models of human resources management in Kazakhstan companies: features and vectors of development. Ekonomika Tsentralnoy Azii. 3. (2). — 71–88.

THE DETERMINANTS OF GENDER GAP IN OIL AND GAS INDUSTRY. KARACHAGANAK AND KASHAGAN FIELDS' CASE

Anara Bekbossynova

ExMBA, KIMEP University

Almaty, Kazakhstan

Anara.bekbossynova@gmail.com

ABSTRACT

The research study aims to identify the determinants contributing to the Gender Gap in the Energy sector within Kazakhstan, including Karachaganak and Kashagan fields.

The Gender Gap in the following context means the unequal professional representation and treatment of men and women in the energy industry. This situation can manifest in various ways, including the underrepresentation of women in technical and leadership roles, gender-related career promotion obstacles, lower salaries for women compared to men in similar positions, and a need for more access to education and training opportunities for women in the sector. The gender gap can be attributed to many factors, including historical and cultural norms, institutional structures, and discriminatory practices. It is a persistent problem in many societies, where women are often disadvantaged compared to men regarding opportunities, resources, and rights.

The current thesis explores the barriers and opportunities for women's career advancement and leadership roles through relevant research. It also explores gender stereotypes and biases affecting women's experiences in the energy sector, how can energy sector companies in Kazakhstan implement effective strategies and programs to promote gender diversity and inclusion, and what best practices can be learned from other countries and sectors. The conclusion also summarized the set of necessary recommendations that are necessary for equal career opportunities for both genders in the energy sector in Kazakhstan.

KEYWORDS: Gender gap; gender equality; Oil&Gas sector; Karachaganak; Kashagan

INTRODUCTION

The Gender gap is on the agenda worldwide, as many countries and organizations recognize the importance of achieving gender equality. There has been increasing awareness of the gender gap in recent years, and efforts to close it have gained momentum.

As one of the United Nations Sustainable Goals announced in 2016 (UN, 2016), Gender equality, besides being a fundamental human right, is significant to achieve peaceful societies with full human potential and sustainable development.

While progress has been made in recent years, there are still significant differences between men and women in areas such as pay, employment, education, and political representation.

As per Global Gender Gap Report 2022 (WEF, 2022), it will take another 132 years to close the global gender gap where crises are compounding, women's workforce outcomes are suffering, and the risk of

global gender parity backsliding further intensifies. Meanwhile, across the 146 countries covered by the 2022 index, the Health and Survival gender gap has closed by 95.8%, Educational Attainment by 94.4%, Economic Participation and Opportunity by 60.3% and Political Empowerment by 22% (World Economic Forum, Global 2022).

Although many high-income countries have made substantial gains in many elements of gender equality, such as education, gender inequalities persist across many domains, such as employment, wages, and political representation. There is still a flow for improvement.

Regarding the gender pay gap situation in European countries, on average, women in the EU earned 13% (European Commission Report, 2022) less per hour than men in 2020, as reported.

Considering the developing countries, the level of gender inequality in the countries of the Eastern Partnership (EaP) and Central Asia significantly exceeds the global average reaching 69% (World Economic Forum, Global Gender Gap Index, 2022). It is acutely felt in various areas of the economy, health care, and social protection. Meanwhile, the structural Legacy of Post-Communism allowed the countries of Eurasia to achieve relatively good performance in certain aspects of gender equality.

Male-dominated fields have long been a feature of the global workforce, with women facing barriers to entry and advancement in various industries. From construction and engineering to finance and technology, women have historically been excluded from many of the highest-paying and most influential professions. The energy sector is no exception, with women underrepresented in technical and leadership roles, where referring to the International Energy Agency (IEA Report, 2020), the energy sector remains one of the minor gender-diverse sectors.

The joint research conducted by the World Petroleum Council (WPC) and Boston Consult, women make up 22 percent of the workforce globally in the oil and gas industry, unchanged since 2017, despite solid evidence that more diverse and inclusive workforces drive profit and innovation in the sector (companies in the top quartile for ethnic and cultural diversity in their executive teams were 36% more likely to have above-average profitability than companies in the bottom quartile), according to McKinsey & Company's "Diversity Wins" report (May 2020).

The energy sector has historically been a male-dominated field and its workforce continues to be unrepresentative of the population and workforce at large. On average, there are 76% fewer women than men working in the energy sector, a significant difference from the average 8% gap seen in the total workforce, according to 2018 data from 29 countries (22 IEA members). The average gender wage gap conditional on skills in the energy sector among those countries is approximately -15%, meaning women working in the sector earn 15% less than men, even when controlling for skill level. The non-energy sector has a slightly smaller wage gap of -13% (IEA, 2020). The barriers women face in the energy sector are similar to those they face elsewhere in the economy, as limited access to education and trainings, lack of access to financing, lack of access to financing, limited mobility and safety concerns, lack of role models and networks (United Nations Development Programme (UNDP) report on "Women and Sustainable Energy, 2013).

The global oil and gas industry is vital to the world economy, providing a significant energy source for transportation, industry, and residential use. Among the numerous oil and gas fields around the world, several stand out for their size, productivity, and economic significance. One of the world's top oil and gas fields are Kashagan and Karachaganak located in Kazakhstan.

Kashagan is considered to be the largest oil field discovered in the past 30 years, with estimated reserves of up to 16 billion barrels of oil. It is located in the northern part of the Caspian Sea and was discovered

in 2000. However, due to its challenging conditions such as the shallow waters, harsh climate, and high levels of hydrogen sulfide, its development has been a complex and expensive process.

The issue of gender equality is a global challenge, and the energy sector is no exception. In Kazakhstan, a country with a transitional economy and a Muslim-dominated culture, where 70% of the population identified as Muslim the issue of gender inequality in the energy sector is particularly salient. Kazakhstan is one of the world's largest oil and gas producers, with energy exports accounting for a significant portion of its GDP, accounted for 17% of gross domestic product (IEA, 2020).

According to a report by the United Nations Development Programme (UN Annual Report, 2021), women make up only about 14% of the workforce in the energy sector in Kazakhstan, and they are largely concentrated in administrative and support roles. This gender imbalance is even more pronounced in technical roles such as engineering, where women represent only about 5% of the workforce.

Several factors contribute to this gender gap, including gender stereotypes, bias, and discrimination, as well as the lack of female role models and mentorship opportunities in the energy sector.

OBJECTIVES

This research study aims to identify the determinants contributing to the gender gap in the energy sector within Kazakhstan, including Karachaganak and Kashagan fields. It also derives a set of recommendations on how to overcome gender-associated imbalances.

According to existing research, the "Gender Gap" encompasses the unequal presence and differential treatment of men and women within the energy industry (Author, Year). This disparity manifests through several avenues, such as the underrepresentation of women in technical and leadership positions, increased barriers to career advancement, lower remuneration for women in comparable roles to their male counterparts, and limited access to educational and training opportunities for women in the sector. The gender gap can be attributed to a complex range of factors, including historical and cultural norms, institutional structures, and discriminatory practices. It is a persistent problem in many societies, where women are often disadvantaged compared to men regarding opportunities, resources, and rights (Dictionary.com, 2021).

While researching the relevant question, the following areas have been explored:

- ☐ Career barriers and opportunities for women's professional advancement and leadership in the energy sector in this field, and how do these compare to other industries in the country;
- ☐ Gender stereotypes and biases affect women's experiences in the energy sector, and measures to overcome existing challenges;
- ☐ Implementation of effective strategies and programs to promote gender diversity and inclusion, the best world practices from the corporate industries;
- ☐ The Government policies and regulations impact gender diversity in Kazakhstani energy sector;
- ☐ Policy interventions for gender equality and inclusion promotion.

METHODS

For a clear and comprehensive overview of the research, the design and methodology employed in this study are based on a key investigation examining the gender gap within the energy sector of Kazakhstan, with a specific focus on the Kashagan and Karachaganak fields. By employing a comprehensive research approach, this study seeks to shed light on the factors contributing to the gender gap and propose practical strategies for promoting gender equality and inclusivity in these fields.

The study primarily utilizes quantitative methods to gather and analyze data, allowing for a systematic examination of the gender gap in the energy sector. Through surveys and statistical analysis, this quantitative approach provides quantitative insights into the extent of the gender gap. It enables the identification of patterns and trends within the Kashagan and Karachaganak fields. The choice of a quantitative method is further justified due to its capacity to encompass a larger sample size than a qualitative approach (Bryman & Bell, 2011) and its application in numerous previous studies within the related field, as identified in the literature review. The research methodology has been divided into the relevant parts:

- Descriptive statistics used existing data sources, such as government/international organizations' statistics related to the gender gap and energy companies' procedures.
- Comparative analysis was used to identify the similarities and differences between Norway and Kazakhstan. Norway's successful practices and its model of diminishing the gender gap in the energy sector were used to identify patterns, trends, and insights that can assist Kazakhstan in the same way.
- The online survey is designed to collect quantitative data on the gender gap in the energy sector, including issues such as pay, promotion, and work-life balance. It is conducted among female workers of the energy sector in Kazakhstan.

FINDINGS

To summarize, the gender gap in the energy sector is a complex issue that is not unique to Kazakhstan but rather affects countries across the globe, including Nordic and European nations. Women in these countries face similar challenges, such as discrimination, unconscious bias, lack of representation in leadership positions, and limited access to networking and mentorship opportunities. However, the specific manifestations of these challenges can vary depending on each country's cultural and institutional contexts.

In the context of Kazakhstan, a substantial gender disparity exists within the energy sector, where women are notably underrepresented in technical and leadership positions, accounting for a mere 22% of the workforce.

By following the results, the gender gap in the energy sector is driven by various determinants in energy sector in Kazakhstan as follows:

DETERMININANTS

Gender stereotypes and biases Traditional gender roles and stereotypes can limit women's prospects in the energy sector. Women may be perceived as less capable of working in technical or physically demanding jobs, leading to fewer opportunities for employment and advancement (EBRD, 2020). It was confirmed by survey results that there was the explanatory note that some respondents

advised that opinion of a female colleague is often not taken seriously; male bosses have a biased attitude towards female colleagues.

Lack of educational and training opportunities Limited access to education and training programs in technical and scientific fields can create a skills gap that prevents women from entering or advancing in the energy sector (World Bank,2018).

Lack of policies and initiatives in place A lack of policies and practices that promote gender equality in the workplace can create a hostile or unwelcoming environment for females in the energy sector. This can include a lack of work-life balance policies, inadequate support for working mothers, and gender-based harassment, confirmed by the survey results with 41% of respondents confirmed the lack of gender equality initiatives.

Wage difference Wage Gap reaching 32% (ADB, 2022) and there is general perception by female counterparts as 34% of survey respondents confirmed that they perceive that women are not getting the same salary as men counterparts.

Limited representation in decision-making roles Women are often underrepresented in leadership and decision-making positions in the energy sector, where only 13% presented in board of directors in energy sector. This can limit their ability to influence policies and practices that promote gender equality, including cultural and social norms, limited access to education and training, and a lack of policies and programs that support women's participation in the industry.

CONCLUSION

By this, it is worth highlighting that addressing the gender gap in the energy sector in Kazakhstan, especially in one of the most significant Oil and Gas fields, Kashagan and Karachaganak, will require a comprehensive approach that includes efforts to increase the representation of women in technical and leadership roles, as well as policies and programs that support women's education and training and address cultural and social barriers to women's participation.

Promoting gender equality in the energy sector in Kazakhstan is not only a matter of social justice. Still, it can also lead to better outcomes for the industry, including increased innovation, better decision-making, and improved financial performance.

The relevant recommendations could be addressed and used by Companies, Contractor's/Sub-contractors Companies to operate in the appropriate fields and also RoK Authorized to close the gender gap in the energy sector as much as possible:

- **Wage gap improvement:** Address the wage gap through gender-sensitive remuneration policies, such as equal pay for equal work, transparent and fair performance evaluation processes, and salary bands that are gender-neutral, using norweign experience. This could also involve creating career development opportunities that are based on merit, rather than gender, and implementing pay equity monitoring and reporting systems to track progress and identify areas for improvement. Following Nordic countries way, could implemente policies that support both men and women in balancing work and family life, such as generous parental leave, flexible work arrangements, and affordable childcare.
- **Enhancing the representation of women in decision-making roles** within the energy sector can be achieved through the implementation of gender diversity quotas or targets on boards and in leadership positions. Additionally, offering mentoring and sponsorship programs to women to foster skill

development and expand their professional networks has been demonstrated as effective measures (Maida & Weber, 2020).

- Role models and mentorship: Highlight the experiences of successful women in the energy sector and provide mentorship and coaching opportunities for women in the industry. This will help to inspire and empower women to pursue leadership positions in the industry.
- Address cultural and social barriers: Address cultural and social barriers that may discourage women from pursuing careers in the energy sector, such as stereotypes about gender roles, lack of support from family and peers, and discrimination in the workplace. It can be achieved through awareness campaigns, training programs, and policy interventions.
- Promoting gender diversity in the energy sector can be facilitated through fostering collaboration between energy companies, government agencies, and civil society organizations. This collaboration can serve as a platform for sharing best practices, pooling resources, and coordinating efforts aimed at enhancing the representation of women in the industry.
- What if the relevant recommendation would be implemented? It could bring the potential for significant positive impacts. Closing the gender gap in the energy sector can lead to increased innovation, better decision-making, and improved financial performance for the industry. Additionally, addressing the wage gap, increasing the representation of women in decision-making roles, providing mentorship opportunities, addressing cultural and social barriers, and promoting collaboration can lead to greater gender diversity and equality in the industry. All could bring a cumulative positive impact on the workforce, as well as society as a whole, by promoting fairness, equal opportunities, and social justice.

ACKNOWLEDGEMENTS

Acknowledge my supervisor Assel Narymbetova for her support and guidance in the thesis preparation.

I would like to extend my sincere thanks to my husband Galymzhan, whose consistent support and encouragement inspired me throughout my studies.

Last, but not least, I do appreciate my Company (Eni branch in Kazakhstan), who have sponsored and provided me the opportunity to study Executive MBA in KIMEP University.

REFERENCES

Arbeidstilsynet. (n.d.). Parental leave. <https://www.arbeidstilsynet.no/en/working-conditions/permisjoner/parental-leave/>

Asian Development Bank (2018). Kazakhstan Country Gender Assessment

Austrian National Library. First Women's Vote in the North: Finland. Ariadne - Women Use Your Vote. <https://www.onb.ac.at/en/research/ariadne/women-use-your-vote/womens-right-to-vote-in-europe/first-womens-vote-in-the-north-finland/>

BMWi. (2018). G7 Report on Gender Equality and Diversity in the Energy Sector https://www.bmwk.de/Redaktion/DE/Publikationen/Energie/publikation-g7-report-on-gender-equality-and-diversity-in-the-energy-sector.pdf?__blob=publicationFile&v=4

Clean Energy Education and Empowerment (C3E). (2019, June). C3E International Initiative: Women in Clean Energy. <https://www.cleanenergyministerial.org/content/uploads/2022/03/c3e-fact-sheet-june-2019.pdf>

Cline, T. W., & Frederick, D. A. (2015). What changes when we consider feminist critiques of men and masculinities in sex and gender education? Reflections from a men's studies course. *International Journal of Multicultural Education*, 17(2), 110-126. <https://files.eric.ed.gov/fulltext/EJ1067745.pdf>

European Bank for Reconstruction and Development (EBRD). (2020). Survey "Women in the energy sector in Kazakhstan".

European Commission (2021). Gender pay gap situation in the EU. https://ec.europa.eu/info/publications/gender-pay-gap-situation-eu_en

Facts and Details. Oil in Kazakhstan. https://factsanddetails.com/central-asia/Kazakhstan/sub8_4e/entry-4677.html

G7 (2019). G7 Report on Gender Equality and Diversity in the Energy Sector. Federal Ministry for Economic Affairs and Energy. https://www.bmwi.de/Redaktion/EN/Publikationen/Energie/publikation-g7-report-on-gender-equality-and-diversity-in-the-energy-sector.pdf?__blob=publicationFile&v=4

International Energy Agency (2018), International Energy Agency Annual Report

International Energy Agency. Energy and Gender. <https://www.iea.org/topics/energy-and-gender>

International Labour Organization. NORWAY - Act on Gender Equality (The Gender Equality Act) <https://www.ilo.org/dyn/natlex/docs/WEBTEXT/12790/64813/E78NOR01.htm>

Maida, A., & Weber, A. (2020). Female Leadership and Gender Gap within Firms: Evidence from an Italian Board Reform.

McKinsey & Company (2020). Diversity Wins: How Inclusion Matters. <https://www.mckinsey.com/~media/mckinsey/featured%20insights/diversity%20and%20inclusion/diversity%20wins%20how%20inclusion%20matters/diversity-wins-how-inclusion-matters-vf.pdf>

National Commission for Women's Affairs and Family and Demographic Policy (2016). Strategy for Gender Equality in Kazakhstan for 2016-2020. https://www.akorda.kz/upload/nac_komissiya_po_delam_zhenshin/5.2%20%D0%A1%D0%93%D0%A0%20%D0%B0%D0%BD%D0%B3%D0%BB.pdf National Security Committee. (2013). Law of the Republic of Kazakhstan "On National Security" (Law No. 412-V, July 11, 2013). Retrieved from <https://adilet.zan.kz/eng/docs/K1500000414>

Nordi Energy Research (2021). Gender Equality in the Nordic Energy Sector

Nordic Council of Ministers. Gender equality in the Nordic region. <https://www.norden.org/en/information/gender-equality-nordic-region>

NS Energy Business. (2021, March 23). Kashagan Oil Field Development. NS Energy Business.

Pew Research Center (2012, December 18). The global religious landscape. <https://www.pewresearch.org/religion/2012/12/18/global-religious-landscape-exec/>

Reuters (2022, November 22). EU approves law to break glass ceiling for women on company boards. <https://www.reuters.com/business/sustainable-business/eu-approves-law-break-glass-ceiling-women-company-boards-2022-11-22/>

Smith, K., & Sonnefeld, A. (2015). The Global Gender Gap in Leadership: Advancing Women in Corporate America. Peterson Institute for International Economics

Thomsen, S. L. (2016). Gender equality in the Nordic energy sector: A baseline study. Nordisk Ministerråd. <https://norden.diva-portal.org/smash/get/diva2:1045569/FULLTEXT03.pdf>

U.S. Department of Commerce, International Trade Administration. Energy Resource Guide: Oil and Gas - Kazakhstan. <https://www.trade.gov/energy-resource-guide-oil-and-gas-kazakhstan>

UNDP (2021). Annual report 2021 (Kazakhstan)

United Nations (1979). Convention on the Elimination of All Forms of Discrimination against Women. https://treaties.un.org/doc/Treaties/1981/09/19810903%2009-12%20AM/Ch_IV_8p.pdf

United Nations (1995). Beijing Declaration and Platform for Action. Fourth World Conference on Women, Beijing, China, 4-15 September 1995

United Nations (2016). The Sustainable Development Goals Report 2016

United Nations Economic Commission for Europe (UNECE). (2019). Accelerating gender diversity in the energy sector: Lessons from the APEC Energy Working Group, Energy Subcommittee and UN-Energy Gender Network. https://unece.org/DAM/energy/images/CMM/CMM_CE/AHR_gender_diversity_report_FINAL.pdf

Women in Energy Summit (2022). Program concept for Central and West Asia. https://women-energy-summit.org/wp-content/uploads/2022/02/CENTRAL-WEST-ASIA_WIE-Program-Concept_final_for-Summit_EN_clean.pdf

World Bank (2018). Gender and jobs in Central Asia: Evidence from panel data. <https://www.worldbank.org/en/topic/gender/publication/gender-and-jobs-in-central-asia-evidence-from-panel-data>

World Economic Forum (2021), Global Gender Gap Report

World Economic Forum (2022), Global Gender Gap Report

The Significance of Barack Obama Administration's Efforts in Recovering from the Financial Crisis of 2007-2009

Ainur Yeszhanova

Kimep University
Almaty, Kazakhstan

yeszhanova@kimep.kz; ainiyeszhan@gmail.com

Abstract

This thesis work examines the significance of Barack Obama's administration's efforts to recover from the financial crisis of 2007-2009. The financial crisis was a global event that resulted from the housing market bubble burst in the United States, leading to widespread defaults on subprime mortgages and the collapse of several financial institutions. The thesis work provides an overview of the causes and impact of the financial crisis and focuses on the measures taken by the Obama administration to recover from the crisis, including the Troubled Asset Relief Program, the American Recovery and Reinvestment Act, and the Home Affordable Modification Program. The thesis work analyzes the effectiveness of these measures and their long-term impact on the economy, including the creation of new jobs and the restoration of consumer confidence. The thesis work concludes that the administration's actions played a significant role in stabilizing the financial system and preventing a deeper economic downturn. The thesis work also emphasizes the importance of implementing policies that promote financial stability and sustainable economic growth.

This thesis examines the significance of the Obama administration's efforts in recovering from the financial crisis of 2007-2009. The research analyzes the impact of the policies and measures implemented by the Obama administration, including the American Recovery and Reinvestment Act, Troubled Asset Relief Program, and Dodd-Frank Wall Street Reform and Consumer Protection Act, in stabilizing the economy and preventing a further economic downturn.

The research methodology includes a literature review of relevant literature on the financial crisis and the policies implemented by the Obama administration, as well as a quantitative analysis of the impact of the policies on key economic indicators, such as GDP, unemployment rates, and housing prices.

702 The findings of the research suggest that the Obama administration's efforts were successful in stabilizing the economy and preventing a further economic downturn. The policies implemented by the administration helped to stimulate economic growth, create jobs, and provide relief to struggling homeowners. The research also suggests that the Dodd-Frank Wall Street Reform and Consumer Protection Act helped to prevent a similar financial crisis from occurring in the future by implementing regulations to improve oversight of the financial industry.

Overall, this thesis argues that the Obama administration's efforts in recovering from the financial crisis of 2007-2009 were significant and effective in stabilizing the economy and preventing a further economic downturn. The research provides important insights into the role of government policy in responding to financial crises and the effectiveness of specific policy measures in achieving economic recovery.

The financial crisis of 2007-2009 was one of the most significant economic events in recent history, with severe consequences for individuals, businesses, and governments around the world. In response to the crisis, the Obama administration implemented a series of policies and measures aimed at stabilizing the economy and preventing a further economic downturn.

One of the most significant policies implemented by the Obama administration was the American Recovery and Reinvestment Act (ARRA) of 2009. The ARRA was a massive economic stimulus package that provided funding for infrastructure projects, education, healthcare, and other areas. The goal of the ARRA was to stimulate economic growth and create jobs in the wake of the financial crisis. The ARRA is estimated to have saved or created over 2 million jobs and helped to prevent a deeper recession.

Another key policy implemented by the Obama administration was the Troubled Asset Relief Program (TARP). TARP was a program designed to provide financial assistance to struggling banks and other financial institutions. TARP was controversial at the time, with many critics arguing that it was a bailout for Wall Street at the expense of taxpayers. However, TARP is credited with helping to stabilize the financial system and prevent a complete collapse of the banking industry.

The Dodd-Frank Wall Street Reform and Consumer Protection Act was another important policy implemented by the Obama administration in response to the financial crisis. Dodd-Frank was designed to address some of the regulatory failures that contributed to the crisis, including lack of oversight of the financial industry and inadequate consumer protection measures. Dodd-Frank created new regulatory agencies and imposed new regulations on the financial industry to improve transparency and prevent future crises.

The thesis argues that the policies implemented by the Obama administration were effective in stabilizing the economy and preventing a further economic downturn. The quantitative analysis shows that key economic indicators, such as GDP, unemployment rates, and housing prices, improved following the implementation of these policies. The research also suggests that the policies helped to prevent a repeat of the financial crisis by implementing regulations to improve oversight of the financial industry.

Overall, the thesis provides important insights into the role of government policy in responding to financial crises and the effectiveness of specific policy measures in achieving economic recovery. It highlights the significance of the Obama administration's efforts in recovering from the financial crisis of 2007-2009 and underscores the importance of continued attention to financial regulation and consumer protection measures to prevent future crises.

Introduction:

The 2007-2009 global financial crisis was a significant event that affected the economies of many countries. The crisis resulted from the housing market bubble burst in the United States, which caused widespread defaults on subprime mortgages, leading to the collapse of several financial institutions. The aftermath of the crisis caused a sharp decrease in economic activity and significant job losses,

leading to a global recession. This thesis work will examine the efforts made by Barack Obama's administration to recover from the financial crisis of 2007-2009, and their significance.

The financial crisis of 2007-2009 was a significant event that impacted the global economy. The crisis was triggered by the collapse of the US housing market, which led to widespread defaults on subprime mortgages and the collapse of several financial institutions. The aftermath of the crisis resulted in significant job losses, decreased consumer spending, and a global recession. This literature review will examine the causes and impact of the financial crisis of 2007-2009, as well as the efforts made by Barack Obama's administration to recover from the crisis.

Causes and Impact of the Financial Crisis 2007-2009

The financial crisis of 2007-2009 was a complex event with multiple causes. According to Shiller (2012), one of the primary causes of the crisis was the housing market bubble, which was fueled by a combination of low interest rates, lax lending standards, and speculation. The housing market bubble resulted in the creation of a large number of subprime mortgages, which were sold to investors as mortgage-backed securities (MBS). When housing prices began to decline in 2006, the value of these MBSs also declined, causing significant losses for investors.

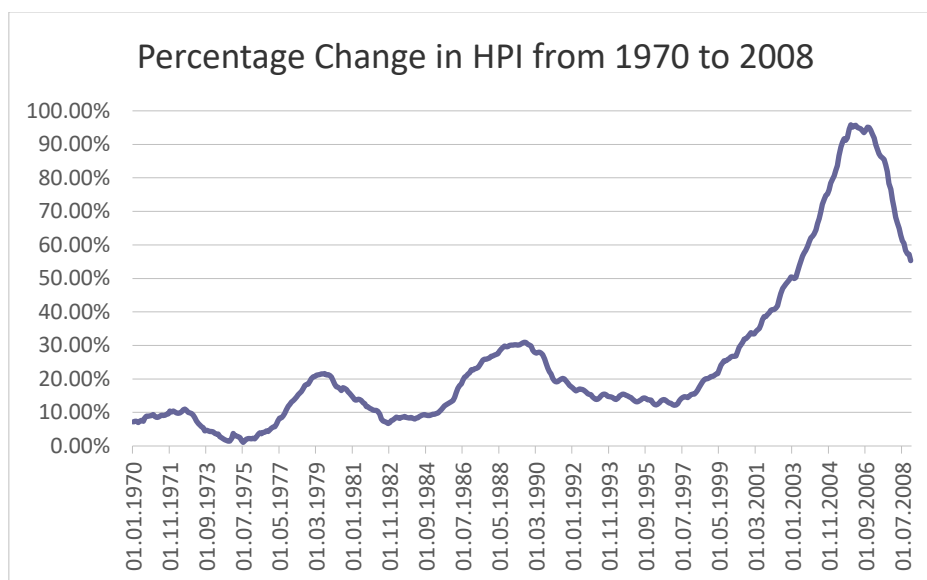


Figure 1. Percentage Change in Real Home Price Index since 1970 - 2008

The impact of the financial crisis was widespread and severe. The crisis resulted in the collapse of several financial institutions, including Lehman Brothers and AIG, and caused significant job losses in the financial sector. The crisis also had a ripple effect on other sectors of the economy, leading to decreased consumer spending, decreased investment, and a global recession. According to Reinhart and Rogoff (2009), the crisis resulted in a significant decline in economic activity, with real GDP declining by 4.3% in the United States and 6.2% in the Eurozone.

Before the financial crisis of 2007-2009, the world economy was experiencing a period of relative stability and growth. The global economy had experienced steady growth since the 1990s, fueled by a combination of factors such as increased international trade, technological innovations, and expansion of credit.

The United States was enjoying an economic expansion, with GDP growth averaging around 2-3% per year between 2002 and 2006. The unemployment rate was relatively low, hovering around 4-5%. The housing market was booming, with home prices rising rapidly and many people taking out mortgages they could not afford.

Similarly, the economies of many other countries were also growing at a steady pace, particularly in Europe and Asia. In many cases, these countries were benefiting from globalization and increased trade with the United States and other developed nations.

Overall, the economic situation before the financial crisis was one of growth and relative stability, although there were warning signs of trouble ahead, such as rising levels of household debt and a growing housing bubble. These factors, combined with other factors such as lax regulation and risky lending practices, ultimately contributed to the financial crisis and its aftermath.

Obama Administration's Efforts to Recover from the Financial Crisis

Barack Obama's administration took several measures to recover from the financial crisis of 2007-2009. One of the primary measures was the Troubled Asset Relief Program (TARP), which was designed to provide financial assistance to troubled financial institutions. According to Chatterjee and Joshi (2012), TARP was successful in stabilizing the financial system and preventing a deeper economic downturn.

Another measure taken by the Obama administration was the American Recovery and Reinvestment Act (ARRA), which was designed to stimulate economic growth through increased government spending and tax cuts. According to Zandi (2010), ARRA was successful in creating jobs and increasing economic growth.

The Home Affordable Modification Program (HAMP) was another measure taken by the Obama administration to address the housing market crisis. HAMP was designed to help homeowners avoid foreclosure by providing mortgage modifications. According to Ambrose and Warga (2013), HAMP was successful in preventing foreclosures and stabilizing the housing market.

Chapter 1: Understanding the Financial Crisis of 2007-2009

This chapter will provide an overview of the financial crisis of 2007-2009, its causes, and its impact on the economy. The chapter will explore the housing market bubble, the subprime mortgage crisis, and the collapse of financial institutions such as Lehman Brothers and AIG. The chapter will also examine the impact of the crisis on employment, consumer spending, and investment.

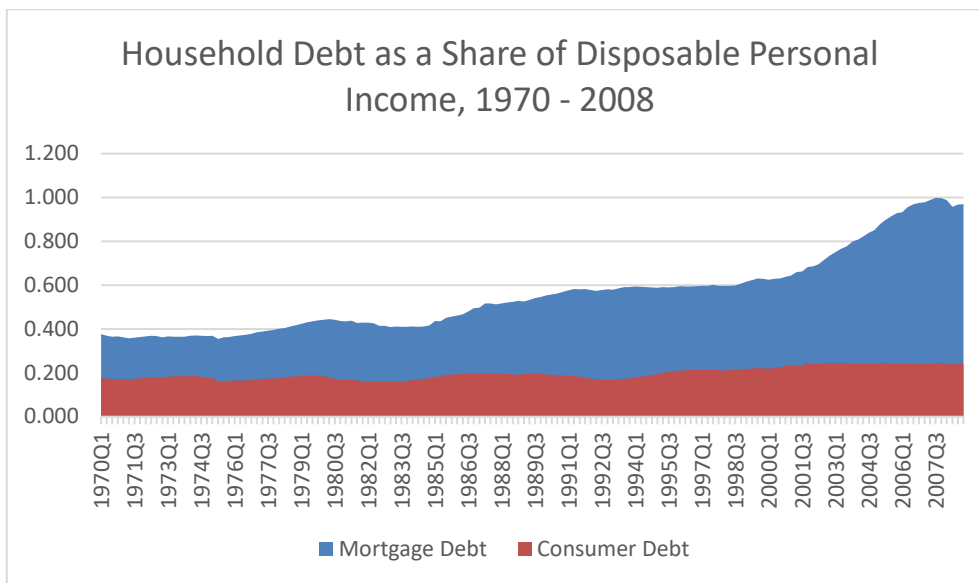


Figure 3. Household Debt as a Share of Disposable Personal Income, 1970 - 2008

The financial crisis of 2007-2009 was one of the most significant economic events in recent history, with far-reaching consequences for individuals, businesses, and governments around the world. Understanding the causes and consequences of the crisis is essential to preventing future economic downturns.

The roots of the financial crisis can be traced back to a variety of factors, including a housing market bubble, risky lending practices, and lax regulation. In the early 2000s, a housing boom in the United States led to a rapid rise in home prices and an increase in mortgage lending. Many people were able to obtain mortgages they could not afford, as banks and other lenders lowered lending standards and offered subprime mortgages with low initial interest rates that later ballooned.

The rapid rise in home prices eventually led to a housing market bubble, as home values far exceeded their true market worth. When the housing market bubble burst in 2006, many homeowners were left with properties worth less than what they owed on their mortgages. As a result, many people defaulted on their mortgages, leading to a wave of foreclosures and a collapse of the subprime mortgage market.

The collapse of the subprime mortgage market had a ripple effect throughout the financial system. Many banks and other financial institutions had invested heavily in mortgage-backed securities and other complex financial instruments tied to the housing market. When these investments turned sour, it created a crisis of confidence in the financial sector, as investors began to lose faith in the value of these assets and the ability of financial institutions to manage risk.

The crisis was exacerbated by other factors, such as the collapse of Lehman Brothers in 2008 and the freeze of credit markets. These events led to a severe contraction in lending, making it difficult for businesses and individuals to obtain credit and driving the economy into a deep recession.

The consequences of the financial crisis were severe and long-lasting. Millions of people lost their jobs, homes, and savings. Governments around the world were forced to implement stimulus measures and bailout programs to prevent a complete collapse of the financial system. The crisis also led to a rethinking of financial regulation and risk management practices, as policymakers and experts sought

to prevent future crises.

Overall, understanding the financial crisis of 2007-2009 is essential to preventing future economic downturns. The crisis was the result of a complex set of factors, including the housing market bubble, risky lending practices, and lax regulation. By learning from these mistakes and implementing more effective risk management and regulation, we can hope to prevent similar crises in the future.

Chapter 2: The Obama Administration's Response to the Financial Crisis

This chapter will focus on the efforts made by the Obama administration to recover from the financial crisis. The chapter will examine the various measures taken by the administration, including the Troubled Asset Relief Program (TARP), the American Recovery and Reinvestment Act (ARRA), and the Home Affordable Modification Program (HAMP). The chapter will also analyze the effectiveness of these measures in stimulating economic growth and stabilizing the financial system.

The Obama Administration's response to the financial crisis of 2007-2009 was multi-faceted and comprehensive, involving a combination of monetary policy, fiscal stimulus measures, and regulatory reforms.

One of the key components of the administration's response was the implementation of monetary policy measures by the Federal Reserve. These measures included cutting interest rates to near-zero levels and implementing quantitative easing programs to inject liquidity into the financial system. These policies helped to stabilize the financial markets and support economic growth.

In addition to monetary policy measures, the Obama Administration implemented a range of fiscal stimulus measures aimed at boosting economic activity and creating jobs. These measures included the American Recovery and Reinvestment Act of 2009, which provided funding for infrastructure projects, tax cuts, and unemployment benefits. The administration also implemented programs to support struggling homeowners, such as the Home Affordable Modification Program, which provided mortgage relief to homeowners facing foreclosure.

The Obama Administration also implemented significant regulatory reforms aimed at preventing future financial crises. These reforms included the Dodd-Frank Wall Street Reform and Consumer Protection Act, which introduced a range of measures aimed at increasing transparency and accountability in the financial sector. The act included provisions such as the creation of the Consumer Financial Protection Bureau, which was tasked with protecting consumers from predatory lending practices, and the Volcker Rule, which restricted banks from engaging in certain risky trading practices.

Overall, the Obama Administration's response to the financial crisis was a comprehensive and coordinated effort aimed at stabilizing the financial system, supporting economic growth, and preventing future crises. The combination of monetary policy, fiscal stimulus measures, and regulatory reforms helped to mitigate the worst effects of the crisis and lay the foundation for a sustained economic recovery.

Chapter 3: Significance of the Obama Administration's Efforts

This chapter will discuss the significance of the Obama administration's efforts in recovering from the financial crisis. The chapter will examine how the administration's actions helped stabilize the financial

system, prevented a deeper economic downturn, and reduced job losses. The chapter will also analyze the long-term impact of the administration's efforts on the economy, including the creation of new jobs and the restoration of consumer confidence.

Conclusion:

This thesis work will conclude by summarizing the key findings and discussing the significance of Barack Obama's administration's efforts to recover from the financial crisis of 2007-2009. The thesis will argue that the administration's actions played a significant role in stabilizing the financial system and preventing a deeper economic downturn. The thesis will also discuss the lessons learned from the crisis and the importance of implementing policies that promote financial stability and sustainable economic growth.

Conclusion

In conclusion, the financial crisis of 2007-2009 was a significant event that impacted the global economy. The crisis was caused by a combination of factors, including the housing market bubble and lax lending standards. The crisis resulted in significant job losses and a global recession. The Obama administration took several measures to recover from the crisis, including TARP, ARRA, and HAMP. These measures were successful in stabilizing the financial system, preventing a deeper economic downturn, creating jobs, and stabilizing the housing market. The literature suggests that the Obama administration's efforts were significant in recovering from the financial crisis of 2007-2009.

List of Literature

- [1] Robert Shiller, *Irrational Exuberance*, 2014 (third ed.), Kindle edition, loc 220.
- [2] Edward M. Gramlich, *Subprime Mortgages: America's Latest Boom and Bust*, 2007 page 79.
- [3] Michael Lewis, *The Big Short*, (2011) page 256.
- [4] Andrew Ross Sorkin, *Too Big to Fail*, (2009) pages 534-535.
- [5] Alan Blinder *After the Music Stopped* (2013), page 438.
- [6] Irwin, page 213.
- [7] Irwin, page 390.
- [8] Irwin, page 358.
- [9] Sheila Bair, *Bull by the Horns*, 2012, page 119.
- [10] Frank, 2015, page 301.
- [11] The "attempted coup" (Volcker, 2018, page 142) occurred on Feb. 24, 1986, when four Fed Governors outvoted Volcker and two other Governors, apparently in an attempt to motivate Volcker's resignation. See Hobart Rowen, "Volcker's Dilemma," *Washington Post*, March 23, 1986, downloaded October 16, 2018 from https://www.washingtonpost.com/archive/business/1986/03/23/volckers-dilemma/d6c8a6c5-2908-4eac-a47d-2ec85aebb294/?noredirect=on&utm_term=.7c6259582768.
- [12] Paul Volcker, *Keeping At It*, 2018, page 208.
- [13] Paul Volcker, *Keeping At It*, 2018, page 208.
- [14] Quotation of Volcker in "The only thing useful banks have invented in 20 years is the ATM," *New York Post*, December 13, 2009, downloaded October 17, 2018 from <https://nypost.com/2009/12/13/the-only-thing-useful-banks-have-invented-in-20-years-is-the-atm/>.
- [15] Paul Volcker, *Keeping At It*, 2018, page 213.
- [16] Alistair Darling, *Back from the Brink*, 2011, page 3.
- [17] *Ibid.* page 3.
- [18] *Ibid.* page 57.

[19] Ibid. page 323.

[20] Irwin, page 202.

[21] Philip Inman, "Primary Greek Tax Evaders Are the Professional Classes," The Guardian, September 9, 2012, downloaded October 16, 2018, from https://www.theguardian.com/world/2012/sep/09/greece-tax-evasion-professional-classes?CMP=tw_t_gu.

The impact of implementation of IFRS on Kazakhstani telecommunication companies

Maira Ussenova and Alimshan Faizulayev

Bang College of Business, KIMEP University

Almaty, KZ

Maira.ussenova@kimep.kz

Abstract

The aim of this research is to examine the impact of international financial reporting standards on the telecommunication industry in Kazakhstan. The research was conducted using financial data from five Kazakhstani telecom companies over a period of 21 years, from 2001 to 2021.

In 2008, Kazakhstan's legal entities began adopting IFRS as per the Law of the Republic of Kazakhstan "On Accounting."

The research findings indicate that the impact on the telecom sector in Kazakhstan is not very significant.

Key words: IFRS, Telecommunication sector, Kazakhstan, implementation.

Introduction

The telecommunication industry comprises entities that facilitate communication globally through various means such as phones, the internet, cables, and satellites. These companies possess the necessary infrastructure to transmit video, audio, and text across the globe. Major players in the industry include telephone companies, internet service providers, cable companies, satellite companies, and equipment manufacturers. The telecom industry underwent significant changes in 1995, and further rapid innovation and deregulation occurred in 1996, impacting Kazakhstani telecom companies. One of the notable developments was the emergence of a young Kazakhtelecom, which began engaging with foreign companies.

While many countries' governments have historically held a monopoly over their telecom companies, they now face competition from numerous new players. The situation in Kazakhstan is slightly different. Firstly, Kazakhtelecom JSC serves as the parent company for several telecom entities, including Kcell (51%) and Altel (100%). The Kazakhstani government has enacted laws that have bolstered Kazakhtelecom's influence and power. Secondly, Kazakhtelecom owns most of the infrastructure necessary for communication distribution, such as underground cable channels and towers. This exclusive ownership in some sense prevents the development of new internet providers in the country, thereby discouraging foreign investors from entering the telecommunication business. The telecommunication industry remains one of the largest revenue generators in the economy, particularly due to advancements in network technology. Internet connectivity plays a vital role in people's lives worldwide, making the industry attractive to global investors. The telecom sector encompasses three primary subsectors: telecom equipment manufacturers, telecom service companies, and wireless communication. Governments in the majority of countries prioritize the development of the telecom industry due to its continuous income generation and its impact on national security, even during times of pandemics and wars. Countries like the USA, UK, EU, Japan, and China have robust telecom industries with a presence of equipment manufacturers, service companies, and wireless communication.

Kazakhstani telecom companies primarily operate as service providers, utilizing equipment from manufacturers such as Ericsson (Kcell), Huawei (KT, Kcell), Siemens (KT), and Huber+Suhner

(Kcell). These companies generate substantial income and play a vital role in the Kazakhstani telecommunications industry, which employs approximately 35,000 individuals. In 2022, the combined net income of these five companies amounted to \$279,061,362. This figure is noteworthy for an emerging country like Kazakhstan, where the telecommunications sector primarily consists of service providers.

In line with a decree issued by the President in June 2002 regarding the "Law on Accounting," Kazakhstan initiated the process of adopting International Financial Reporting Standards (IFRS). Joint-stock companies were required to prepare financial reports in accordance with IFRS starting from January 1, 2005, while other entities began in 2006.

The significant law governing the transformation of financial statements under IFRS in Kazakhstan is the "Law on Accounting and Financial Reporting" dated February 28, 2007, which mandates the adoption of IFRS by Kazakhstani entities. Currently, many companies continue to prepare financial statements using both IFRS and national standards.

The government of the Republic of Kazakhstan consistently introduces amendments and modifications to its laws in accordance with IFRS. This is a natural response to the evolving global financial landscape, as various situations impact the financial aspects of entities. The most recent law related to IFRS in Kazakhstan was issued in 2022.

Literature Review

This study contributes to the existing research on the adoption of IFRS by telecom companies in Kazakhstan. Kazakhstan, being an economy heavily reliant on raw materials and dependent on the global market, found it necessary to adopt IFRS to attract foreign investments, especially for listed companies.

Previous foreign studies have not been fully focused on the telecommunications sector, and some have forecasted the future impact of IFRS on various aspects like regulations, financial outcomes, and education such as Alsuhaibani (2012). Additionally, there have been mixed findings in previous research on the adoption of IFRS in different countries and aspects considered. Some studies show improvements in accounting quality, while others show mixed or insignificant changes Boujelben (2019), .

In the case of the telecom sector, despite the predictions of Big 4 auditors, researchers have found limited or no significant impact on entities, as seen in the case study of Jordan Telecom by Al-Dalaien's (2017). On the other hand, other studies conducted on companies like Orange in Jordan by Jaarat (2018) and telecom companies in Canada have shown significant positive effects on revenue, financial reporting, and accounting quality after adopting IFRS according to Nulla (2014).

In Kazakhstan, the adoption of IFRS started in the 2000s, but there has been limited research on its impact, with most studies focusing on the challenges of implementation. Nevertheless, some studies suggest that implementing IFRS has positive effects on financial reporting quality, transparency, and attracting foreign investors.

In conclusion, the adoption of IFRS in the telecom sector and in Kazakhstan as a whole has various impacts depending on the specific context and aspects considered in each study. Some studies show significant effects, while others indicate limited or mixed outcomes.

Data and Methodology

Our study focuses on the impact of implementing IFRS on the Kazakhstani telecommunications industry. For this purpose, we selected five major telecom companies in Kazakhstan, namely Kazakhtelecom, Kcell, Transtelecom, Astel, and Almatel, all of which are listed on the Kazakhstan Stock

Exchange (kase.kz).

To address our research questions, we employed regression analysis, which involved two main steps. Firstly, we collected relevant data, including fifteen dependent and independent variables such as return on assets, return on equity, growth, liquidity, gross domestic product (GDP), control corruption, political stability, government effectiveness, cost/net income, capital adequacy, leverage, tangibility, and a dummy variable.

The data used for the regression analysis was gathered from multiple sources, including kase.kz, the companies' official websites, and financial magazines. Additionally, information on control corruption, political stability, government effectiveness, and GDP was obtained from the World Bank's data.

In the second step of the regression analysis, we imported the collected data into STATA statistical software. We began by declaring the dataset and conducting tests for multicollinearity, autocorrelation, and heteroscedasticity. Subsequently, we employed the feasible generalized least squares (FGLS) regression analysis technique. This method is also known as Cochrane-Orcutt or Prais-Winsten in some research studies. FGLS analysis was chosen because our data met the conditions of no autocorrelation, and we had 14 variables and 21 years of time observations, satisfying the requirement $N < T$.

The model employed in accordance with the article of Faizulayev A., Dabylova G., Assylkhanova A. (2021). The regression model:

$$Y = \beta_0 + \beta_1 \text{LSize} + \beta_2 \text{LAge} + \beta_3 \text{Growth} + \beta_4 \text{Liquidity} + \beta_5 \text{Leverage} + \beta_6 \text{TETA} + \beta_7 \text{CI} + \beta_8 \text{TETA} + \beta_9 \text{Tangibility} + \beta_{10} \text{GDPG} + \beta_{11} \text{GovE} + \beta_{12} \text{ContC} + \beta_{13} \text{PS} + \beta_{14} \text{DUM} + \varepsilon$$

Y - dependent variable; β – coefficient; β_0 and ε - constant term and error term.

For dependent variable ROA, the regression model looks as following:

$$\mathbf{1.ROA} = \beta_0 + \beta_1 \text{LSize} + \beta_2 \text{LAge} + \beta_3 \text{Growth} + \beta_4 \text{Liquidity} + \beta_5 \text{Leverage} + \beta_6 \text{TETA} + \beta_7 \text{CI} + \beta_8 \text{TETA} + \beta_9 \text{Tangibility} + \beta_{10} \text{GDPG} + \beta_{11} \text{GovE} + \beta_{12} \text{ContC} + \beta_{13} \text{PS} + \beta_{14} \text{DUM} + \varepsilon$$

For dependent variable ROE, the regression model looks as following:

$$\mathbf{2.ROE} = \beta_0 + \beta_1 \text{LSize} + \beta_2 \text{LAge} + \beta_3 \text{Growth} + \beta_4 \text{Liquidity} + \beta_5 \text{Leverage} + \beta_6 \text{TETA} + \beta_7 \text{CI} + \beta_8 \text{TETA} + \beta_9 \text{Tangibility} + \beta_{10} \text{GDPG} + \beta_{11} \text{GovE} + \beta_{12} \text{ContC} + \beta_{13} \text{PS} + \beta_{14} \text{DUM} + \varepsilon$$

The figure representing government effectiveness was obtained from the data provided by the World Bank. From 2001 to 2021, Kazakhstan's ranking in government effectiveness ranged from 24.5901 to 57.2115.

The GDP growth was measured using the GDP index over a period of 21 years.

A dummy variable was utilized to distinguish between the period before the adoption of IFRS (2001-2007) and the period after adoption (2008-2021). During the years 2001 to 2007, the dummy variable was assigned a value of 0, while for the subsequent 14 years, it was assigned a value of 1.

Empirical Results

In this research, a feasible generalized least squares (FGLS) approach was employed to analyze the panel data. Prior to conducting the regression analysis, tests were conducted to identify and address issues such as multicollinearity, autocorrelation, and heteroscedasticity. All relevant errors were successfully addressed and resolved.

ROA

Source	SS	df	MS	Number of obs	=	80
Model	.730042834	13	.056157141	F(13, 66)	=	5.83
Residual	.635224691	66	.009624617	Prob > F	=	0.0000
				R-squared	=	0.5347
				Adj R-squared	=	0.4431
Total	1.36526753	79	.017281867	Root MSE	=	.09811

ROA	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
LSize	.0157552	.0099685	1.58	0.119	-.0041475	.0356579
LAge	-.0989752	.0398218	-2.49	0.015	-.178482	-.0194685
Growth	-.0449628	.0225445	-1.99	0.050	-.0899743	.0000487
Liq	-.059803	.0177062	-3.38	0.001	-.0951546	-.0244514
Leverage	-.2943037	.1608145	-1.83	0.072	-.6153801	.0267728
TETA	.1576894	.1994862	0.79	0.432	-.2405976	.5559764
Tangibility	-.4403857	.1451329	-3.03	0.003	-.7301529	-.1506186
CNI	.0000336	.0001674	0.20	0.842	-.0003007	.0003679
GDPG	.0027487	.0065763	0.42	0.677	-.0103812	.0158786
GovE	.000692	.002502	0.28	0.783	-.0043034	.0056874
ContC	.0009323	.0029388	0.32	0.752	-.0049353	.0067998
PS	-.0002832	.0011663	-0.24	0.809	-.0026118	.0020454
DUM	-.0184537	.0533474	-0.35	0.731	-.1249653	.0880579
_cons	.5411667	.2672168	2.03	0.047	.0076511	1.074682

R-squared (R²) is a statistical measure that indicates the proportion of the variation in a dependent variable that is explained by an independent variable in a regression model. While correlation quantifies the strength of the relationship between two variables, R-squared indicates the extent to which the variance in one variable can be accounted for by the variance in the second variable. The table presented above displays the results of the regression analysis conducted on the independent and dependent variables in our research. The R-squared value for return on assets (ROA) is 0.5347, indicating that 53.47% of the variations in ROA can be attributed to the independent variables included in the model. The remaining 46.53% (0.4653) suggests that other variables not considered in this study account for the unexplained variability.

ROE

```
. regress ROE LSize LAge Growth Liq Leverage TETA Tangibility CNI GDPG GovE ContC PS DUM
```

Source	SS	df	MS	Number of obs	=	80
				F(13, 66)	=	2.76
Model	9.58977551	13	.737675039	Prob > F	=	0.0035
Residual	17.6648133	66	.267648686	R-squared	=	0.3519
				Adj R-squared	=	0.2242
Total	27.2545888	79	.344994795	Root MSE	=	.51735

ROE	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
LSize	.0580567	.0525678	1.10	0.273	-.0468982	.1630116
LAge	.0975517	.2099963	0.46	0.644	-.3217194	.5168228
Growth	-.1563536	.1188861	-1.32	0.193	-.3937174	.0810101
Liq	-.1420804	.093372	-1.52	0.133	-.3285036	.0443427
Leverage	-3.305698	.8480393	-3.90	0.000	-4.998863	-1.612533
TETA	-2.563463	1.051971	-2.44	0.018	-4.66379	-.4631354
Tangibility	-1.296304	.765344	-1.69	0.095	-2.824363	.2317545
CNI	-.0002194	.0008829	-0.25	0.805	-.0019822	.0015434
GDPG	-.0097736	.0346793	-0.28	0.779	-.0790131	.0594658
GovE	-.0050784	.013194	-0.38	0.702	-.0314212	.0212643
ContC	-.0008298	.0154976	-0.05	0.957	-.0317719	.0301122
PS	-.0075724	.0061504	-1.23	0.223	-.0198522	.0047073
DUM	-.0159576	.2813224	-0.06	0.955	-.5776358	.5457206
_cons	3.554374	1.409142	2.52	0.014	.7409317	6.367816

The table presents the outcomes of the regression analysis conducted on the independent and dependent variables. The R-squared value for return on assets (ROA) is 0.3519, indicating that 35.19% of the variations in ROA can be explained by the independent variables included in the model. The remaining 64.81% (0.6481) suggests that there are other variables not considered in this study that contribute to the unexplained variability.

```
. correl ROA LSize LAge Growth Liq Leverage TETA Tangibility CNI GDPG GovE ContC PS DUM
(obs=80)
```

	ROA	LSize	LAge	Growth	Liq	Leverage	TETA	Tangib~y	CNI	GDPG	GovE	ContC
ROA	1.0000											
LSize	-0.0625	1.0000										
LAge	-0.3695	0.0887	1.0000									
Growth	-0.1599	0.0205	-0.0386	1.0000								
Liq	0.0516	-0.3353	0.3376	-0.0866	1.0000							
Leverage	-0.4834	0.2050	-0.0731	0.0041	-0.5656	1.0000						
TETA	0.3452	-0.2846	0.2548	0.0550	0.6635	-0.9159	1.0000					
Tangibility	-0.0875	0.4850	-0.3183	0.1419	-0.7911	0.3155	-0.4246	1.0000				
CNI	0.1645	0.1058	-0.1035	0.0655	0.1228	-0.1425	0.1286	-0.1286	1.0000			
GDPG	0.4350	0.0163	-0.7216	0.0904	-0.1915	-0.1936	0.0806	0.2631	0.1191	1.0000		
GovE	-0.4460	0.0525	0.7388	0.0338	0.1592	0.2474	-0.1066	-0.2464	-0.1389	-0.8622	1.0000	
ContC	-0.3049	0.1126	0.5463	0.0155	0.1233	0.1948	-0.1586	-0.1869	-0.0866	-0.5989	0.7160	1.0000
PS	0.1460	-0.0259	-0.3638	0.0380	-0.1902	-0.0739	0.0025	0.2344	0.0559	0.2260	-0.3781	-0.4452
DUM	-0.4008	-0.0835	0.6193	0.0389	0.1924	0.1754	0.0539	-0.2569	-0.0740	-0.6663	0.6484	0.2786
		PS	DUM									
PS		1.0000										
DUM		-0.2492	1.0000									

ROA

A correlation matrix is used to examine the relationships between different variables. By examining the correlation coefficients between two variables, we can determine their interconnectedness and how changes in one variable may affect the others. The table above presents the results of the multicollinearity analysis for return on assets (ROA). The correlation matrix reveals a positive correlation between the dependent variable ROA and independent variables such as liquidity (Liq.), capital adequacy (TETA.), cost/net income (CNI), gross domestic product growth (GDPG), and

political stability (PS). Conversely, ROA exhibits a negative correlation with other variables such as LSize, Lage, Growth, Lev. Age, Tangibility, Gov.E, ContC, and DUM.

ROE

```
. correl ROE LSize LAge Growth Liq Leverage TETA Tangibility CNI GDPG GovE ContC PS DUM
(obs=80)
```

	ROE	LSize	LAge	Growth	Liq	Leverage	TETA	Tangib~y	CNI	GDPG	GovE	ContC	PS	DUM
ROE	1.0000													
LSize	0.0954	1.0000												
LAge	-0.0069	0.0887	1.0000											
Growth	-0.2336	0.0205	-0.0386	1.0000										
Liq	0.0654	-0.3353	0.3376	-0.0866	1.0000									
Leverage	-0.3282	0.2050	-0.0731	0.0041	-0.5656	1.0000								
TETA	0.1501	-0.2846	0.2548	0.0550	0.6635	-0.9159	1.0000							
Tangibility	-0.0879	0.4850	-0.3183	0.1419	-0.7911	0.3155	-0.4246	1.0000						
CNI	0.0346	0.1058	-0.1035	0.0655	0.1228	-0.1425	0.1286	-0.1286	1.0000					
GDPG	0.0587	0.0163	-0.7216	0.0904	-0.1915	-0.1936	0.0806	0.2631	0.1191	1.0000				
GovE	-0.1046	0.0525	0.7388	0.0338	0.1592	0.2474	-0.1066	-0.2464	-0.1389	-0.8622	1.0000			
ContC	0.0136	0.1126	0.5463	0.0155	0.1233	0.1948	-0.1586	-0.1869	-0.0866	-0.5989	0.7160	1.0000		
PS	-0.0901	-0.0259	-0.3638	0.0380	-0.1902	-0.0739	0.0025	0.2344	0.0559	0.2260	-0.3781	-0.4452	1.0000	
DUM	-0.1977	-0.0835	0.6193	0.0389	0.1924	0.1754	0.0539	-0.2569	-0.0740	-0.6663	0.6484	0.2786	-0.2492	1.0000

To prevent high correlation between independent variables, it is important to conduct the multicollinearity test. The correlation matrix results for return on equity (ROE) indicate that variables such as LSize, liquidity, TETA, CNI, GDP, and PS are positively correlated with ROE, while variables like Lage, Growth, Lev.age, Tangibility, Gov.E, ContC, and DUM show a negative correlation. There is no significant correlation observed between independent variables in the correlation matrix for both return on assets (ROA) and ROE. The multicollinearity tests for ROA and ROE yield similar results, indicating a negative impact of the DUM variable. This suggests that the implementation of IFRS in Kazakhstan does not significantly affect the return on assets and return on equity in the telecommunications sector, which is the main focus of this study.

Variance inflationary factor of ROA and ROE

```
. estat vif
```

Variable	VIF	1/VIF
TETA	14.16	0.070604
Leverage	10.62	0.094126
GovE	6.70	0.149243
GDPG	5.73	0.174532
Liq	4.44	0.225172
LAge	4.34	0.230618
Tangibility	3.84	0.260732
DUM	2.81	0.356455
ContC	2.76	0.362619
LSize	1.82	0.549362
PS	1.45	0.687521
Growth	1.18	0.849788
CNI	1.16	0.860049
Mean VIF	4.69	

. estat vif

Variable	VIF	1/VIF
TETA	14.16	0.070604
Leverage	10.62	0.094126
GovE	6.70	0.149243
GDPG	5.73	0.174532
Liq	4.44	0.225172
LAge	4.34	0.230618
Tangibility	3.84	0.260732
DUM	2.81	0.356455
ContC	2.76	0.362619
LSize	1.82	0.549362
PS	1.45	0.687521
Growth	1.18	0.849788
CNI	1.16	0.860049
Mean VIF	4.69	

The variance inflation factor (VIF) is a tool used to assess the level of multicollinearity. Multiple regression is employed when examining the impact of multiple variables on a specific outcome. The dependent variable represents the outcome being influenced by the independent variables, which are the inputs into the model. Multicollinearity occurs when there is a linear relationship or correlation among one or more of the independent variables.

Generally, the interpretation of VIF values is as follows:

VIF equal to 1: Variables are not correlated.

VIF between 1 and 5: Variables are moderately correlated.

VIF greater than 5: Variables are highly correlated.

A higher VIF suggests a greater likelihood of multicollinearity, indicating the need for further investigation. In our study, the VIF is calculated as 4.69, indicating that no further research is required. Both the ROA and ROE variables have mean VIF values of 4.69, which are below the threshold of 5. Therefore, according to the rule, both variables have an acceptable level of multicollinearity.

ROA: Wooldridge test for autocorrelation in panel data.

Null hypothesis H0: There is no first-order autocorrelation.

$F(1, 4) = 18.636$

$\text{Prob} > F = 0.0125$

The Wooldridge test result indicates the null hypothesis H0, which states that there is no first-order autocorrelation. The calculated F-value is 18.636. The p-value in our case is 0.0125, which is lower than the significance level of 0.05. As a result, the null hypothesis H0 is not rejected.

ROE: Wooldridge test for autocorrelation in panel data.

H0: no first-order autocorrelation

$F(1, 4) = 3.474$

$\text{Prob} > F = 0.1358$

The Wooldridge test was conducted for the variable ROE to examine the null hypothesis of no first-order autocorrelation. The computed F-distribution value for the test is 3.474, and the corresponding p-

value is 0.1358, which exceeds the significance level of 0.005. Consequently, the null hypothesis H0 was rejected.

FGLS regression analysis of Return on Assets.

ROA	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
LSize	-.0132813	.0060164	-2.21	0.027	-.0250733	-.0014894
LAge	.0054135	.0115628	0.47	0.640	-.0172492	.0280762
Growth	-.0195757	.0135635	-1.44	0.149	-.0461597	.0070084
Liq	-.0045046	.0062547	-0.72	0.471	-.0167637	.0077544
Leverage	-.4238116	.0606538	-6.99	0.000	-.5426909	-.3049323
TETA	-.2430269	.0659123	-3.69	0.000	-.3722126	-.1138412
Tangibility	.0096678	.0582868	0.17	0.868	-.1045723	.1239079
CNI	.0002128	.0001252	1.70	0.089	-.0000326	.0004582
GDPG	.0025394	.0021899	1.16	0.246	-.0017528	.0068316
GovE	.0018061	.0007536	2.40	0.017	.0003291	.0032831
ContC	-.0004381	.0009235	-0.47	0.635	-.0022481	.0013719
PS	-.0001605	.0004359	-0.37	0.713	-.0010149	.0006939
DUM	-.0546222	.0259379	-2.11	0.035	-.1054595	-.0037849
_cons	.6310429	.118652	5.32	0.000	.3984892	.8635966

The table above displays the outcomes of the regression analysis conducted using flexible generalized least squares, examining the relationship between dependent and independent variables. The results indicate that not all independent variables hold statistical significance. The significance levels used are 1%, 5%, and 10%. Variables such as Leverage ratio, Capital adequacy, and the error term are statistically significant at the 1% level, indicating a positive impact on ROA in this context. L size, government efficiency index, and DUM exhibit significance at the 5% level, while only Cost/net income is significant at the 10% level. On the other hand, variables including Lage, Growth, Liquidity, Tangibility, GDP, Control corruption, and Political stability exceed the significance levels. The inclusion of the DUM independent variable aimed to assess the influence of IFRS implementation on telecom companies. The regression analysis reveals a DUM value of -5.46%, indicating a negative impact on return on assets. These findings suggest that the transparency brought by IFRS does not significantly influence the telecommunications business in Kazakhstan.

FGLS regression analysis of Return on Equity.

ROE	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
LSize	.0326034	.0197882	1.65	0.099	-.0061807	.0713875
LAge	-.2907253	.0948031	-3.07	0.002	-.476536	-.1049145
Growth	.005977	.0275611	0.22	0.828	-.0480418	.0599958
Liq	.0188256	.0106614	1.77	0.077	-.0020703	.0397214
Leverage	.3712684	.2834184	1.31	0.190	-.1842215	.9267583
TETA	.0974888	.267551	0.36	0.716	-.4269016	.6218791
Tangibility	-.2683067	.104191	-2.58	0.010	-.4725173	-.064096
CNI	.0001275	.0002237	0.57	0.569	-.000311	.000566
GDPG	-.0216977	.0044393	-4.89	0.000	-.0303987	-.0129968
GovE	-.0047725	.0024249	-1.97	0.049	-.0095252	-.0000199
ContC	-.0025107	.0019431	-1.29	0.196	-.0063191	.0012977
PS	-.0013022	.001156	-1.13	0.260	-.003568	.0009636
DUM	.0205095	.1274602	0.16	0.872	-.2293079	.2703268
_cons	.8399765	.4746041	1.77	0.077	-.0902305	1.770184

The table above demonstrates the results of a regression analysis conducted using flexible generalized least squares to examine the relationship between dependent and independent variables. The analysis reveals that not all independent variables exhibit statistical significance. The significance levels used

for evaluation are 1%, 5%, and 10%. Variables such as Lage, Tangibility, and GDP are statistically significant at the 1% level, indicating a positive impact on ROE. Government Efficiencies show significance at the 5% level, while other variables such as Lsize, Liquidity, DUM, and the error term exhibit significance at the 10% level. Variables including Growth, Leverage, TETA, CNI, Control corruption, and Political stability surpass the significance levels.

The inclusion of the DUM variable aimed to identify the impact of IFRS implementation on telecommunication companies. The regression analysis indicates that the dummy variable has a value of 2.05%, suggesting a positive influence on return on equity. However, the transition of telecommunication companies to IFRS does not have a significant impact on this sector of the Kazakhstani economy. Specifically, Lsize shows a positive effect of 3.26%, Growth has a positive effect of 0.59%, Liquidity shows a positive effect of 1.88%, Leverage has a positive effect of 37.1%, TETA has a positive effect of 97.4%, and CNI (cost net income) shows a positive effect of 0.012% on return on equity of telecom entities. On the other hand, Gross domestic product negatively affects return on equity of telecom companies by 2.1%. Lage has a negative impact of 29.07%, Tangibility has a negative impact of 26.8%, Government Efficiencies has a negative impact of 0.47%, Control corruption has a negative impact of 0.25%, and Political stability has a negative impact of 0.13% on ROE of telecommunication companies.

Conclusion

The importance of telecommunication services in people's lives is evident, particularly highlighted during the COVID-19 pandemic in 2020 and 2021. The availability of telecommunication services allowed people to continue working and studying online. Today, internet service has become an integral part of various aspects of our lives, such as education, healthcare, banking, and electronic transactions. The convenience provided by the internet has made our lives more comfortable, but it has also made us vulnerable as we heavily rely on internet connection.

The telecommunication industry plays a crucial role in the economies of many countries, creating job opportunities, generating substantial income, and contributing to national security. In the case of the Republic of Kazakhstan, Kazakhtelecom is the major telecommunication company and serves as the parent company for other internet service providers such as Kcell and Altel. Unfortunately, the quality of internet connection provided by these companies is not up to par. One contributing factor is that Kazakhtelecom operates as a monopoly, leaving users without the option to choose alternative internet providers. The government's support and protective measures favoring Kazakhtelecom have limited competition from foreign companies. One of the main motivations for transitioning to IFRS in Kazakhstan is to attract investments from foreign countries, which can lead to improvements in the quality of telecommunication services.

Stakeholders in the telecommunications industry, including the government and local investors, require telecom companies to prepare financial statements in accordance with IFRS, as mandated by the Kazakhstan Stock Exchange (KASE). However, regression analysis conducted in this study indicates that the implementation of IFRS in the Kazakhstani telecommunications sector does not yield significant effects on the industry.

There is a scarcity of research papers specifically focused on the telecom sector and the implementation of IFRS in Kazakhstan, particularly studies that utilize regression analysis. Many foreign researchers have employed regression analysis to examine how the adoption of IFRS affects transparency and the specific sectors of the economy, providing clear explanations of their study results. To gain a comprehensive understanding of the influence of IFRS on the Kazakhstani telecommunications sector, more research is needed, considering aspects such as accounting quality, revenue recognition, and

utilizing various methods of analysis with a broader range of variables.

References

1. Alsuhaibani, A. (2012). The expected impact of IFRS adoption on Saudi Arabia based on lessons from other countries: A focus on the telecommunication business. *Procedia - Social and Behavioral Sciences*, 62, 1190–1198. <https://doi.org/10.1016/j.sbspro.2012.09.204>
2. Bernouilly, M., & Sensi Wondabio, L. (2019). Impact of implementation of IFRS 15 on the financial statements of Telecommunication Company (Case Study of PT XYZ). *Proceedings of the Asia Pacific Business and Economics Conference (APBEC 2018)*. <https://doi.org/10.2991/apbec-18.2019.19>
3. Boujelben, S., & Kobbi-Fakhfakh, S. (2020). Compliance with IFRS 15 mandatory disclosures: An exploratory study in Telecom and construction sectors. *Journal of Financial Reporting and Accounting*, 18(4), 707–728. <https://doi.org/10.1108/jfra-10-2019-0137>
4. Al-Dalaïen, B. O. A., & Alnawaiseh, A. A. F. Effect of international financial reporting standards (IFRS) on corporate performance: A case study of Jordan Telecom.
5. Jaarat, Dr Khaled Jamal and Khraisat, Baraah Shaheen Al. (2018). The Impact of Transition to the Application of IFRS 15: Recognition of Revenue from Contracts with Customers A Case Study (Jordan Telecommunication's Company Orange). *American Based Research Journal*, Vol. 7 Issue 02, February 2018, Available at SSRN: <https://ssrn.com/abstract=3577637>
6. Mattei, G., & Paoloni, N. (2018). Understanding the potential impact of IFRS 15 on the telecommunication listed companies, by the disclosures' study. *International Journal of Business and Management*, 14(1), 169. <https://doi.org/10.5539/ijbm.v14n1p169>
7. Nulla, Y. M. (2014a). IFRS impact on accounting quality in telecommunications industry. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.2442329>
8. Official website of Kazakhtelecom JSC <https://telecom.kz/ru/>
9. Official website of KCELL JSC <https://www.kcell.kz/en/home>
10. Official website of Astel JSC <https://www.astel.kz>
11. Official website of Transtelecom JSC <https://ttc.kz/ru/>
12. Official website of Kazakhstan Stock Exchange <https://kase.kz/kz/>
13. Official website of Информационная система «Параграф» <https://prg.kz>
14. Official website of <https://data.worldbank.org>

